

# LEAGUE OF NATIONS

## INTERNATIONAL ECONOMIC CONFERENCE

### VERBATIM RECORD OF THE PLENARY MEETINGS

#### EIGHTH MEETING

*Held on Saturday, May 7th, 1927, at 3 p.m.*

#### CONTENTS :

11. GENERAL DISCUSSION (*continuation*).

Speeches by M. Secérov (Kingdom of the Serbs, Croats and Slovenes), Dr. Stodola (Czechoslovakia).

12. ELECTION OF VICE-PRESIDENTS.

13. ELECTION OF CHAIRMEN OF COMMITTEES.

14. GENERAL DISCUSSION (*continuation*).

Speeches by M. Obolenski-Ossinski (U.S.S.R.), M. Loucheur (France), M. Belloni (Italy), M. Neculcea (Roumania), M. Klavitter (Free City of Danzig), M. Serrarens (Netherlands), the Marquis de Vogüé (President of the International Commission on Agriculture).

15. OPENING OF THE FIRST AUSTRALIAN PARLIAMENT AT CANBERRA : MESSAGE OF CONGRATULATION.

President : M. Georges THEUNIS

11. GENERAL DISCUSSION (*Continuation*).

The President :

*Translation* : I call upon M. Secérov (Kingdom of the Serbs, Croats and Slovenes) to address the Conference.

M. Secérov (Kingdom of the Serbs, Croats and Slovenes) :

*Translation* : The general impoverishment of consumers throughout Europe, in agricultural and industrial countries alike, is a natural consequence of the world war. It is the reduced purchasing-power of the consumer which is largely responsible for the economic disturbances and the reduced demand which we have witnessed since the war. It is this diminished purchasing-power, too — more especially in South-Eastern and Eastern Europe — which must be regarded as

one of the main causes of the reduced demand for European industrial products and as one of the chief obstacles to the revival of that demand.

We have therefore to consider what should be done to create or increase the demand for industrial products and to enlarge the market for manufactured goods and thereby rescue industry from the present period of depression.

There are two possibilities : In the first place, the general standard of living among consumers in industrial countries could be raised : a higher standard would increase the demand for industrial as well as agricultural products. A second equally effective way would be to raise the standard of living among agricultural populations, more especially in Eastern and South-Eastern Europe.

This standard is low because the national income is low. The national income per head of the population is, of course, much smaller in agricultural than in industrial countries and, accordingly, the standard of living cannot be as high in the former as in the latter.

This is the chief cause of the small demand for industrial products and of the prevailing economic depression to-day. It is not the new State frontiers that are responsible for the present economic situation, nor is it the reduced purchasing-power of agricultural populations. Had the State frontiers of Europe remained unchanged, the general post-war situation would still be what it is to-day. It is the present purchasing-power of the people which is too small to stimulate industrial activity.

There cannot be any great demand for industrial products in an agricultural country, because earnings are small, the national income is small and the purchasing-power of the people is thus bound to be small also. It is therefore essential in the interest of the world economic situation to raise the purchasing-power of the agricultural population ; and, as far as Europe is concerned, it is particularly necessary to raise that purchasing-

power in the South-Eastern and Eastern parts of that continent.

The low agricultural output per unit of area to-day—due partly to the primitive methods of cultivation employed and the lack of modern mechanical implements, partly to the destruction of the means of production and the loss of life in the war—precludes any possibility of obtaining large net profits.

Agricultural populations, therefore, with their small earnings, cannot be expected to create the capital necessary to develop agricultural production. To develop production, and develop it quickly, a new economic element must be introduced: agriculture must be provided with the necessary capital in the form of special agricultural loans, more particularly mortgage loans.

But agricultural credit is very dear, especially in Eastern and South-Eastern Europe, where there is no suitably organised mortgage bank which can provide sufficient credits, and the agricultural population of those countries is thus compelled to fall back on short-term bank credits at high rates of interest.

It is this form of credit which causes the high cost of production, and, if we take into account, besides, the heavy burden of taxation which those countries have to bear, we can readily see that the agricultural population cannot clear any net profits; or, at all events, that any chance profits they may obtain are very small. These populations cannot therefore save enough new capital to increase agricultural production.

If the purchasing-power of the agricultural part of the population is low, the purchasing-power of the country as a whole must also be small.

The purchasing-power of the agricultural population must be increased either by raising prices or by lowering costs of production. A rise in the prices of agricultural products would have the effect of checking the consumption of the industrial population and especially of the workers; nevertheless, in the interests of agriculture, an increase in the consumption of agricultural products is essential.

It is, then, in the lowering of costs of production that the solution of the problem lies. Just as in industry prices can be cut by the use of cheap capital, efficient machinery and sound industrial methods, so in agriculture, in order to reduce costs and thereby increase production, machinery, artificial fertilisers and other methods of improving the soil must be used and cheap capital must be available.

Having accepted this principle, which is of paramount importance not only for Europe but for the world as a whole, we are then faced with the question, first, how to obtain the necessary agricultural credit, and, secondly, whether this World Economic Conference can adopt or recommend measures calculated to restore the normal economic equilibrium by increasing the purchasing-power of the agricultural population, which alone can absorb the surplus production of industry and thereby promote economic world peace.

There are, I think, certain measures which this Conference can recommend. In the first place, a very useful step would be the organisation of an international agricultural credit institution based on collaborative action by the agricultural co-operative societies. Such an institution would be able to place the surplus capital of one territory at the disposal of the population of another. Secondly, the recommendation and establishment of a system of long-term agricultural mortgage loans at low interest, with all the requisite securities, would be of great help in bringing about an increase

in production and a rise in the purchasing-power of the agricultural population and of its standard of living.

The loans for the financial reconstruction of various countries and for the settlement of refugees have had a definitely beneficial influence on world peace; yet the economic importance of these loans is far less than that of the agricultural credits I have suggested. I should be very glad to see the Conference take up this question, and I am sure it could do useful work in this field, since agricultural prosperity is the surest guarantee of world peace.

**The President :**

*Translation :* I call upon Dr. Stodola (Czechoslovakia) to address the Conference.

**Dr. Stodola (Czechoslovakia) :**

*Translation :* Mr. President, ladies and gentlemen—It is not without emotion that I rise to speak in this historic hall, in a city which has such a great past and such high traditions.

This city of Geneva, whose people have extended such a friendly welcome to us, possesses the further distinction of having been the birthplace of Rousseau, whose great ideal, the restoration of the links between man and Nature, still points—even to-day when the social order has been wholly transformed—to the true path of mankind's spiritual development.

The present unsatisfactory economic state of the world is particularly marked in the countries of Central Europe, and more especially in Czechoslovakia, as may be seen from some of the documents submitted to this Conference.

Side by side with the general causes of this economic unrest in Central Europe, there are particular causes, due to the fact that before the war considerable economic difficulties existed in those countries and the standard of living was lower than in Western Europe.

It would be a mistake to connect this economic situation directly with the political changes that have taken place. After all, the pre-war economic physiognomy of those countries was only a few decades old, so that we can hardly talk of an economic tradition.

On the other hand, it must be emphasised that the changes in the political situation have released latent forces and impulses which have stimulated economic progress and development. For this reason, it is neither possible nor desirable to restore pre-war conditions, and the present position must be looked upon as real and lasting.

To understand the present difficulties, we must realise the economic development and the general position of the Central European countries after the war. Reserves of food, raw materials and manufactured goods were completely exhausted. Agricultural produce and cattle had been greatly reduced by war-time requisitions. Exchanges were badly shaken; there was a shortage of foreign currencies and home and foreign transport were completely disorganised. For these reasons production was seriously threatened, the purchasing-power of the public was reduced, the whole national economic system was dislocated, and there was a very real danger of disturbances.

Such were the conditions prevailing at the birth of the new States, among them Czechoslovakia, which could only rely on its own efforts to maintain its population. It was in such circumstances that the foundations of Czechoslovakia's economic policy were laid.

Having realised these difficulties at the outset, Czechoslovakia has made untiring efforts to improve her position, without relying to any great

extent on outside help. This policy naturally entailed heavy sacrifices on the part of every class of society, and led to a very great increase in taxation, which could only be borne through the thrift and frugality of the people. For that reason restrictions had at that time to be placed on the importation of certain luxury articles, not so much as a matter of trade policy as because, owing to the general situation, such goods could not be consumed.

Thanks to these measures, our people succeeded, by their own strength, labour and perseverance, in stabilising their currency and balancing their budget sooner than most of the other Central European countries.

These abnormal conditions have considerably increased the public debt, and the interest and sinking fund are now a heavy charge on every branch of production.

Thus we see that Czechoslovakia has laid the foundations of her future economic development, and has endeavoured to establish home conditions favourable to the economic prosperity of the nation.

Notwithstanding these efforts, output in many industries has not regained its pre-war level, particularly in the case of coal, exports of which have fallen by over 50 per cent. The same applies to iron and steel, the metallurgical industry, glass and porcelain, and the textile industry; and agriculture is not yet established on a firm basis, principally owing to the exports from other countries where it is carried on on a large scale. Foreign trade also has decreased appreciably as compared with the position before the war; this applies in particular to exports of manufactured goods, and the result is widespread and chronic unemployment.

Our output has decreased greatly. Some of our industries have been abandoned altogether, and our markets have shrunk. It is essential for Czechoslovakia — as, according to Sir Max Muspratt, it is also for England — to realise the fundamental changes which have taken place in the structure of the international economic system and to adapt herself to the new conditions.

We are willing to co-operate loyally with other countries in restoring international trade. We are adjusting our trade policy to this end, basing it on the principle of the most-favoured nation and on tariff conventions which are very wide in scope.

For several years past our policy, inspired by these ideals, has constantly been to reduce Customs duties. I might point out that, according to document No. 37, which has been laid before the International Economic Conference, and on which we have already made certain observations, the average increase in import duties into Czechoslovakia since 1913 is only 5 per cent.

It is not our policy to impose unduly high Customs duties. On the contrary, we are suffering from the ultra-protectionist policy of certain countries, which hampers our export trade — more than half of our production in some industries.

Czechoslovakia is endeavouring, by a suitable economic policy, to lessen the internal obstacles to the maintenance of output. We should like to see the same policy followed in the international sphere with regard to all obstacles, whether connected with Customs duties or with transport or other matters. We should like to see international credit operations made easier, and we hope that the co-operation between central banks in different countries, which is now being set on foot, will become increasingly close.

Several times, at this Conference as elsewhere, a plea has been advanced for closer economic relations among the countries of Central Europe.

I should like to make our position in this matter quite clear. We are in favour of any real economic *rapprochement* which will not affect the independence of the countries concerned; but, in order to attain this object, we must first know what attitude is being adopted towards such a system by countries which are not included in it, but which enjoy most-favoured-nation treatment under existing commercial treaties.

A distinguished member of the Hungarian delegation has delivered here a speech which was somewhat political in character. You will all, I think, agree that this is an economic conference and is intended to promote economic relations.

The primary condition of economic development is political stability based on the Treaties of Peace. We believe that, in adopting this basis and regarding the Treaties as the starting-point of our economic activities, we are taking the only road which will lead to practical success.

Several points relating to economic matters were raised in the speech by our Hungarian colleague which we shall take occasion to rectify when the Committees meet.

Ladies and gentlemen, I will now conclude. Before doing so, however, I should like to emphasise the importance of the moral forces that are bound up with the economic progress of the world.

Our efforts must be directed towards the attainment of a world economic ideal which, amid the stark mechanism of modern life, will preserve our sense of dignity, honour and greatness.

The asceticism of labour — an ideal which is especially dear to the people of this beautiful country, Switzerland — and the noble desire to put an end to social inequalities must guide and inspire us in our work; for to labour in the economic field is, after all, to labour in the service of humanity, and will bring us to the ultimate realisation of our ideal — justice and peace.

## 12. — ELECTION OF VICE-PRESIDENTS.

### The President :

*Translation :* Ladies and gentlemen — Last Wednesday I announced that I should have further proposals to lay before you to complete the organisation of the Conference. The proposals I had to make related to the election of Vice-Presidents.

I have given mature reflection to the matter, and have now the honour to propose the following list, which to the best of my belief takes account of all the practical considerations bearing upon the question.

I would remind you that on Wednesday you appointed M. Loucheur as Vice-President, and I now propose to complete the list of Vice-Presidents. As you will see from the list of members, of which you all have a copy, the names I am about to read out are placed in alphabetical order of delegations. They are as follows :

- Mme Emmi FREUNDLICH (Austria) ;
- M. DE RIO-BRANCO (Brazil) ;
- Sir Arthur BALFOUR, K.B.E. (British Empire) ;
- M. O. C. S. SONNE (Denmark) ;
- M. C. F. VON SIEMENS (Germany) ;
- Count BONIN-LONGARE (Italy) ;
- M. T. SHIDACHI (Japan) ;
- M. M. J. OUDEGEEST (Netherlands) ;
- M. H. GLIWIC (Poland) ;
- Mr. Henry M. ROBINSON (United States of America) ;
- M. V. OBOLENSKI-OSSINSKI (U.S.S.R.).

If there is no objection to this list I shall regard the eleven persons whose names I have just read

as appointed Vice-Presidents of the Conference. (*Assent.*)

### 13. — ELECTION OF CHAIRMEN OF COMMITTEES.

The President :

*Translation* : I have still to propose the Chairmen of the three main Committees which you have decided to set up.

I propose the following :

Chairman of the Committee on Commerce :  
M. COLIJN (Netherlands) ;

Chairman of the Committee on Industry :  
M. HODAC (Czechoslovakia) ;

Chairman of the Committee on Agriculture :  
M. FRANGESCH (Kingdom of the Serbs, Croats and Slovenes).

If there is no objection. I shall regard this proposal as adopted. (*Assent.*)

### 14. — GENERAL DISCUSSION (*Continuation.*)

The President :

*Translation* : I call upon M. Obolenski-Ossinski (U.S.S.R.) to address the Conference.

M. Obolenski-Ossinski (U.S.S.R.) :

*Translation* : More than seventy years ago the celebrated French economist, Proudhon, published his *Système des Contradictions économiques ou Philosophie de la misère*. These terms might, I think, aptly be applied to our own time. The present economic system of the world may rightly be described as a system of "contradictions économiques", and the social philosophy of our time is for the most part a "philosophie de la misère".

The present world economic system is a veritable maze of contradictions. We find them everywhere. Though interlinked, they are infinite in number and variety. It would be impossible to enumerate them all, but no adequate review of the present situation can be given without a brief reference to the most important of them. That is not only possible but is very necessary if we are to obtain a clear idea of the true situation.

Suppose for a moment that we proceed to classify, in order of economic prosperity, the countries represented at this Conference, and also those not represented here.

We should give first place to the United States, the economic victors of the world war. We should place next the neutral States and the British Dominions ; next would come England and France, the military victors ; then conquered Germany and the new States in Eastern Europe ; and, finally, we should have the agricultural countries of the East and the semi-colonial and colonial territories.

If the experts who prepared the documentation for the Conference had drawn up a comparative table showing the conditions obtaining in all these countries — their national wealth, the national income per head of the population, the consumption of certain commodities, the average wages paid, the average length of the working day and so on — we should find a pitiful state of affairs attended by startling inequalities.

These conditions existed before the war, it is true, but they have since become steadily worse.

It must be remembered that the whole population of the world — about 2,000 million — was swept into the tide of war. Even the most backward countries were aroused from their age-long slumber.

All are now aspiring to economic and social equality, and no one who fails to grasp that truth can ever find the key to the social psychology of the age.

But since we possess no such comparative table, all I can do is to quote a few characteristic figures from existing sources.

According to Harvey Fisk, the national wealth per head of population in the United States is 2,091 dollars ; in Italy 531 ; in Japan 268 ; in India 142, or only one-fourteenth of that of the United States.

The national income in India is only one-twentieth of that of the United States.

According to the latest figures given by the *Revue internationale du Travail*, real wages in Philadelphia are 88 per cent higher than in London, and in Berlin and Vienna they are respectively three-quarters and one-half of what is paid in London.

The American textile-worker earns from 60 to 90 dollars a month, while the Chinese textile-worker only earns 3 or 4 dollars.

In Europe they talk of an eight-hour day — though they do not observe it — but in China men work from twelve to seventeen hours a day for seven days a week, without a break.

This simple statistical comparison reveals an aspect of the picture which, though not perhaps as obvious as, let us say, the quays of Lake Geneva, is nevertheless sufficiently striking : it is arousing bitter resentment on the quays of Hankow and Shanghai and it will eventually bring its inevitable consequence.

To return, however, to the contradictions in the economic system of the world. The most general and the most obvious is the enormous disparity that exists between the productive capacity of industry and the purchasing-power of markets. It is revealed by the incomplete use that is being made of the instruments of production. Even in the United States, one of the most prosperous countries in the world, 25 per cent of the ironfounding plant and 25 per cent of the mechanical engineering plant is standing idle.

In England, 41 per cent of the metallurgical and 45 per cent of the textile plant is unused. In Poland, the figures are higher still. This phenomenon is so well known that I need not trouble you with fuller details. The root-causes of the situation are the reduction of the purchasing-power of the working and peasant classes in the majority of countries, the ruin of whole States, and the policy of boycotting and violence applied to large countries such as the U.S.S.R. and China. As the result of the late war, certain states are burdened with payments which oblige them to sell commodities — a senseless procedure from the economic point of view — to throw them on the market or, conversely, to refuse to buy commodities that they actually require.

The reduction in the purchasing-power of the working-classes is one particular feature of another contradiction which has attained enormous proportions. I refer to the contradiction between the economic position of the working classes and that of the business capitalists. This contradiction is particularly striking in the United States. It is true that the well-known American economist, Thomas Nixon Carver, says that in America all the workers have become capitalists and economic contradictions no longer exist ; but the absurdity of this statement will be seen from the fact that, despite the democratisation of joint-stock companies, 75 per cent of the total shares held are in the hands of 4 per cent of the shareholders. Of the total dividends paid out in 1924, only 8 per cent went to wage-earners. There is a great deal of talk in America of workers' banks, a system under which it is claimed that the workers control

the bank's capital. But the total capital and deposits in these banks as a whole amount to less than 1 per cent of what is known as the "banking power" of the United States; the actual proportion is only 2 per thousand.

The real wages of workers in the United States in 1925 were, it is true, 25 per cent higher than before the war; but the real profits reaped by the industrial capitalists were far greater. Professor Varga calculates, on the basis of data obtained from American industrial circles, that the total income from industrial capital in 1911 was a little under 5 milliard dollars, whereas in 1923 it was slightly over 13 milliard dollars. In other words, it was two and a-half times as great.

Despite the upward trend of wages, the gulf between capital and labour has widened. During that period the class-consciousness of the workers, their economic claims and their demands for social equality greatly increased. There are in the world to-day not only what are known in Russia and Germany as "shears" between the curves of industrial and agricultural prices, but also social-economic "shears" which are no less important and no less sharp.

In Europe, real wages are, at best, on the same level as before the war. East of the Elbe they are — except in the U.S.S.R. — below the pre-war level. This phenomenon is only natural when one considers the enormous number of unemployed in the world to-day. In one of the most recent documents issued by the League of Nations, the number of unemployed, including their families, is placed at 20 millions, which is equal to the population of a fair-sized European State, and this at a time when the United States are short of labour and, notwithstanding, have practically closed their frontiers to European immigration.

At first sight, it may seem strange that, with so much unemployment in the world, the working day should be lengthened for those actually employed: yet this process — one of the lesser contradictions in the economic field — is very much on the increase. The Washington Resolutions of 1919 concerning the eight-hour day have never been ratified. The U.S.S.R. is the only country where the working day does not exceed eight hours, and is indeed only six hours in the mines. The working day in England, Germany and other countries is tending to become longer. According to the *Official Gazette* of the British Ministry of Labour, the number of British workers whose working day was lengthened in 1926 was approximately a million.

All these facts are illustrative of the general offensive conducted by industrial capitalists against the working classes. This offensive is already taking the form of an attack against the trade-union right of association and the right to strike. From the economic point of view it is a sure sign of the sharpening of the contradictions that exist between labour and capital. For, I repeat, class-consciousness and the just claims of the working classes have grown apace.

An equally sharp contradiction is that which exists between capitalist industry and agricultural production. The former is fully organised and in close touch with business and banking capital. Agriculture, on the contrary, is in the hands of millions of small producers. The researches of experts in agrarian economics proved long ago that in almost every country in the world there is a vast disparity between agriculture and industrial price curves, the advantage being with the latter. The term "price shears" has been applied to this phenomenon.

One of the Conference's latest documents shows that, taking the average for every country, the agricultural purchasing-power is less than 90 per cent of what it was before the war, being somewhere between 74 per cent and 90 per cent. Given equal conditions, prices of industrial products on the rural market should have fallen to an equal extent. The outcome of the system of monopolies and cartels, which has been growing since the war, is, therefore, quite clear. Nevertheless, the relatively low rate of agricultural prices is directly connected with the reduction in the purchasing-power of the working classes, for the workers are the principal purchasers of articles of consumption.

But in the capitalist world itself we find a whole series of contradictions — of conflicts. Let us pass over the less important of these — between capitalists in various branches of industry and between industrial, business and banking capital. The principal contradictions are between the powerful national capitalist groups in control of the big Powers to-day. A fierce struggle is raging in this domain, the struggle for sea and rail routes, for export markets, for sources of raw materials, for openings for capital investment. I could quote endless instances of this struggle and of the contradictions to which it gives rise. As regards the sources of raw materials, for example, it would be quite wrong to confine our attention to the two commodities — oil and rubber — which are attracting most general attention. There is also a bitter struggle for iron, copper, timber, cotton, wool, potassium and many other commodities. It would be equally wrong to consider only the two greatest world States — the United States and England. France, Italy and Japan are also engaged in this extraordinarily intense struggle, which constitutes such a deadly menace to the peace of the world, and which, as I say, is being waged in four directions at once. The struggle for raw materials is the most plainly visible, but it is not the most important. It is astonishing to think that none of these problems are suggested as subjects for discussion at a Conference which is asked to study the economic difficulties that threaten the peace of the world.

While the great contradictions between the imperialist systems themselves were assuming vast proportions, some of these countries transformed into a contradiction of the sharpest kind the innate contrast that exists as between the capitalist system of the European-American world and the Socialist system of the Soviet Union.

The existence of this contrast does not imply that these two parties must necessarily come into actual conflict. The Soviet Union at any rate sees no inherent necessity for that. Socialism is not merely a system of economic and national equality; it stands primarily for peace. A peaceful foreign policy is a permanent feature and forms an organic part of the policy of the Soviet State. The fact that dissimilarity exists between two economic systems, which are forced for a limited period to exist side by side, by no means precludes the possibility of a practical understanding between them. On the contrary, such an understanding is perfectly feasible. For that reason, the economic and financial boycotting of the U.S.S.R. which has been attempted with partial success in recent years has formed an unnecessary addition to the confusion already existing in the world. The share taken in world trade by the territory now comprised in the U.S.S.R. amounted before the war to 4 per cent. By 1925 it had fallen to a little over 1 ½ per cent, chiefly through the lack of requisite credits. Nevertheless, the part played by the Soviet Union in world trade and in the world money market is capable of increasing to dimensions larger even

than before the war. The absence of the U.S.S.R. from these markets and its partial exclusion from world trade have aggravated the effect of the disturbances resulting from the reduced purchasing-power of the world as a whole.

The contradiction between the great empires of the world is closely connected with the other great contradictions in economic life to-day. The powerful groups which control the contemporary world States are causing violent conflicts between the interests and rights of the mother-countries and their colonies. The struggle for export markets, sources of raw materials and openings for capital investment is also a struggle for economic exploitation with the maximum yield. Accordingly, colonial and semi-colonial countries are regarded as mere chattels, and their natural wealth as the property of the governing State and not of the actual population of the country. The population is looked upon as a mere collection of human beings with no sovereign rights, who have not reached a stage of maturity sufficient to enable them to take their economic and political destinies into their own hands.

This contradiction, which already existed before the war, became sharply accentuated after the close of hostilities. The whole world having been divided up, the next step was to intensify the exploitation of the colonies. But the national consciousness of the colonial peoples and the class-consciousness of colonial workers have also grown. The ineradicable sympathy which the chief republic of the world feels for colonial peoples, and more particularly for the people of China, in their struggle for their rights, is consonant with the inexorable laws of history.

The contradictions of the world capitalist regime may be described as constituting one long and constant world crisis, independent of the periodic economic crises and the periodic alternations of activity and depression.

In their more acute phases these contradictions take the form of a series of revolutions and armed conflicts which for the time being are only in the nature of guerrilla warfare. But the large-scale armaments which are still being maintained together with the acute economic struggle now being waged render the menace of a new war, a fresh world cataclysm, a very real one.

What are the reasons for all these contradictions, and what has made them so intensely acute? The primary cause undoubtedly lies in the actual character of the economic system under which they have arisen. It is a system of private ownership in which the constant aim is to obtain the greatest possible return on outlay. It is organised in large producing units, and these units, which tend more and more to coalesce, are passing through a process of capitalist concentration. At the present stage in the development of the capitalist economic system, the big concerns are combining more and more, either by the help of financial capital or by forming national and international monopolist alliances.

Any economic system based on private ownership necessarily implies competition between individual concerns. As the production of capital is concentrated in fewer hands, this struggle becomes more intense and more embittered. It covers an ever-growing field, although externally it may become less intense as far as certain secondary interests are concerned. When capitalist undertakings come to be organised on a national scale, it is only natural that the strength and resources of the State should be drawn into and expended on this competitive struggle. But the State stands for organised force. Armed force has been an essential feature of every form of

State that has existed hitherto. The fight for markets for cheap raw materials, for profitable fields of capital investment, which have now to be sought outside the national frontiers, the tense struggle between the national capitalist alliances of different countries, all the old forms of economic competition, in fact, eventually develop into armed competition between capitalist empires.

For a time this competition may appear peaceful, or at all events semi-peaceful. The seizure of markets and of territories only leads to minor colonial wars, but, when the contradictions which exist between the imperialist groups grow more accentuated and come to a head, a vast armed conflagration, a great war, ultimately breaks out. A great war between world Powers is a world war, and represents an attempt to solve by violent means differences which existed in the world in the preceding generation. The world war 1914-18 was an attempt to solve the accumulated contradictions of the previous forty years. Thus it is not the world war that is the cause of the present organic crisis in the world economic system. The war itself was simply a part of a vast complex crisis which had been developing for decades as a result of the expansion of the monopolist capitalist system.

There is no real way out of the complications which have recently arisen through these world-wide contradictions, or, rather, there is only one way out—to transform the whole economic system, or, in other words, to change over from the capitalist system, based on private ownership, to the socialist system. The contradictions that exist in the world economy of to-day will not disappear, nor will the menace of war be permanently removed, until the producers themselves take over the management of productive trusts, which to-day have assumed nation-wide proportions, and until production, instead of being carried on in private interests, is designed to satisfy the requirements of the producers themselves. All other solutions are vain, and will only aggravate these contradictions, or at best temporarily mitigate their harmful effects, only, perhaps, to give rise to still more serious troubles in the future. The proposals for the alleviation of the present economic crisis which M. Loucheur put forward in his Berlin speech prior to the present Conference and those submitted by M. Jouhaux at this Conference itself can only be regarded as purely theoretical solutions.

M. Loucheur looks, for the solution of the present difficulties, to the gradual lowering and eventual abolition of Customs duties throughout Europe. He also puts great faith in the organisation of cartels to regularise production, reduce competition and establish a certain degree of order in the distribution of products of all kinds. He thinks that his plan, if carried into effect, would react favourably upon the economy of Europe and of the whole world. To me, however, the net result of these proposals, in so far as capitalist society is concerned, will be the following:

1. The process of industrialising agricultural countries will be arrested, since those countries will be forced, under the pressure exercised by more powerful States, to lower their Customs duties.

2. The more powerful States will retain high Customs duties (the weapon of protection, indeed, will never be renounced for purely abstract reasons, especially where there is a powerful group of undertakings which controls not only its own consolidated interests but the social services as well).

3. The smaller countries, which cannot play any large part in the system of industrial cartels, will be crushed.

4. The struggle between America and the European cartels will be intensified.

5. Prices in Europe will probably rise.

6. European employers, combined in cartels, will press still more heavily on the working classes.

For these reasons, it seems to me that M. Loucheur's plan might better be described as a bid for freedom of commerce for monopolist cartels.

M. Jouhaux's plan is at bottom no more than a corollary to and a practical application of M. Loucheur's plan. At the same time, it coincides absolutely with that of the Second International which has appeared in the Press. M. Jouhaux, like M. Loucheur, advocates the reduction of protective duties. As a supplement to M. Loucheur's plan, M. Jouhaux expresses in a vague general form his concern at the deplorable position of agricultural producers to-day. But the main point of his speech is his proposal to establish under the League of Nations a permanent Economic Council to prepare an organisation which would ensure co-ordination in European economic questions, including, in all probability, the co-ordination of cartel activities. The Second International has already proposed an organisation for the democratic control of these cartels. Masters, consumers and workers are all to be represented on it. M. Jouhaux accordingly thinks that the Economic Council should be composed of eighteen persons, of whom three would be masters and three workers. The twelve State-appointed representatives would also include representatives of the consumers' interests.

M. Jouhaux evidently wished to build a democratic façade to M. Loucheur's plan. Doubtless M. Jouhaux finds that a very pleasant occupation; but it does not hold out to the world any greater hopes of positive achievement than the "socialisation commission" once created by the leaders of the Second International. Nor does it promise any more than the working classes already obtain through the institutions attached to the League of Nations which are already engaged in the study of labour questions.

The proposed organisation, like all similar organisations, would be without power to prevent the harm resulting from the *real* play of the factors which actually dominate the situation. It would be a mere plaything in the hands of these forces, or rather a shield for their activities.

In this connection I might venture to refer to one point in regard to which many here present may perhaps feel some uncertainty. Does my scepticism as to the value of MM. Jouhaux and Loucheur's free-trade schemes mean that I am opposed to the laudable principle of free trade itself, or that I am prepared to defend Customs duties, which, as has been said, constitute such a tremendous obstacle to the development of world trade?

My reply is that in these matters the question of "principle" does not arise. I defend the right of colonial countries to freedom in Customs matters, and I consider that they have the right, where necessary, to establish protective duties. I believe in Customs duties as a deliberate means of co-ordinating the foreign trade of the Socialist State. I fully subscribe to the proposal to lower tariff duties in the big industrial States. My attitude towards this question must vary according to the actual purpose for which these taxes are levied by different economic entities and in regard to different economic units. I do not regard such questions as questions of principle.

But, I shall be told, the schemes for the reorganisation of Europe on socialistic lines have no bearing upon conditions at the present day or even in the present year. If the co-existence of the bourgeois and the Socialist systems for a limited period is regarded as feasible, it is *ipso facto* implied that the bourgeois system still has a further lease of life before it.

The world economic system is passing through a period of acute crisis. The consequences of that crisis will have a far-reaching effect on the situation of the masses. What are the measures that should be taken or that can be taken to remedy the worst of these contradictions, to improve the situation of the workers and to facilitate the transition to a new era in world economy? The following concrete proposals may furnish the answer to this question.

It is essential that:

1. All war debts and all payments relating to the war should be cancelled, this being the sole means of ending the contradictions which are the direct heritage of the war of 1914-18. The cancellation of such debts would be a great step towards the restoration of world trade.

2. All industrial workers' wages should be raised.

3. The eight-hour day should be restored and a six-hour day should be introduced in mines and in occupations that are especially arduous or unhealthy.

4. The working classes should be given full and genuine freedom of association and an absolute right to strike.

5. A system of real and effective relief should be introduced for the unemployed, particularly for those thrown out of work through what is known as the rationalising of production. For this purpose, heavier taxes should be levied on the incomes of the wealthy classes, and all unproductive forms of consumption, military or official functions, luxury articles and the like should be cut down.

6. Strong measures should be taken to combat the raising of the prices of industrial commodities, particularly by cartels.

7. All barriers to the migration of the surplus population of one State to another should be removed.

8. Protectorates and mandatory systems should be abolished, troops should be withdrawn from the colonies and all nations should be allowed self-determination both in the political and in the economic field.

9. All military intervention in China should cease. China should be granted full political and economic self-determination with a view to the re-establishment of normal economic relations between herself and the rest of the world.

10. The economic and political boycott, in whatever form, of the Soviet Union should cease, and the relations established should be based on acceptance of the fact that two different systems must exist side by side. The Soviet Union should be granted credits to strengthen its purchasing-power; concessions should be given in the Soviet Union to foreign capital; technical co-operation and a system of exchange of information in the sphere of industrial technology should be established; no further attacks should be made upon institutions which form an indissoluble and organic part of the Socialist system—in particular, the State monopoly of foreign trade.

11. There should be complete and effective disarmament, and all permanent land and sea forces should be abolished. All plant and equipment intended for military purposes should be dismantled under the supervision of the workers' and peasants' organisations.

Public opinion in the Soviet Union unanimously holds that not only is peace as dear to the heart of all peoples as life is to man but that it is the fundamental condition essential for all work in the economic sphere. Public opinion in the Soviet Union repudiates the capitalist and imperialist system for the very reason that it leads to war. The Soviet Union will do its utmost to support all practical measures to reduce the dangers of war and to save the lives of the workers in every country. It is itself prepared to take all measures that may be necessary to this end.

**The President :**

*Translation :* M. Loucheur (France) will address the Conference.

**M. Loucheur (France) :**

*Translation :* Ladies and gentlemen — As you will readily understand, my first duty is to express my thanks to our distinguished President, M. Theunis, and to the whole Conference for the honour which has been done me in appointing me Vice-President, an honour which you will, I am sure, allow me to regard as one conferred on my country.

Now that this very interesting discussion is drawing to a close, I desire to remind you of the purpose of this Conference, which was convened in pursuance of the suggestion I made to the League of Nations in September 1925, following upon a previous suggestion made by M. Jouhaux in 1924.

Whatever views may be held in some quarters, the main object of the League of Nations is to pave the way for and to maintain the peace of the world. It adopts political means to obtain this end, and you will, of course, recall the important discussions that have taken place in this hall in the attempt to develop still further the means originally provided in the Covenant in order to safeguard peace against aggression.

But, as M. Scialoja said in 1925, these are simply means to prevent impending outbreaks, and we felt that we ought to go to the root of the evil. History shows that many wars in the past have been due to economic causes, and we thought it desirable accordingly to study these economic causes and endeavour to remedy them — to go, as I say, to the very root of the evil.

The number of nations which have responded to the Council's appeal is very large, and the presence of so many eminent men here is an ample reward, I will not say for our own efforts, but for the international effort of the sessions of the Assemblies of 1925 and 1926.

Now that we are nearing the close of the general discussion and are about to go into committee to consider matters of detail, it may perhaps be well to see whether the discussion — which, far from having shown up conflicting dogmas and theories, has consisted throughout of frank and honest explanations in regard to the position of individual countries or individual views on the present world economic situation — it may, I say, be well to see whether the discussion has brought to light anything that would guide us on our way and enable us here and now to outline the work of the Committees which are about to meet.

I therefore propose to discuss commercial relations, in the strict sense of the term, and the question of the organisation of industry,

and, since the Russian delegate has done me the honour of singling me out for special mention, I shall also take the present opportunity of replying briefly to the speech — a very interesting one from certain points of view — which he delivered from this platform.

The position is this : we are like doctors called in to attend a patient, and each one of us is endeavouring to form an accurate diagnosis of the malady. As always happens in such cases, the difficulty is to distinguish the symptoms from the disease itself — in a word, to find the real causes, for it is these that we must remove. We should be guilty of a grave error if we simply prescribed antipyrin to allay a fever without attacking the fever at its origin.

A great many speakers seem to be agreed that the root-cause of our troubles lies in the difficulties placed in the way of trade during the post-war period which has just closed. What they have in mind is the growth of an ultra-nationalist sentiment, which was perhaps natural after such a period of turmoil and was unfortunately sometimes justifiable in the interests, the legitimate interests, of security.

Considerations such as these led certain countries to resort to commercial expedients such as import restrictions, export duties and the artificial maintenance of the trade balance, with the net result that a number of useless industries were created and others were maintained which had no element of permanence.

What can the Conference do in the matter? For, I repeat, my only object in addressing you now is to put before you practical proposals for the solution of these problems. The Conference can hardly interfere in matters of national economy, but it can, and I think ought, to map out definitely and clearly the path to be followed in regard to a number of questions which I will now proceed to define.

In the first place, one of the bitterest complaints we have heard and one which recurs again and again like a *Leitmotif*, relates to the obstacles to which I have just referred. These take the form of import and export prohibitions. In this connection I would merely remind you that a comprehensive scheme has been drafted by Committees convened by the League of Nations, and this scheme is to be considered by a diplomatic Conference in November next. The International Chamber of Commerce, which is so brilliantly represented here, has proposed certain modifications. We think that the first duty of your Committee on Commerce should be not to revive the protracted discussion which has already taken place regarding the drafting of the scheme now submitted to the different States but to see whether it should not be supplemented, with due reference to the very interesting suggestions that have been laid before us here.

I do not think that this first question will give rise to any serious difficulties, and I shall therefore pass on to that of the Customs tariffs themselves.

Before attempting to set in order the ideas we are to adopt, we should perhaps come to a frank understanding in regard to Customs barriers. The idea which was mooted by the American Committee of the International Chamber of Commerce and to which Mr. Runciman referred in his very interesting speech cannot be put into practice, and that for a number of reasons. The United States of Europe : that is a fine idea, a noble idea, but from the political point of view it clashes with our traditions and our history and with differences of language and custom ; while from the economic point of view, too, it is barred by considerations of security and on account of the political



upheaval which would in many cases result from it.

I am well aware that some countries are accused of being ultra-protectionist, often indeed by those very countries which, without owning to it, regularly levy much higher duties than any others.

I often think in this connection of the old Scriptural reminder about the mote and the beam.

We are as strongly opposed as anyone to tariff competition, which, as has been truly said, is closely akin to competition in armaments. The results of such a policy are bound to be deplorable. Nevertheless, as you will also realise, the total abolition of Customs barriers might engender all kinds of difficulties. How could such methods possibly be used in certain countries, when they would destroy the balance between agriculture and industry, on which the national life essentially depends? Here political considerations must prevail over economic ideals; moreover, I note — and I view it as a sign of progress — that no one has come forward to propose general free trade. In our view, such a step would solve nothing.

I will not stop to recall the very justifiable criticisms which have been levelled against the existing diversity in Customs nomenclature. This not only constitutes a material hindrance to exporters but is often made an excuse for distorting the meaning of words and refusing fair play. This is surely a matter in which the Conference should take strong action.

It should note first that a number of industries have reached an agreement on international lines in regard to the Customs nomenclature relating specifically to them. It should lay down rules for the establishment of a general common nomenclature, and suggest that the Council of the League of Nations should carry them into effect, leaving it to the Council to entrust the work to whatever organ it may think fit.

We cannot go on working under the conditions of tariff instability that have subsisted ever since the war. When tariffs are published they must be declared valid for a specified time. No country should be free practically to close a frontier at a moment's notice by suddenly deciding to increase its duties; and I am sorry to say that this is often done by States which proclaim their free-trade principles. But I confess that all these words appear to me to have lost their real meaning nowadays and to have been caught up in a veritable whirlwind of mad ideas.

Tariff stability can, of course, be achieved by means of commercial agreements between individual countries; but other countries may refuse to conclude such agreements. They may say to the other nations, in a wide and liberal spirit: "I grant you all equality of treatment"; but if they can modify their tariffs at a moment's notice it simply amounts to equality in misfortune ("égalité dans la misère"). The First Committee of the Conference, if it shares this view, must demand that tariffs shall be stabilised for a reasonable period and must take action and ask the Council of the League to call a diplomatic Conference for that purpose.

We now come to a third question, and one which is equally important.

There is no need for me to explain to men as well informed as the members of this Conference what different methods are followed by the individual countries in framing their commercial agreements.

An effort should be made, in our opinion, to reduce these methods to uniformity. At the same time we admit that, if we tried to do this at once, we should be putting the cart before the horse. We cannot begin to seek common methods of framing commercial agreements until uniform nomenclatures have been adopted and tariffs have

attained a certain degree of stability. A single example will make my point clear. The operation of the famous most-favoured-nation clause, which has given rise to so much controversy and has so often been mentioned here, is at the present time often vitiated by "clever" (to use a polite expression) modifications of nomenclatures which lend themselves only too readily to such subtle methods. Most-favoured-nation treatment must in future be granted without any reservation, whether actual or mental.

Should this complex task be undertaken while the unification of nomenclatures is still being carried on? In some cases it should and in others it should not; the answer to the question will depend on the actual wording of the nomenclature. The various stages of this work should, we think, be mapped out now — at any rate in outline — by the First Committee. We must, of course, not deceive ourselves as to the ambitious nature of the task to which we have set our hands; what it will ultimately mean is the general modification, within a suitable period, of the methods at present in use.

Then again, many of these commercial agreements do not contain penal clauses. France, adhering to the attitude she has adopted since 1924, proposes that their execution should be safeguarded by means of arbitration clauses, disputes being referred, when necessary, to the Permanent Court of International Justice. The general adoption of this principle, which is essential if we wish to provide the different countries with guarantees for the security of their trade, will, of course, mean the institution of a new organ of the Permanent Court of Justice. Special chambers might be created to deal with litigation of this kind.

Lastly, there is the question of the tariffs themselves. In this matter neither the Conference nor any other body can override State sovereignty. Obvious though a truth may be, it cannot be put into practice until it has been accepted by the masses, and this first Conference must provide the means whereby we can repeat the truth and proclaim it anew and thus advance towards economic disarmament, which is the object of all our aspirations.

Interesting and important though these matters may be with which the Conference has to deal, we feel strongly that its efforts in this direction will only lead to the cure of certain symptoms of the disease. To repeat my simile: we shall simply have prescribed antipyrin to allay the fever. Necker used to say that political economy was like a roundabout: it was often impossible to distinguish the beginning from the end, the cause from the effect. Let us make haste to discover the true causes.

As Professor Cassel asked in his admirable speech (with which I do not wholly agree, but which nevertheless contains many useful lessons), what is the principal reason for our presence here?

If there were not four million unemployed in old Europe, not to speak of the unemployed in Russia, would so many nations have sent official representatives to Geneva? It is unemployment that we must cure; unemployment, this terrible evil with its attendant ills, demoralisation of body and soul. How are we to combat it? How are we to alleviate it? We must remember, in the first place, that it is not really due to the special situation created by the war. During the war Europe lost millions of young men fit for work, so that in any case the labour required to keep production up to the pre-war level is short by that number: yet, despite this reduction, some 10 per cent of the workers are unemployed, have become

a burden on the national resources and are gradually losing the habit of regular work.

Does the cause of this unemployment lie in those difficulties relating to the circulation of goods to which I referred a moment ago, and which, of course, we all desire to remedy? Or does it lie, as M. Cassel seemed to think, in the abuse of certain monopolies?

No; such a solution would be too simple, and if we persuaded ourselves that it was the true solution and imagined that we had therefore accomplished our task, we should be wrong.

As my friend Mr. Layton said yesterday, to adopt the slogan of back to pre-war conditions would give a completely false impression of the problems with which the world is faced.

The truth is that to-day Europe as a whole can no longer sell either in the home market or elsewhere all the products that her working population can manufacture. She is obliged to maintain more than one-tenth of that population idle and, in many cases, even, to limit the hours of work of the other nine-tenths.

What is the cause of this? What has happened? That is the whole problem that we have to consider and solve.

In the first place it is clear that Europe has lost foreign customers. Currents of trade have changed. If we regard Europe as a separate entity, we are inevitably led to contrast her position with that of the United States of America.

One of the causes of the evil is the complete change which has taken place in the position of the United States. Before the war that country borrowed large sums from Europe for purposes of equipment and as a means of obtaining the necessary capital. American producers had an unrivalled home market to supply and accordingly troubled very little about exportation.

To-day, however, America has repaid its loans, and from being a debtor has become a creditor nation. It holds more than half of the gold in the world. With a remarkably shrewd anticipation of events, it has developed the power of consumption of its home market. Are you aware that in America wages are about 240 per cent above the pre-war level while the cost of living has only increased by 170 per cent? Consequently the wages of the American worker have increased his purchasing-power, his power of consumption, by some 40 per cent. Yet, notwithstanding this increase in the power of consumption of the home market, the American producer is exporting more and more every day, and he is bound to do so at Europe's expense.

I might quote figures showing the increases in American imports into Europe, but my point is better illustrated if I take the case of the countries of South America. Our trade there is gradually declining. In Brazil, for example, Europe as a whole accounted for 67 per cent of the total imports in 1913. By 1924 this figure had fallen to 54 per cent. The same thing is taking place in the Argentine Republic and Chile.

Remember that I am not implying any criticism. I am simply stating facts. The cause cannot perhaps be helped, but the effect on the distressful condition of Europe is none the less certain. I need not add that important markets such as those of Russia and China are at the present time, if not closed, at any rate unable to receive any large proportion of our production.

Let us now turn to the territory of Europe itself. Whereas productive power has increased, the power of consumption of Europe, its purchasing-power, far from increasing, has diminished.

Why? One of the principal causes is the decrease in the purchasing-power of gold. Thus, in countries

which have kept a sound currency, consumption has still declined. This phenomenon is, of course, more accentuated still in countries where the value of the national currency has fallen. The reduction in the purchasing-power of gold in those countries is intensified by the fall in the value of the national currency. Many of the inhabitants — those living on unearned incomes and to a certain extent officials and even workers — have found that, while the purchasing-power of the national currency has fallen, the amount of money they have to spend in that currency remains the same or has not increased in proportion to the fall in the currency value.

Take the example of a French *rentier*. He cannot earn additional income by his labour, nor can he buy one-fifth of the quantity of food and other commodities he obtained in 1914. Workers' wages, it is true, have kept more or less parallel with the increase in prices, but in all countries there has been a regular "re-grading" of purchasers and an all-round drop in consumption.

We find these views confirmed if we glance at the home consumption of certain staple products — such as cotton and wool, for example. Here, again, a very instructive comparison may be drawn between Europe and the United States. I said just now that in the American home market the purchasing-power has greatly increased. As an instance of the contrast between America and France I often quote the fact that an American workman can buy a motor-car with three months' wages, whereas in France three years' wages would be required to purchase the same car. The wages are thus in the ratio of 1 to 10 or 12.

How can this situation be remedied? By winning back foreign markets? Undoubtedly, and it is imperative that steps should be taken without delay to introduce rationalisation and to reduce cost prices; but if we are to compete with the prices obtaining in countries which possess enormous home markets, the rationalisation of industries must not be limited to any one country, but must be capable of extension so as to cover the whole of Europe.

This in itself constitutes a reason for the institution of international agreements in a number of industries.

At the same time we must increase the purchasing-power of the colonies — for example, by the introduction of capital — and give the new peoples further opportunities for development.

But you will realise from what I have just said that the primary need is to increase the purchasing-power of the populations of old Europe — since as a result of the stoppage or slackening of currents of immigration they are to be forced to live in their own countries — by endeavouring to build up that purchasing-power on lines similar to, though I do not say identical with, those of the United States.

Is this easy? Is it even possible?

It would, of course, be absurd simply to change everything that is done here and adopt whatever is done over there. The conditions are not the same; the immense resources of raw materials which North America possesses give her a position which is and must remain a privileged one.

People over there are readier to take risks. In our older countries we are always afraid of and often dislike those who take risks. On the other side of the Atlantic they are helped, and even when they fail people feel for them an indulgence akin to affection. I might compare Europe to an old city where an endeavour is being made to lay out wide new streets, at the same time ruthlessly sacrificing the old church, a treasure-house of art and a sanctuary of old memories, and destroying the charm of the old familiar

nooks and corners. Everything would have to be pulled down and a great deal of money spent before any result could be obtained.

This is not how we should act. We must go forward slowly and warily, step by step.

Our peoples no longer have the ardour of youth which glows in the eyes of our American friends. We have attained the caution of maturity.

On what lines then shall we proceed ?

It seems to me that our only course is to organise European industry on the so-called horizontal method, that is — organise it by industries. This method alone will enable us to make the radical changes that are necessary ; and so we are brought back again to agreements and cartels. Their merits will be discussed by the Second Committee. I might simply point out here that they will help to solve the question of Customs barriers — most important of all — and they will permit of the parallel and simultaneous raising of wages and thus restore to post-war Europe the purchasing-power of pre-war Europe.

At the same time we must not allow ourselves to be carried away by all these advantages : we must be fully alive to the drawbacks of the system.

Agreements, whether they take the form of syndicates, cartels or trusts, have a very useful and necessary function to perform. When we speak of them, we always think of the profits they bring to producers, and the power that may thereby be placed in the hands of those at the head of these organisations, which may, it is feared, rapidly become States within the State. Indeed, Mr. Robinson reminded us yesterday of the precautions which have had to be taken in his own country to prevent the abuses that arise under this system. We are not here to prescribe legislation, whether national or international, but we must say whether precautions are necessary.

Several of our colleagues have pointed out that their countries, not being producing countries, are afraid of being let down. Other countries, again, whose production is still only on a small scale but is steadily growing fear that in the general distribution of production they may not receive a share commensurate with their latent possibilities of development.

The workers are afraid that, if coalitions are formed comprising masters only, they themselves will receive harsh treatment ; and lastly, the consumers, who have hitherto been dumb, may, it is claimed, eventually compel the State, as their natural representative, to intervene.

In actual fact, however, these fears will often be groundless. Everything will depend on the spirit in which the heads of these organisations act : at the same time, precautions must be taken to make it possible to deal with those who abuse their powers.

To the numerous industrialists who are here present I would say that they must realise the profound difference which exists between private, limited negotiations and general negotiations.

Those who are wrapped up in their daily task, industrialists and business men working in their factories or offices, little realise the part played by public opinion. If they are only engaged in ordinary routine work, they never know the tyranny of that sovereign mistress of the political world — public opinion. But when the field of action is enlarged, public opinion will make its power felt, and it is perhaps here at Geneva that that power will be felt most, even spreading throughout the world. The further we advance, the more will this be the case.

Geneva will become, if it has not to some extent already done so, the world exchange, and we

must instal what I might call an economic alarm-bell here.

How are we to do this ? That is a matter of opinion. For my part, I have in mind a kind of centre for information and observations. The publicity given here to certain methods or certain abuses will often in itself constitute the best possible form of punishment. Will it be necessary to constitute the permanent organ suggested by the representative of the workers ? I should prefer to leave it to the Council of the League, which has given proof of its sound judgment in so many different circumstances, to carry into effect, by means of such organs as it may decide, any specific recommendations that your Second Committee may formulate on this subject — for you will, of course, have realised that that is the task we intend it to accomplish.

Before concluding, I should like to be sure that those who represent the important interests of agriculture here are not thinking we have forgotten them. We have always held that the agricultural industry is inseparable from the other industries. Modern needs are driving us more and more to the use of machinery, but it is perhaps the most urgent task of those who guide the destinies of the peoples to maintain the balance between these two forces — industry and agriculture. In my own country, where the balance has, I am glad to say, been successfully maintained, this has perhaps enabled us to avoid many of the difficulties that have arisen since the war. Besides, the agenda of the Third Committee includes questions of co-operation and credit, and also deals with the question of organisation.

I had intended to conclude at this point ; but just now the Russian delegate, with a courtesy for which I hasten to thank him, was good enough to make special reference to me. May I venture to say that all the time he was speaking I felt I was not quite in agreement with him ? I felt that there were fundamental differences of opinion between us. I am, of course, very imperfectly acquainted with the programme of the Third International. Nevertheless, I felt that the programme which the Russian delegate laid before us was somewhat reminiscent of that programme, and, I will even venture to say, bore certain disquieting resemblances to it.

The Russian delegate referred to some plan of mine. It is one of the privileges of politicians to have many things fathered upon them, and I cannot help thinking that the Russian delegate, before discussing a plan which, in point of fact, I never submitted, would have been well advised to wait for my speech to-day. I will not, however, enter upon a detailed discussion here, or institute comparisons between one system and another, and this on account of one point in M. Ossinski's speech that specially claimed my attention. This point was also raised by M. Sokolnikoff. I refer to the oft-repeated term, "peaceful co-existence", a term which, it seems to me, admits of the possibility of a great deal of work being carried out in common.

If we begin to discuss political problems here we should, I think, be dooming this Conference to utter failure. That is not our work, and for my part — and I hope you will not blame me for it — I am less ambitious. If you and I were to try to convince each other that the system under which each of us lives is the best, we should simply be wasting the very valuable time of the members of the Conference ; for I am certain after what I have heard that I should never bring you round to my way of thinking.

There is, however, one observation I should like to make. This morning certain figures were quoted. Now I know all about figures, and I also know how

much they can be made to mean. I remember a remark — a somewhat apposite one in my case — which a great scholar once made to me. "Beware of figures", he said; "The truth of any data is in inverse ratio to the precision of the details". I will therefore refrain from quoting any figures to confute yours.

I will simply say that it is well both for you and for us that you have come here. We have not come to Geneva to thrust our ideas and systems down each other's throats; we must leave the judgment of these matters to posterity, which can take a more detached view of them than we. I propose accordingly that we should drop the controversy at this point, though I shall be ready to accept your challenge at any time you please, but in the right place. Who knows? Perhaps I may convert you to capitalism.

Having disposed of that matter, I desire to say that in my view the work of the conference will not be over when your Committees present their conclusions to the present assembly. It would, I repeat, be really extraordinary to have convened the representatives of fifty nations here simply in order that they might make recommendations upon which no further action would be taken.

What action should be taken? Must new organisations be created? Must fresh conferences be held? That is not for this Conference to decide. You have simply, I think, to transmit your recommendations to the Council of the League, whose sound judgment I know by experience, and to indicate to that body your desire that these recommendations should not remain a dead letter, but that you would like to see the work you have begun carried further. The Assembly of the League may possibly feel called upon to urge the Council to make further efforts; but no, I am sure there will be no need for it to do so.

There are three facts to which I desire to draw your attention here and now.

The first is that, however individualist the nations may be, they have now, by responding to the League's appeal, given clear evidence of the bonds of union that link them one to another. No one here has disputed that fact, and it is the first important result that we can place on record.

The second is that the most prosperous nations, such as America, have not decided to remain alone in their prosperity. Nations such as those of South America, which are perhaps less affected by the ills from which we suffer, have also come to help us. That also is important.

Thirdly and lastly, the working classes have announced here that, despite all scepticism and all criticism, they are ready to work with us publicly and to assume responsibility before the world. Responsibility for some purely negative achievement? Not so; but for constructive work. That is a great new factor which holds out the brightest hopes for the future.

Then again, whatever M. Cassel may have thought, no one here has asked for production to be reduced. On the contrary, everyone has talked of increasing it. This very morning in the hopeful statement of the first Russian speaker there were constant references to productivity and the necessity of increasing production.

The time has come, then, when we may all sing together the only real international song, the hymn to production.

It is a hymn I have been asking for ever since 1919. We have occasionally heard false notes from different parts of the world, but we may now be sure, I think, that we shall hear them no more. Listen to this international song, this hymn to production. You hear deep grave voices singing it: those are the voices of the

workers. They sing the basic melody of the choir. It is they who set the rhythm. The harmony of the song we shall find on the shores of Lake Geneva. Let all voices join in this song, and let no one try to outsing the others. Yet listen again. It is the song of Peace that old Malherbe sang to King Henry more than three centuries ago, in these words:

*"Le fer mieux employé cultivera la terre,  
Et le peuple qui tremble aux frayeurs de la guerre,  
Si ce n'est pour danser, n'orra plus de tambour."*

The President:

Translation: M. Belloni (Italy) will address the Conference.

M. Belloni (Italy):

Translation: Mr. President, ladies and gentlemen — It is a difficult matter to address this Conference after the magnificent speech which we have just heard from our eminent colleague, M. Loucheur; and it is rendered still more difficult because M. Loucheur's speech might very well be regarded as the concluding speech, summing up as it did, with the speaker's perfect lucidity of thought and word, all the arguments that have been placed before us. M. Loucheur even pointed out the path that we should follow in order to achieve definite success.

I feel it my duty, however, on behalf of the Italian delegation, to state our views on the problems, both general and particular, with which the Conference has to deal.

During the last few days the eyes of the public and of the world Press have been turned to us and our work. At the very outset, people are wondering whether this Conference will be a success, or whether we have failed in the object we set out to attain.

The opinion expressed as to the outcome of the Conference must, of course, depend largely upon the individual point of view and upon the possibilities which each of us had in mind beforehand.

It is out of the question, in my opinion, to satisfy those who are still looking for an economic miracle, but success is assured if we keep to the definition of our Conference and the programme mapped out at the beginning by our eminent President, M. Theunis. May I remind you of the words he spoke on the first day of the Conference: "It was thought that reasonable men would not fail to discern — perhaps above and beyond certain immediate interests — the true, essential and permanent interests of their own countries and of the world in general"; and he went on to say: "It was thought that, when they had thus reached a common conclusion, that conclusion might usefully be published, since it would carry with it a triple authority: that of the Conference from which it issued, that of the individual interests voluntarily merged and that of the profound sincerity of which it was the outcome".

In these words of our President, in the programme that has thus been laid down for us, we find the germ of the success which is to attend our efforts and foreshadow their practical results. To begin with: for the first time since the war, there are met together in this hall not only representatives of all the countries of the world but representatives of all the forms of world economic activity.

For the first time we have with us, to our eminent satisfaction, representatives of the Union of Socialist Soviet Republics, and we have heard two extremely interesting speeches on the present situation in the Soviet Union and on the Soviet

view of the solution of the world economic crisis. These speeches gripped our attention and we shall refer to them again later.

I cannot, of course, accept the schemes propounded on this platform by our Soviet colleagues, more particularly by the first representative of the Soviet Union, and, with all deference both to his profound learning and to the opinions he holds, I might venture to describe his speech as a speech of contradictions. There is in fact a constant and perpetual contradiction between the programme he suggests to us capitalist nations as a solution of future economic difficulties and the present economic situation. When, for example, he contemplates the co-existence, for a time, of the industrial and the Socialist systems, he obviously has in view the end of such a period. His ideas and mine as to the way in which it is to end are obviously very different, and I trust, for the sake of Europe's welfare and Europe's future and that of the welfare and future of the whole world, that my ideas will triumph.

I do not propose to enter upon a discussion of the political or economic points raised by the speaker. I shall not deal with the political points, because it is not our business here to study political questions. At the same time I may say that on some of these political points we are in agreement, since our respective countries have resumed full diplomatic and consular relations. Among the ten points he mentioned, however, there are others that involve contradictions. When, for example, he spoke, as he did, calmly, clearly and concisely, of the necessity of reducing the industrial and official element and winning acceptance of the right to strike, I really began to wonder whether the political and social regime applied in the Soviet Union had profited by his counsels.

The success of this Conference is ensured not only by the fact that it comprises representatives of all the various economic systems but by the further fact that you, gentlemen, in your persons, represent the different economic schools, that you represent the theory and practice of political economy, and are thus entitled to speak as the authorised representatives of world trade and industry.

Never, I believe, before the opening of this Conference had there been assembled in a single hall so many persons authorised to speak on behalf of the important and far-reaching interests they represent. We now have an extremely valuable documentation. We have carried on sound and, I venture to think, successful propaganda against economic egoism. We are all agreed that national egoism must be done away with, just as class egoism must be done away with within national frontiers.

We have shown that every industrial problem must be examined by every individual nation in the light of certain necessities — rationalisation, standardisation and the like — and we have agreed, lastly, that one of the most important economic phenomena, and one calling for immediate solution, is the problem of barriers to international trade, whether in the form of import and export prohibitions or in that of excessive Customs tariffs. We have, further, to consider the question of the establishment of tariffs and the standardisation of Customs nomenclature, the utility of which was so brilliantly demonstrated by M. Loucheur. Lastly, we have to deal with the most-favoured-nation clause. To demonstrate the existence of these barriers is to demonstrate the remedy, and there is no need for me to waste an instant of your valuable time in specifying it.

There is a further fact, however, which has emerged from our debates, and it is one that is of tremendous

importance for our future discussions. It was noted first and foremost by M. Zimmerman of the Netherlands delegation. It was mentioned again in Mr. Layton's magnificent speech. It was again referred to by M. Loucheur. What is this fact? It is this: that all thought of a return to pre-war conditions is a pure illusion.

Several speakers have affirmed it and their affirmations constitute a reply to certain questions that have been asked on this platform. I refer in particular to Sir Max Muspratt, who, speaking on behalf of British industrialists, asked whether the British industrial situation should be regarded as a natural or an artificial phenomenon.

Mr. Layton's speech constitutes a categorical reply to that question.

It has been stated here that the industrialisation of new countries has resulted in a considerable reduction in world trade. Researches carried out in Italy show, however, that this is not correct. This continual process of industrialisation involves, in our opinion, not a reduction in world trade but a re-distribution of commodities. We think, too, that this development in the newer countries accounts for the change in the cost prices of certain manufactured goods.

I should like now to explain our views on the question of the increased purchasing-power of consumers.

When my honourable colleague, M. Loucheur, told us, with all the authority of one of the most eminent of French politicians and one fully conversant with the economic situation in France, that the purchasing-power of French Government officials and employees was only one-fifth of the pre-war figure, he unfortunately forgot the increase in the purchasing-power of a large proportion of the working classes.

Among the population of certain European countries there has been an increase in purchasing-power and an increase in the standard of living, which is now higher than before the war. In my view, however, to postulate increased purchasing-power as a means of solving the economic crisis is to regard as a means what should more correctly be looked upon as an end. The establishment of a more stable world equilibrium and a more rational distribution of raw material, population and work are, when all is said and done, the only means whereby we can increase the purchasing-power of the people. It would be quite wrong, however, to imagine that the artificial expedient of increasing purchasing-power should precede a natural solution of the world economic crisis.

One of the most important problems mentioned at this Conference is that of cartels and trusts.

We have witnessed a very interesting evolution of opinion in regard to this question. During the last few years, we have passed from an attitude of extreme suspicion of cartels and trusts on the part of Governments and people alike to a degree of confidence which I might venture to describe, though without intending any offence, as mistaken. Public opinion has regarded the problem of cartels as the main problem before this Conference. I would ask you, however, whether you do not feel, after these four days' discussions, that it has become rather less prominent.

I might mention the interesting speech of M. Urzua, the representative of Chile, who advanced a series of theoretical and more particularly social arguments against cartels. He urged the necessity of industrial competition in the world and also raised a most important point, namely, that small and medium-sized industries still form one of the bases of social equilibrium.

Then we had the remarkable speech of M. von Siemens, the German delegate, who had technical

objections to put before us. He declared that the scope for cartels was very limited, and said that the output — in certain branches or for certain industrial products — of big firms combined in cartels does not constitute the major proportion of world production, and that the output of medium-sized and small industry was often higher than that of big industry. He thus postulated two fundamental principles which we shall find very baffling when we come to discuss cartels.

I do not intend to convey that we are opposed to cartels in principle. The system can never be admitted as a generalised principle in the economic scheme of things, even if, in certain specific and clearly defined cases, it is useful as a temporary expedient in an emergency. Let us confine ourselves to these particular cases, and not regard the question of cartels as part of a general policy.

We must bear in mind how dangerous they are for countries with an economic system which is still incomplete and which have not yet reached the economic level of other countries. We must consider the risks inherent in the "crystallisation" of economic situations; we must consider further — a point raised by a number of members of the Conference — the possibilities of outbidding and the repercussions that the cartel policy may have on a country's labour policy.

The other problem — on which we are, on the contrary, all agreed, at least as regards the necessity of an immediate solution — is the elimination of trade barriers.

M. Loucheur mentioned the efforts made by our technical organs during the last few years, prior to the Economic Conference, to settle some of the most important problems concerning commercial agreements.

It is gratifying to recall the splendid work of the International Chamber of Commerce, which proved the immense value of the business men belonging to that body and their readiness to assist in finding a solution for the most urgent economic problems. If, as I believe, the Conference can give a lead in the solution of these problems, it will have rendered a most valuable service.

What can we do? We have before us a most interesting proposal submitted by M. Jouhaux. He has suggested the constitution of a special commission — M. Loucheur also raised the same question — and proposed that an Economic Conference should be convened every three years. I have the greatest respect for M. Jouhaux, who has studied the present problem with zeal and enthusiasm. But I agree with Mr. Layton, who regards his scheme as too complex and not sufficiently elastic, and thinks it unsuitable as a means of dealing with such extremely changeable elements as are met with in the economic sphere.

A commission of enquiry into internal or international economic problems often arrives at a solution when the crisis has already resolved itself by a natural process.

Useful work can only be accomplished by organs whose aim is not to determine economic tendencies but to create conditions which will admit of natural economic development. In my opinion such an organ might be found in the Economic Committee of the League, reconstituted and modified to meet the particular objects in view.

I do not hold with M. Loucheur that we should simply leave it to the Council of the League to pass decisions in the matter. We were convened by the Council to give our practical views as industrialists, business men and technical authorities on world economic problems, and it is for us, with all deference and respect, to determine the means best calculated in our opinion to provide a solution of these problems.

There is a further group of problems which I would ask you to consider for a few moments, and which concern my country in particular. I refer to the movement of population.

I would ask you to note — this point has already been raised here by Mr. Layton, M. Urzua, M. Shidachi, Mme Freundlich and M. Jouhaux — that a close connection exists between trade barriers and the movement of populations.

Obviously, in densely populated countries without natural resources, unless there is freedom of circulation all over the world, there is only one means whereby the Government can fulfil its bare duty and provide work and a guarantee of work for its nationals.

This remedy consists in the creation of an artificial atmosphere in the country, by means of a national Customs barrier or protectionist system, in order to ensure that industry, agriculture and other branches of economic activity shall be able to absorb the labour available. This, I repeat, means the creation of an unnatural, an artificial economic situation.

There is no other remedy. If to-morrow Italy were to abolish all her Customs tariffs — which some of the speakers before me have indicated as an ultimate economic aim — I cannot imagine what we should do with our workers.

During the last few years there has been a considerable increase in population in Italy. We now have social peace and we intend to maintain it. For this, however, we must find a general economic solution of the labour problem, and it must not be forgotten that certain problems peculiar to certain nations may, unless they are settled, have serious repercussions on world peace.

We shall do all that lies in our power to maintain this hardly-won peace, but we demand that the question of population should be kept in mind, and we urge that some economic solution be found, if our work is not to be in vain.

We all remember the extremely interesting statistics given by Mr. Layton, and the figures he gave showing the number of Europeans without resources; his figure of 10 millions is, in our opinion, an under-estimate. If we consider, further, the falling-off in European emigration in recent years and realise that before the war there was an average of roughly 800,000 emigrants a year for Europe as a whole, it becomes clear that a settlement of the problem of freedom of circulation throughout the world is one of the surest means of achieving a lasting economic peace.

Again, when we come to consider the whole structure of tariffs and trade barriers, we realise that it is for the best expert brains of the future to find a solution for the tremendous demographical pressure in certain countries, without establishing an artificial atmosphere in trade and industry in order to protect the population as a whole.

At the same time, no solution of these problems can ever ensure perfect equilibrium in world economy. Economic life, like human life, is a process of evolution. There is a period of development and a period of decay. Some scientific discovery, the discovery of a new mineral bed or the introduction of a fresh means of transport, may revolutionise whole branches of industry and divert the main currents of international traffic from their present course.

It is idle to think that life can ever be crystallised in its present economic form. Progress in industry must have full scope, and every nation endowed with progressive qualities must be given an opportunity of asserting itself.

Emulation is a vital factor, in nations as in individuals. Our object should be, not to restrain

the forces inherent in individuals and nations but to co-ordinate and direct them in the interests of humanity. International co-operation between healthy productive forces inspired by a desire for mutual comprehension may produce tremendous results.

In my country, which achieved national unity after having been for centuries divided into a number of smaller States, the feeling of economic and political independence as between these individual parts persisted for many years. Not until after the war, when a man, who to us is the personification of our race and our confidence in the future of our country, reminded the people that it was no good gazing upon their little local church tower, that they must lift their eyes towards the vast horizons opening out before them — not until then did economic prosperity begin to dawn in Italy.

Gentlemen, it is only when every one of us has learnt to look beyond his own familiar church tower, great or small as the case may be, towards the vast horizons of international concord, that we shall really succeed in solving world economic problems and pave the way for world peace.

**The President :**

*Translation :* I call upon M. Neculcea (Roumania) to address the Conference.

**M. Neculcea (Roumania) :**

*Translation :* Mr. President, ladies and gentlemen — As head of the Roumanian delegation, I desire first of all to associate myself wholeheartedly with the statement made by my colleague Senator Stodola, the Czechoslovak delegate, concerning the essential principle that the progress of modern Europe in the path of peace and order must be on the lines of the political charter laid down in the Treaties of Peace.

To tamper with the Treaties of Peace at this Conference would be to exceed the actual scope of the Conference, and would, too, be detrimental to the attainment of our object.

Having said so much, I now desire to proceed with the main subject of my speech and to touch on certain questions of principle that must be constantly borne in mind in any attempt to deal with economic problems as a whole.

As the programme of this International Economic Conference shows, we are engaged on a vast international expert enquiry into certain economic facts, the appearance of which is, in the main, due to the financial and economic disorder following the great war.

Why should there be such an international enquiry into a matter which, before the war, was simply the subject of national discussions ?

The reason is that before the war, as M. von Siemens so truly said, international conversations were held only for the purpose of solving special problems, whereas now we have to deal with the whole economic life of the different nations, our object being to determine how it can be adjusted to the new conditions resulting from the great war.

In other words, we are now considering international economic life as a whole because we have realised that economic phenomena can no longer be viewed unilaterally as a narrow field bounded by national geographical frontiers, but must be regarded at least as a part of the economic system of each continent, if not indeed of the whole world. In short, we have come to understand the economic interdependence of nations.

As early as 1920, the League of Nations, which had only just been founded, realised the dangerous

possibilities inherent in the financial disequilibrium which threatened to wreck the entire civilised world, and accordingly it summoned the International Financial Conference of Brussels. This Conference elucidated the situation to some extent and passed recommendations and suggestions indicating a path — to use the happy expression of our President, M. Theunis — which enabled the nations to advance.

From that time our thoughts turned to an international consultation on economic questions, but we fully realised the enormous difficulties to which such a consultation would have given rise, and so we created the League's advisory and technical organisation — the Financial and Economic Committee — with a mandate based upon the provisions of Article 23 of the Covenant of the League, which refers directly to economic co-operation.

This body has been divided soon after its establishment into two Committees — the Financial Committee and the Economic Committee — which work either separately or together, according to the nature of the questions under review.

I have been a member of the Economic Committee since its creation, and on it devolved a heavy task : that of cataloguing and attempting to classify the infinite variety of economic difficulties which kept occurring in the different countries and of attempting to introduce a little order into the chaos for which the Committee had to ascertain the fundamental causes.

Thus, when certain of these questions were regarded as sufficiently ripe, the appropriate machinery of the League was set in motion with a view to the conclusion — according to the results obtained — of international conventions, protocols or agreements.

There are, however, many other questions which, despite their importance and the continuous efforts of the Economic Committee, have not yet been fully elucidated, owing either to the total absence of data on the subject, or to the fact that it was impossible to use that which had been collected, or to the absence of the data essential for a full and profitable study of the question.

Moreover, as the Economic Committee proceeded with this difficult work — sorting, sifting, classifying, and collecting information and studying the economic questions which it had itself taken up or which had been submitted to it — it was seen that these questions were already a matter of grave concern to the experts in all countries suffering from economic disequilibrium, and that an international economic conference, that is, a large-scale consultation between experts of every nation, would be the quickest means of supplying the advisory and technical organisation of the League with full and reliable information on world economic difficulties. Further, such an investigation would not only provide accurate guidance in the solution of these difficulties, but would also furnish a basis for a real economic "science".

Frankly, it would be incorrect as yet to speak of any real economic "science". If such a science did exist, it should be able, by analogy with the so-called exact sciences, not only to explain known economic phenomena, but also to anticipate phenomena that have not yet occurred. Obviously, however — I think I may say so without fear of contradiction — this is not true of what has hitherto been called economic science. And why ? Because our mathematical material — the results of observations, or statistics as they are called in economic and sociological parlance, the figures on which any serious enquiry into economic phenomena must be based — has one serious and fundamental defect : it is not homogeneous ; it is

not comparable. Every country, sometimes every official responsible for compiling a given set of statistics, employs a different method, so that very often statistics on the same subject even in the same country are not comparable. How, then, can we talk of international statistics; that is, an international survey of comparable national statistics?

Take it that countries which do not as yet possess comparable statistics realise the uselessness of arbitrary statistics and the absurdity — the expression is not too strong — of using them and manage to standardise their national methods of compilation, thus making them comparable: the whole problem of international statistics will still have to be solved. This, indeed, would have to wait for national standardisation, which means the adoption of an international system. Otherwise, to anyone who faces facts, documentation based in non-comparable data would be of no practical value and could only be misleading and retard the creation of a real science of economics. This matter has been one of the chief concerns of the Economic Committee of the League of Nations, and for three years now a Joint Committee, comprising members of the Economic Committee, the Head of the Economic Intelligence Service, and members of the International Labour Office and the Hague International Institute of Statistics<sup>1</sup>, has been working on this very difficult question of the unification of methods in the matter of economic statistics. It is a problem of fundamental importance, and if it remains unsolved the elaborate and impressive statistical tables which invariably accompany any well documented memorandum will never be really worth the money and labour expended on them: their value will simply be local and national.

I would add, further, that the principles we follow in preparing statistics should be those employed in the preparation of tables which show data obtained by the exact sciences.

May I be allowed to dwell upon this point? We must first of all define what we are estimating and what we are measuring. We must then choose some standard international unit of measure, and apply that measure on the basis of an international system. Lastly, we must indicate the degree of accuracy of the results; that is, of the figures obtained. If these four conditions are fulfilled, specific statistics prepared at Paris, New York, Tokio, Bucharest or anywhere else will all be mutually comparable and will possess what I may call an international value. It is these statistics that economists should study.

Once comparability is ensured the economists can, as it were, utilise statistics like a physician, and create a real economic science, which would explain known economic symptoms, anticipate others and indicate the best means of curing or at least palliating any economic or financial malady.

Certain branches of the work of our Joint Committee for the unification of economic statistics are sufficiently advanced — for example, international trade, fisheries, prices and indices of economic conditions, censuses of industrial production and stocks. Accordingly, the Economic Committee recently proposed to the Council of the League that a Conference should be convened in

(1) This Committee is composed as follows: Messrs. Eug. NECULCEA, JENSEN (Economic Committee); LOVEDAY (Secretariat); SIMIAND, PRIBRAM (International Labour Office); DELATOUR, MARCH, BOWLEY, FLUX, Sir. H. REW, JULIN, RICCI, METHORST, Verijn STUART, MATAJA, WURTZBURGER, HANOSEK (International Institute of Statistics). M. Néculcea is Chairman of the Committee.

1928 to which all Governments should be invited to send official statisticians, with a view to ascertaining to what extent each Government is prepared to apply the principles which have been laid down.

The Committee informed the Council, further, that in its opinion it would be expedient to postpone any decision with reference to a new programme for the Joint Committee until after the present Economic Conference had completed its work. Here we have a further proof of the importance of this fundamental question — the unification of statistical methods.

Assuming, then, that we are agreed as to the urgency of this question, assuming that statistical methods should be standardised, I venture to suggest briefly how the comparable statistics thus obtained may help to create a real science of economics, on the lines of the exact sciences.

We should proceed on the lines of a scientist in his laboratory. We should first endeavour, in the case of each economic phenomenon, to trace the factors which come into play and to which it owes its origin. Having completed this essential operation, we should take the various factors of the accurate, comparable statistics at our disposal and, if necessary, compile fresh statistics for the factors for which we do not yet possess numerical data. We should then, with the aid of graphs and similar devices, endeavour to determine the law of variation of these factors as functions of each other — that is, the terms of their interdependence — and this will constitute the law of the particular economic phenomenon under consideration.

This is, so to speak, the classical process which we shall have to employ, and it is the only way in which we can be sure of having a firm foundation.

It is of interest to note in this connection that economists have only recently begun to consider the big economic problems in the light of their analogy with the phenomena which form the subject of the exact sciences, and more particularly physics. I need only mention, as eminently characteristic, two of the most recent additions to the study of economic phenomena: index numbers and economic barometers.

We all know Irving Fisher's classic treatise in index numbers. The preparation of these indices — for the cost of living, economic prosperity, the economic potential, and so on — undoubtedly represents the most important and the most successful effort ever made to study economic problems by processes analogous to those employed by physicists in the study of physical phenomena.

Again, economic barometers — the name is not very happily chosen — recall the registering barometers which physical science employs as a means of forecasting certain meteorological phenomena. No one would even deny the importance of these "instruments" of economic science, which, though yet far from perfect, are already beginning to provide valuable material for the study and anticipation of certain phenomena, particularly economic crises.

But here again a difficulty arises, and one even more serious than the difficulty already mentioned in connection with non-comparable statistics. It is this. Not only are the statistical data employed in establishing specific indices not comparable but, what is even worse, the actual definition of these indices varies according to the conception of the economists employing them. What would happen, I wonder, if doctors, taking a patient's temperature, all used thermometers of their own contriving, based on wholly different principles? Yet this is precisely what is being



done in the case of the so-called economic barometers.

The conclusion is obvious, and the Economic Committee was not slow to grasp it. To mention only economic barometers: two rival methods for their preparation have been to the fore ever since the possibilities of up-to-date economic statistics were realised by certain countries which appreciated their value. I refer to the methods advocated respectively by Professor Young of Harvard University and Professor Wägemann of the University of Berlin.

In view of the important work already done by both schools, each in its own way, and in view of the undoubted importance of this new instrument of economic research, the economic barometer, the Economic Committee of the League convened a Committee of Experts to consider the question. This Committee, which met recently, will certainly provide us with the material necessary to determine the precise form of these barometers and the best methods of preparing them.

My remarks on the fundamental question of the standardisation of statistical methods will have made it clear that this matter is of interest to all economists, and will at the same time have shown the important work already done in this field by the Economic Committee. I was anxious to mention the part played by the latter, as the results of its efforts in this domain are less apparent, and consequently less well known, than its other work.

Before leaving this platform, I should like to sum up the other practical results achieved by the technical economic organ of the League. I should like to explain and justify its methods and to illustrate the elasticity, versatility and caution displayed in this peculiarly difficult matter.

It will be realised that the re-establishment of the world economic equilibrium is a magnificent though a stupendous task, the immediate completion of which can hardly be hoped for even by the most optimistic. World economic equilibrium, then, must be judged by the criteria applicable to mechanical equilibrium, that is, as the result of a complex of imperfectly balanced States. The advantages of this procedure are obvious, for if, in economic matters above all, we consider the possibility of partial equilibrium, this will enable us to seek a solution of the problem of general equilibrium with a much better prospect of success.

This is precisely what the Economic Committee has attempted to do, and has partly succeeded in doing.

It was instructed by the Council to enquire into the meaning and scope of Article 23 of the Covenant of the League, whereby Members of the League of Nations undertake to make provision to secure and maintain equitable treatment for the commerce of all Members of the League. It soon realised that there was no possibility of framing an international convention to cover the whole question. It decided, therefore, to examine *seriatim* the various practices, the different factors, which constituted a flagrant violation of the principles laid down in the aforesaid article of the Covenant. The following were singled out as calling for special attention:

1. The encouragement or toleration of unfair competition by means of fraudulent commercial practices (such as false trade-marks or descriptive marks) to the detriment of legitimate trade.

2. The maintenance of formalities and vexatious unnecessary, arbitrary or unfair procedure in the matter of Customs and other similar questions to the detriment of the trade of other Members of the League.

3. The application by any Member of the League of unfair or oppressive treatment, in fiscal or other matters, to nationals, commercial firms or companies of other Members carrying on their trade, industry or other occupation in its territory.

As regards the first of these groups, I would remind you that, after careful and discerning preparation, and after reference to qualified experts, the Economic Committee finally drew up a series of provisions designed to insure the elimination of unfair competition in international trade, these provisions being incorporated for the most part in the revised text, drawn up at The Hague in 1925, of the Paris, Brussels and Washington International Conventions (of 1883, 1901 and 1911, respectively) for the Protection of Industrial Property.

The second class of practices incompatible with the equitable treatment of commerce formed the subject of the International Convention relating to the Simplification of Customs Formalities, which was signed at Geneva on November 3rd, 1923, and has so far been ratified by twenty-five States. You are all familiar with this instrument, the modest title of which does not adequately represent the highly important and valuable provisions that it embodies. This Convention can be summed up in five words: publicity, simplification, celerity, equality, justice.

Further, I have been interested to find that a good many of the grievances voiced by the International Chamber of Commerce in connection with barriers to international trade would automatically disappear if the provisions of that Convention were more generally and more strictly applied. It may be noted that each of the recommendations contained in the Convention constitutes the germ of a separate convention. One such convention is to be considered at an international Conference, to be held on November 14th next at Geneva, on the abolition of import and export prohibitions and restrictions — questions of immediate importance, as may be seen from the documentation prepared for this Conference and the remarks of previous speakers.

I might also mention that many clauses of the Customs Convention have been taken as models in a number of recent commercial treaties, and that in several cases certain questions are settled simply by reference to the Convention, which is thus building up a common doctrine.

Lastly, vexatious practices employed against foreign companies and foreign nationals formed the subject of an initial series of recommendations drawn up by the Economic Committee with the object of protecting such persons and companies from arbitrary fiscal treatment and unfair discrimination. This series of recommendations was submitted by the Council of the League to all States Members, which were invited to take them as a basis for their internal legislation and international agreements. A second series of recommendations is designed to secure a maximum of freedom and equality for foreigners in the exercise of occupations or trades. This second series of recommendations was also communicated to Members of the League by decision of the Council, which, in this connection, expressed a desire to be informed whether and to what extent the States had been able to give effect to the previous recommendations.

Still with the object of facilitating international trade, the Economic Committee, observing the striking diversity in the matter of legislation, the slowness of the procedure in ordinary courts of law and the lack of precision in the rules of international private law, proceeded to consider the value of the arbitration clauses in commercial contracts, and,

with the help of a special body of experts, drew up a Protocol which has been open for signature by all countries since September 24th, 1923, and has so far been ratified by thirteen States. This Protocol ensures the validity of the arbitration clause and of the arbitration agreement in contracts concluded between nationals of different countries. It does not ensure the enforcement of arbitral awards given abroad, but this matter is about to be remedied. The Council of the League has now before it a proposal that the agenda of the next ordinary session of the Assembly should include the question of opening for signature a supplementary Protocol designed to secure the enforcement of foreign arbitral awards, on certain conditions. If the Council authorises the inclusion of this question in the agenda of the next ordinary session of the Assembly, the new Protocol might be opened for signature by the States in September 1927.

I cannot attempt, however, to enumerate here all the questions that the technical economic organ of the League has already examined or is now investigating. I merely wished to point out how these international economic problems, which seemed in their complexity to defy solution, have been partially solved in various forms appropriate to each particular case, and how the consequent re-establishment of partial equilibrium in various spheres has contributed to the restoration of perfect equilibrium, which can only be achieved by completing the sum of these partial measures — the goal towards which the efforts of this Conference must be directed.

These forms are three in number: recommendations, protocols and conventions, according to the possibilities of each particular case. But whatever the nature of the conclusions reached by the Economic Committee, they have always been preceded by exhaustive enquiry, demanding much time and labour and frequently resulting in the creation of new methods, fitly regarded by the achievement of positive results.

Those who expect a vast international Conference such as this to have as a result the complete solution of all the present difficulties or, on the other hand, to invalidate the very principle of international economic conferences, are doomed to disappointment, because they fail to realise how little had been done before the war in the field of so-called economic science. The little we knew, or thought we knew, then in the matter of economics was so inadequate that none, or practically none, of the present economic problems could possibly have been solved. Hence we must set about building up a real economic science which will provide us with a key to the baffling economic problems of the present day.

We are faced at the moment with a vast collection of economic problems for which we cannot hope at once to find a general solution. But we are endeavouring, as I have already explained, to find partial solutions. Some of these the economic organ of the League has already found. Circumstances have not always enabled it to select what it regarded as the ideal solution. Let us help it, by means of our documentation and suggestions, to find more. The present Conference has, I submit, one important duty to fulfil, and that is to indicate to the Committee the tendencies prevailing in the different circles from which its members are drawn. I think the Conference might greatly facilitate the Committee's future work by indicating which points appear to lend themselves to agreement and how far agreement is possible. When we have more of these partial solutions, it will be found that we are drawing nearer and

nearer to the general solution, the ideal solution, which we cannot hope to find yet.

The economic phenomena caused by the present state of disequilibrium have frequently been compared with actual diseases. It was only natural, therefore, that there should be a tendency to demand specific remedies. Unfortunately we cannot expect the present Conference to provide these remedies. We have not got as far as that. We have as yet found no internal remedy for economic ills. First, we must study the disease from which our individual economic systems are suffering; we must devise the economic instruments to diagnose it. We shall no doubt invent a sphygmometer for taking "economic" pulses, and some sort of thermometer for measuring "economic fever". Already the Economic Committee is engaged in selecting an economic barometer to foretell and so prevent crises. But as for panaceas, they do not exist, and non-experts who are following the work of the Conference must realise and remember this.

That does not mean, however, that we propose to stand idly by; the present Conference will prove the contrary.

The President:

*Translation*: M. Klavitter (Free City of Danzig) will address the Conference.

M. Klavitter (Free City of Danzig):

*Translation*: After listening to the views of the representatives of the big States, some of them very big States, concerning the re-establishment of normal international economic relations, may I venture to say a few words about the Free City of Danzig — a political entity which only came into being on January 10th, 1920 — and its economic experiences?

Mr. Layton, in his admirable speech yesterday, pointed out that the disintegration of Central Europe created special difficulties as regards the establishment of new rules and new relations in the economic sphere. The Free City of Danzig, which is the smallest of these fragments, suffers particularly as the result of this state of affairs, for as a maritime port it depends on its hinterland. It is separated from it, however, on one side — the German side — by the barrier of high Customs tariffs. On the other side, the regime is the same as that of Poland, under the tariff agreement.

Danzig is a city of 300,000 inhabitants. For centuries, geographical and economic considerations have led it to pursue a free-trade policy. Now, however, owing to the Customs agreement with Poland, normal relations have been interrupted and the city is obliged to adapt itself, in the matter of trade and industrial and agricultural production, to a market which does not possess a stable currency.

Having successfully overcome the inflation crisis in 1923, the Free City has now established a sound currency.

The difficulties arising out of the free-trade requirements of a maritime port and the protectionist policy of the States of new Europe have placed Danzig in a most disadvantageous situation.

The representatives of the Free City welcomed the invitation to participate in the world Economic Conference, especially as they venture to hope that, Danzig being the protégée of the League, her interests and wishes will be given particular consideration.

All progress in political economy, leading as it must to agreement between the nations, stimulates and strengthens our confidence in a better future.

**The President :**

*Translation :* M. Serrarens (Netherlands) will address the Conference.

**M. Serrarens (Netherlands) :**

*Translation :* Mr. President, ladies and gentlemen — In the days when economic life was almost entirely confined within the narrow limits of the town or the nation, the frontiers of the political unit could also form the frontiers of the economic unit.

Even to-day, production, trade and transport are still to some extent confined within a specific locality, district or country. The development of modern transport, however, has brought about an exchange of goods between the different countries of the world. This interdependence is alike beyond dispute and beyond the power of the most drastic legislation to prevent.

But, since no nation is self-supporting, co-operation is essential. The world economic system, thrown out of gear through lack of co-operation, can only be repaired by the joint effort of all the economic forces now at work.

The representatives of the Christian Trade Unions present at this Conference, for whom I have the honour to act as spokesman, are of opinion that the aim of all economic activity should be to supply the real needs of mankind. A sound world economic system is only possible if production for the world market, and international trade and transport, are regulated by agreements between those engaged in them.

Within these limits, production should secure that every man who contributes, irrespective of his nationality, class or race, shall have a just and equitable share of the fruits of the earth.

Taking as we do this view, namely, that man is the centre of economic and social life — a view which can only be translated into fact by the sincere co-operation of every nation, continent and economic group, inspired by principles of justice — we welcome the proposals put forward with a view to the elimination of the countless obstacles to world trade.

Like President Wilson, we should be glad to see the removal of all economic barriers, but it would be over-ambitious to attempt to achieve this object all at once.

Even at this stage, however, co-operation among the nations of Europe might bring about the abolition of import and export prohibitions, put a stop to the constant raising of Customs tariffs, win general acceptance for the most-favoured-nation clause, facilitate travel and introduce equality of treatment for foreigners and nationals. There are other barriers, but I do not propose to name them all.

Doubts have been cast upon the possibility of reaching an economic *rapprochement* by means of treaties. Instances have been given of the meagre results of the international negotiations of recent years. We might well say of countries what Goethe said about the power of women: "If only States realised what they could do an they would!"

There are other forms of economic *rapprochement* that are much easier to achieve. These, so far as they relate to specific classes of goods the production of which is a matter of world concern, may be of great importance in the organisation and strengthening of the world economic system.

The representatives of the Christian Trade Unions are not opposed in principle, therefore, to these agreements between employers in the form of national or international cartels or in other forms. They would wish, however, to point out that the

danger of these agreements is that the small group of producers concerned may be guided too exclusively by their own group interests, instead of realising that the business of production is to serve the general interests, to which it should remain subordinate.

That is the danger of all monopolies, and the employers know as well as we do that labour monopolies are not the most formidable that they have to face; they know how much they have to fear from monopolies of raw materials, or half-finished goods, or from industrial credits.

National and international cartels, with their division of labour and their scientific organisation of labour, may perhaps lead to a further increase in unemployment, that curse of the working classes which always accompanies lack of economic equilibrium.

With a view to safeguarding general interests, the Christian Trade Unions advocate permanent co-operation between Governments, industrialists and workers, either in the form of a world economic institute or by some other suitable means.

They are of opinion that labour — which constitutes so important a factor in the economic system — does not yet occupy the place in economic life to which it is entitled. They note, perforce, that even at this Conference the various labour movements are less fully represented than might have been expected.

They demand that whenever, in economic questions, the directors of enterprises meet together in the name of industry, trade and agriculture, to make proposals, exchange opinions or take decisions affecting the important interests of production, the workers shall also be consulted.

In particular, they demand that the workers shall be represented in the different national and international cartels themselves, since these consultations always have to do with the primary interests of the working classes. It should not be possible to take decisions concerning the workers over their heads.

The scientific organisation of labour may render important services to economic life, provided that it is not designed simply with a view to a maximum yield. We must never lose sight of the fact that the individual is something more than a wheel in a complex machine; we must see that the part he is forced to play in the new system does not affect his physical health and hence his moral worth.

The organisation of economic life, which old Europe has to undertake, will only produce its full effects if the necessity of raising the workers' standard of living is kept constantly in mind, and this for both social and economic reasons.

On the one hand, conditions of labour should be in keeping with human dignity and self-respect, and should be such as to safeguard the workers' health. The workers should be free to fulfil their duties to God, their families and society and to develop their personal gifts.

Further, the improvement of living conditions among the workers, who constitute the great mass of the consumers, will increase the purchasing-power of the European peoples and thus make up for the foreign markets lost as the result of the economic developments of the last few years.

In connection with the improvement of working-class conditions, special mention should be made of international conventions — an important aspect of the work carried out at Geneva. Provided they are ratified and applied on an international scale (particularly in the case of the eight-hour day), these will serve to eliminate one of the greatest obstacles to international economic restoration.

In our opinion, even if this Conference is unable to achieve direct and immediate results, it will at all

events perform a very valuable service if it produces a spirit of co-operation between all nations and all groups of producers. The workers are ready to assist to the utmost of their powers.

**The President :**

*Translation :* The Marquis de Vogüé, President of the International Commission on Agriculture, will address the Conference.

**The Marquis de Vogüé (President of the International Commission on Agriculture) :**

*Translation :* Mr. President, ladies and gentlemen — My thanks are due to the President of this Conference, first, for having invited me, as President of the International Commission on Agriculture, to attend the Conference and, secondly, for having allowed me to close this debate. My only claim and my only ambition is to express in this assembly, side by side with the distinguished Government representatives, the views of the farmers of the world, who have overstepped political frontiers and united to defend the general interests of agriculture.

Their views are in general accord with those set forth by the majority of the speakers at this Conference. They form the subject of a declaration — already referred to yesterday and again to-day during the general discussion — which was adopted by the International Commission on Agriculture at Paris on March 23rd last.

There is one point which we think has perhaps not been sufficiently clearly brought out, and I should like to say a few words about it. Various speakers have alluded to the interdependence of agricultural and industrial interests ; and it is quite true that the farmer provides the manufacturer with most of the essential materials he requires, and offers an important market for his manufactured goods.

While, however, this is universally accepted in theory, we do not think that the logical consequences or practical necessities of the situation are being taken sufficiently into account in plans for future reconstruction.

Certain manufacturers are too apt to regard agricultural commodities, notwithstanding the labour and effort required to produce them, simply as raw materials.

It has not perhaps been realised that the main cause, or at any rate one of the main causes, of the present economic difficulties is that in nearly every country, since the war, industry has gained ground at the expense of agriculture. With its improved labour conditions and higher wages, industry has offered a higher standard of living than agriculture could provide.

It is not surprising, therefore, that agricultural labourers, seeking, reasonably enough, to improve their position, have abandoned and are still abandoning the land in the hope of finding more remunerative work and a less strenuous life in industry.

The natural result has followed quickly enough ; large numbers having abandoned the land, agricultural production has dropped and the prices of agricultural products have inevitably risen.

This danger, which is most serious in countries with a small population, may appear less grave

in those which have a surplus of labour. But, in either case, the economic effects of the lower standard of living among agricultural workers are equally disastrous. The drop in their purchasing-power is a constant menace to industrial production — a fact which no one realises more clearly than some of the industrialists themselves. The Boston Chamber of Commerce, for example, alarmed by continual complaints from American farmers, took the somewhat surprising step last year of opening a campaign for higher agricultural prices ; it realised that the fall in the purchasing-power of the farmers would inevitably hit its own members.

Without enquiring sufficiently closely into the real cause of the rise in the cost of living, most countries have attempted to arrest it by artificial means, regardless of the natural and normal relation between the producer's remuneration and his output. If this course is continued, the economic crisis is bound to become still more acute.

In order, therefore, to end the crisis and promote general prosperity, it is vitally important that this consideration should be borne in mind in the reconstruction schemes put before us by those who have to shape the future of mankind. Agriculture is beyond question the essential and fundamental industry of the world. Moreover, it does not put its claims too high. If agricultural output is to increase, then agriculture must be a paying concern, and prices must be high enough not merely to cover the costs of production but also to raise the workers' standard of living to the level that prevails in industry. Every obstacle to the movement of agricultural produce should be removed, so far as this is possible without endangering the vital interests of any country or of its workers. It is in order to dispose of some of these obstacles that agriculture is moving towards agreement with the co-operative organisations ; indeed, farmers themselves are finding that co-operation affords the soundest remedy for all their difficulties.

The International Economic Conference will have rendered most valuable service to the cause of prosperity and well-being in every nation if it brings out the preponderating importance of agricultural questions in the world economic scheme, and if its discussions lead to conclusions which will give farmers some grounds for the hope that in working for others they may be allowed to gain a fair livelihood for themselves.

#### 15. — OPENING OF THE FIRST AUSTRALIAN PARLIAMENT AT CANBERRA : MESSAGE OF CONGRATULATION.

**The President :**

*Translation :* The Australian delegation has informed me that on Monday next, the 9th, the Duke of York will open the first Australian Parliament at Canberra, which will then be proclaimed the new seat of the Commonwealth Government.

I am sure you will wish me to convey our congratulations to the Australian Parliament. (*Assent.*)

*The Conference rose at 8 p.m.*