

WORLD PROSPERITY AND PEACE

# WORLD PROSPERITY AND PEACE

Being the Report of a Conference held by  
The League of Nations Union at the  
Guildhall, E.C.2, December 13th-15th,  
1927, on the work of the

## INTERNATIONAL ECONOMIC CONFERENCE.

With an Introduction by  
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## INTRODUCTION

By no means the least important part of the work performed by the League of Nations has been the organizing of International Conferences to investigate Financial and Economic problems. These Conferences were composed of the highest experts, who have made their considered recommendations as to the steps which should be followed to restore order out of the chaos which was the consequence of the Great War.

While the conclusions reached at the International Financial Conference held in Brussels in 1920 and at the International Economic Conference held in Geneva in 1927 present certain fresh features, they also involve a restatement of many financial and economic principles which, during a period of inflation of currencies and other economic disorganization, had been temporarily forgotten or set aside. These conclusions and the recommendations that followed have been presented to the World in a form so clear as to carry conviction on the grounds of common sense. They reflect a broad outlook and a careful consideration of widespread interests and should go far to secure a lasting benefit to the World and prove to be a strong factor for peace.

The recommendations made at the Geneva Conference in 1927 in favour of a reduction of International trade barriers were the natural corollary of the stabilization of currencies and the reform of Government finance which have been largely achieved as the result of earlier International Conferences.

It is necessary, however, to remember that the recommendations of the various Conferences are not in themselves binding upon Governments: they require the support of public opinion to secure their full effect. It was the aim of the Conference of the League of Nations Union, held in the Guildhall of the City of London in December, 1927, to elaborate the Geneva conclusions and to bring more forcibly before the British public the importance to Great Britain, as the World's chief international

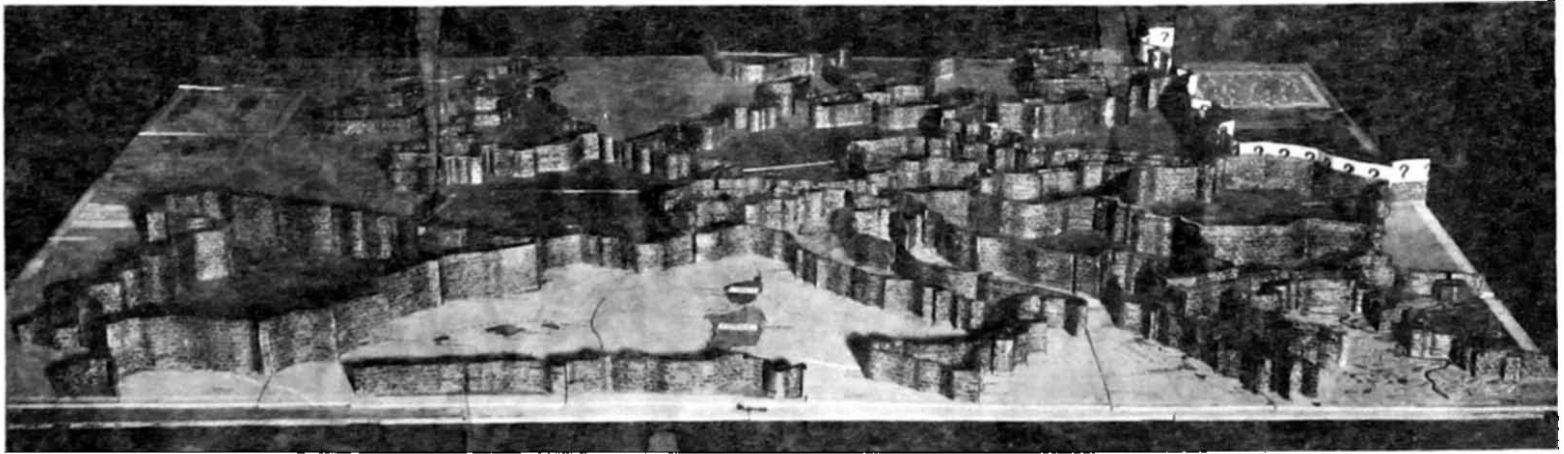
trading centre, of the evil effects of high tariffs, prohibitions, subsidies, licences, transport discriminations and other impediments of the kind, and the vital need for greater liberty in trade and commerce. To a considerable extent, the various restrictions have been created since the War, and there is a consensus of opinion that the World would derive great benefit by their removal. Their continued existence may be less prejudicial to economic recovery than were the conditions of inflated currencies and unstable exchanges prevailing after the war, which for the most part have been successfully removed, but they are perhaps the chief remaining obstacle to a complete trade recovery. The abolition of trade barriers should lead to a liberation of World Markets and to an increase in International trade. There is no doubt that a recovery in World prosperity will be greatly aided by a return to a fair and equitable basis of free trade.

At the London Conference, addresses were delivered by many leading authorities including a number of those who took part in the Geneva Conference, and the publication of the Guildhall discussions in book form affords to the public an excellent opportunity of obtaining a fuller insight into the important question of International Trade and its influence upon general prosperity.

F. C. GOODENOUGH.

*3rd April, 1928.*

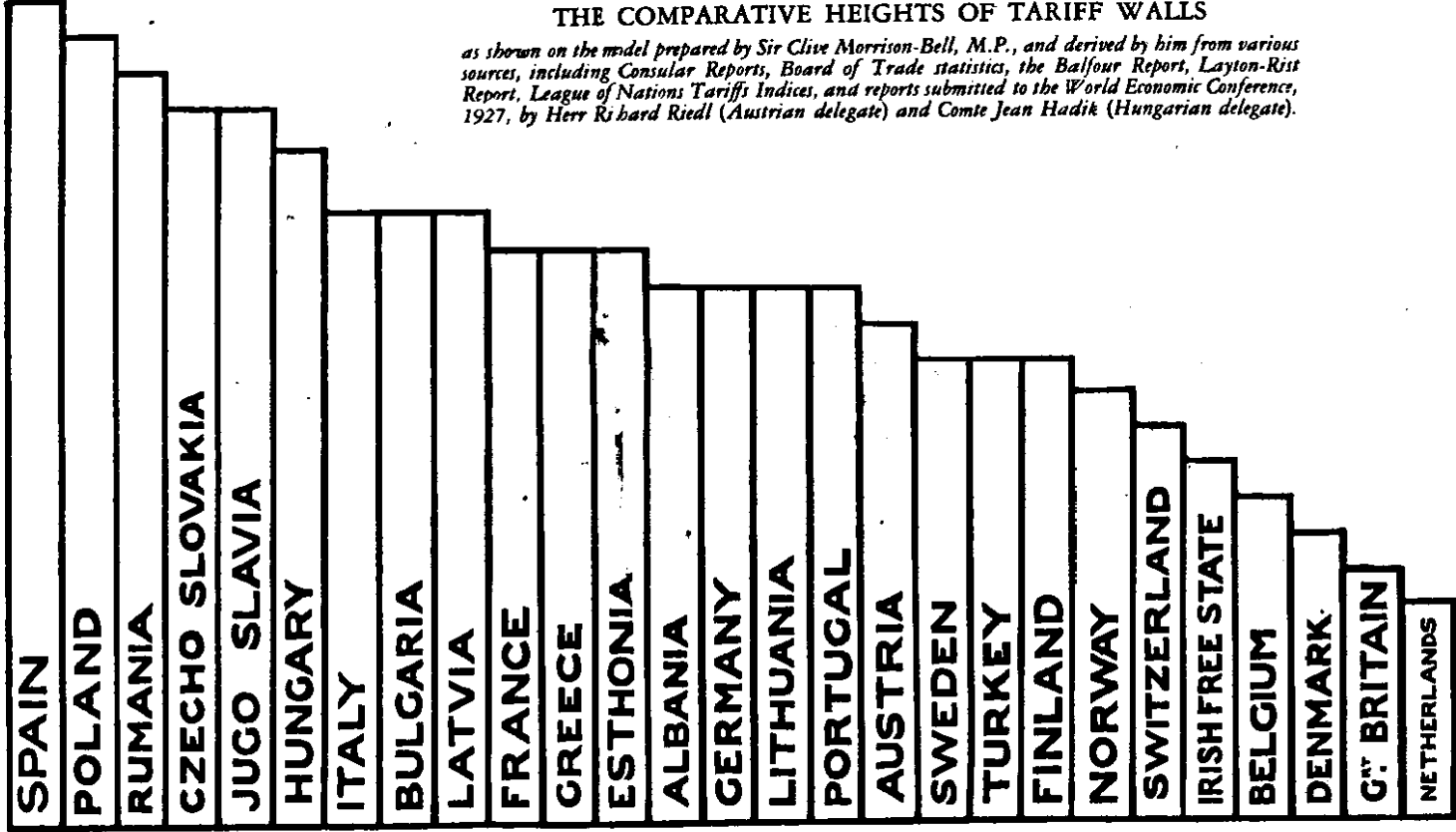
## EUROPEAN TARIFF WALLS



THIS MODEL WAS ON VIEW AT THE GUILDHALL CONFERENCE AND WAS REFERRED TO BY MANY OF THE SPEAKERS

### THE COMPARATIVE HEIGHTS OF TARIFF WALLS

*as shown on the model prepared by Sir Clive Morrison-Bell, M.P., and derived by him from various sources, including Consular Reports, Board of Trade statistics, the Balfour Report, Layton-Rist Report, League of Nations Tariffs Indices, and reports submitted to the World Economic Conference, 1927, by Herr Richard Riedl (Austrian delegate) and Comte Jean Hadik (Hungarian delegate).*



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## FIRST SESSION

### THE WORLD SITUATION

The Conference opened at 10.15 a.m. on Tuesday, December 13th, 1927, in the Council Chamber of the Guildhall, E.C.2, the subject under discussion being "The World Situation."

Professor Gilbert Murray, LL.D., D.Litt., chairman of the Executive Committee of the League of Nations Union, was in the chair.

### WELCOME

THE RT. HON. THE LORD MAYOR OF LONDON (Alderman Sir Charles Batho), in welcoming the Conference to the Guildhall, said: It gives me great pleasure to welcome to the Guildhall of the City of London this Conference for the consideration of the international economic situation. No place is more fitting for such a Conference than this ancient Hall, which through the ages has afforded hospitality to those who studied the general welfare. Here in this Hall matters have been discussed and policies suggested which have had a highly beneficial influence, not only upon the prosperity of Great Britain but upon that of the entire world. After the Napoleonic wars there was a great meeting in the Guildhall of the merchants and bankers of London to discuss the remedy for the great depression in trade which then prevailed. That meeting drafted a memorial to the Government advocating a policy which it believed would provide an effective remedy for that depression, and which, when adopted by the Government of the day, provided a remedy so effective that not only did the trade depression disappear but the country entered upon a period of prosperity greater than it had ever witnessed. The world war of the twentieth century has left behind it a depression in trade, and this depression is even more

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difficult to remedy than was that of the early days of the nineteenth century. Then it was possible for a single country to find a solution of the difficulty that then existed; now the co-operation of the many countries is required to solve the complex problems the war has created. Those problems are responsible for the situation, not only in Great Britain but throughout the world. It is, therefore, surely fitting that the conference to discuss the problems brought about by another great war should be held in this City, a City which is still the world's market, which depends as no other City depends upon the prosperity of the whole world for its prosperity, and which now, as in the past, is expected to display the leadership which the world so badly needs, and the spirit of our forefathers who have met in this Hall. May that spirit be with you, and help you to ultimately bring that prosperity which they did, and enable the world to overcome its difficulties and contribute to the welfare economic.

THE RT. HON. SIR PHILIP CUNLIFFE-LISTER, M.P. (President of the Board of Trade) said: I am very glad indeed to be privileged to join with the Lord Mayor in wishing a most hearty welcome to this conference which has been summoned to further the work so well begun by the International Economic Conference at Geneva. And, Sir, as you have well said, there could be no more appropriate place for this Conference to meet than in the City of London, and certainly no more fitting place for it to meet than in this Guildhall, the shrine of our commerce.

The object of the Economic Conference at Geneva was to break down the trade barriers, and I think I can say, without boasting, that in that endeavour this country has always taken the lead. We are more interested, I suppose, than any country in the world in world trade, and we, therefore, welcome as keenly as any country any improved facilities for that trade. We have granted as great, if not greater, freedom than any other land to trade, and to international trade. Our ports are open to the shipping of the whole world; the citizens of other

countries trade here on the same terms as our own. Our import duties, other than pure revenue duties counter-vailed by excise, affect only two or three per cent. of our total imports, and a general, unconditional most-favoured-nation treatment has been the governing feature of our policy, and that policy we have pursued consistently since the war, by treaties and diplomatic arrangements. We have made, I think, since the war no fewer than seventeen treaties of which that clause is the vital one. Therefore in this country we welcomed the International Conference.

We are proud of the part which the British delegation played at that Conference, and they would be the first to join with me in paying a most genuine tribute to M. Theunis, an old friend whom we are pleased to have with us to-day, who accepted the very difficult post of President of that Conference.

General resolutions are of value in so far as they represent the will of individual countries, and in so far as they are followed by specific action. I think perhaps that we who have acted in so many cases are entitled to say that. I feel bound to add this, that unless resolutions are followed by action, reaction may come, even amongst the faithful. I am glad to say that the Geneva Conference has been followed by constructive work. Shortly after it, the Conference on Prohibitions assembled, and some twenty countries have signed the Convention on Export and Import Prohibitions prepared by that Diplomatic Conference under the able chairmanship of M. Colijn, who was also Chairman of the Commerce Committee at the Geneva Conference. Again, since the Conference met a convention on the enforcement of Foreign Arbitration Awards has been drawn up, and has been signed during the last week on behalf of His Majesty's Government. This Convention is the sequel to, and completes, the action which the League took in the Arbitration Clauses Protocol of 1923. Then again, the Economic Organization of the League itself has been reviewed, and the practical step has been taken of combining with the Permanent Economic Committee of the League a

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Consultative Committee on the lines of the Preparatory Committee of the Economic Conference. This will secure the co-operation of men of practical experience in the League's work of giving effect to the recommendations of the International Economic Conference.

The difficult task of arriving at a common Customs nomenclature has been taken in hand ; and the subject of the treatment of foreign nationals and enterprises in different countries in order to secure uniformity and equality of treatment is already under consideration by the Economic Committee.

While the Economic Organization of the League is entering on new tasks, it is of the utmost importance that all the members of the League should carry out the agreements already made. The ratification of past Economic Conventions is by no means universal, and if the League is to make satisfactory progress over new ground we must all stand side by side on the ground already covered.

Besides this, and no less important, is the fact that effective progress will only be made when the action which the Economic Organization of the League endeavours to undertake represents the will of nations as well as the willingness of Governments. Therein to my mind lays the chief value of the Economic Conference. The principles which that Conference endorsed were the result of frank and free discussion by practical men of affairs. This Conference I think is a similar Conference, and for that reason alone it deserves a most hearty welcome.

#### *THE CHAIRMAN'S ADDRESS*

PROFESSOR GILBERT MURRAY, LL.D., D.Litt. (Chairman, Executive Committee of the League of Nations Union) said : I am glad to preside at this first meeting of this conference on behalf of the League of Nations Union. The League of Nations Union is interested in all the enterprises of the League of Nations, and makes from time to time a special effort to help those which seem most important.

The International Economic Conference which met this spring at Geneva certainly undertook a difficult task, and one which would have been frankly impossible without the League of Nations. The economic dangers and hardships with which the world is faced, real as they are and pressing as they are in each individual country, cannot possibly be solved by isolated national action. They can only be solved by the collective action of many nations in concert.

The fact is that the problem of tariff-barriers and prohibitions is curiously like the other problem the League is tackling, the problem of armaments. Before 1914, when there was no League and all the nations of Europe were increasing their armaments in desperate rivalry, every Government could see and point out and they did point out the common danger in the general over-armament; but no Government could venture to begin disarming. The common danger of bankruptcy or war was serious; but it was not so immediately alarming as the separate danger of being less well armed than one's neighbour. Only when all agree to act together can one nation reduce its forces; only when all are sitting together round a table can the Governments face the problem internationally, as good Europeans, in the light of the common interest. It is exactly the same with these economic and financial barriers with which most of the nations, as we can see from the most impressive map before us on the table, have surrounded themselves. Each nation has acted with zeal, perhaps excessive, but more or less pardonable zeal, for its own separate safety; and the result is the increase of danger all round. So many individual self-pervations, when added together, amount to something like a common suicide.

Our trouble, if I understand it aright, is not the direct result of the war. The direct damage of the war was quickly repaired. Some ten million human lives were lost, yet the population of Europe is larger than before the war, by about one per cent. It is even calculated that the working population—the number of capable adult workers—is up by a great deal more than that.

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The foodstuffs and raw materials of the world were destroyed by the war on a gigantic scale ; yet they have increased, so the League figures tell us, by sixteen to eighteen per cent. the world over ; even in Europe they have increased by about five per cent.—decidedly more than the population. Thus there is no shortage of food and raw material ; there is no shortage of labour. And surely there is no shortage of demand ; quite the reverse ; there is a remarkable rise in the standard of expectation of the masses in many of those countries, and no noticeable fall in others. The trouble is that the demand is not an effective demand. The people who want the goods cannot buy them ; the people who have made them cannot sell them.

The harm, so the Conference tells us, and it speaks we must remember, literally, with unexampled authority,—there has never been a conference speaking on economic matters with such authority—the harm is due to disequilibrium, to dislocation, to a lack of co-ordination between producer and consumer. The poverty of the world is not due to natural and inevitable causes. It is the result of deliberate human action, and apparently can be cured by reversing that action. Much no doubt can be done by improved organization of marketing, by better social relations between employers and employed, and what is called the “rationalization” of industry, but the authorities seem to be unanimously agreed that the first and most important step to be taken is to remove the artificial barriers upon trade. All over Europe people are not allowed to sell ; therefore they cannot buy ; therefore whole nations cannot pay their way, and are living on borrowed money which they can only repay by further borrowing.

The remedy then seems clear—theoretically : Remove the barriers and let trade flow freely. But alas, that is just where the difficulty begins. If I understand the situation aright, these various obstacles to trade—the prohibitions, the high tariffs, the sudden changes and the like—were to a large extent originally thrown up in self-defence against the shock of competition from nations



whose currencies were wildly inflated or whose standard of living had desparately and disastrously fallen. (Sometimes no doubt they were the result of other causes of morbid nationalism, or perverse economic doctrine or the like, but in most cases they were thrown up in *bona fide* self-defence.)

Now the dangers of the immediate post-war period have passed away for the most part. The currencies are fairly stable. The famines and extreme disorders have ceased. The need, if there ever was any, for the barriers has gone, but the barriers themselves remain ; and every barrier has created a vested interest. You cannot touch them now without injuring some one. Indeed, as far as I can see, the first step towards the removal of these ruinous obstacles will in practically every case cause, for the time being, a disturbance of trade, and the kind of disturbance which the peoples of Europe most dread—unemployment. The disturbance will be strictly limited in time and in place ; the resulting good will be general and, humanly speaking, permanent. But to each Government the time will be now, the present, and the place will be their own country. And the question arises, is there any democratic government in the world so enlightened as deliberately to face such temporary and local disturbance for the sake of ultimate and general good ?

If I were translating that question into Latin I should use the interrogative particle *Num*, which expects the answer *No*. But, as a matter of fact, several important Governments have already announced their intention of braving these transient dangers and boldly carrying out the recommendations of the Conference ; and the President of the Board of Trade gives us some very interesting information beyond that of the twenty nations that had signed the Convention on Prohibitions. Meantime the Governments of Germany, Holland, Belgium, Switzerland, Czechoslovakia, Norway, Denmark and Sweden have definitely announced their intention. And His Majesty's Government, constitutionally reluctant ever to take pledges or make promises, is at least showing a benevolent interest in the whole problem. That is

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shown by the presence here and the extremely interesting and encouraging speech of Sir Philip Cunliffe-Lister, the President of the Board of Trade. On certain important occasions Sir Philip has spoken in place of the Prime Minister, and we may hope that in some sense he is doing so to-day.

We have also the powerful assistance of the President of the International Chamber of Commerce, Manager of the Orient Line, and Deputy Governor of the Bank of England, Sir Alan Anderson, who will speak with all the authority that comes of his remarkable and I may almost say unique position in commerce, shipping and finance. He will, I am sure, join with me in regretting the absence of his predecessor in the presidency of the international chamber, my old friend Dr. Walter Leaf, who took such keen and vital interest in this question.

It is a particular pleasure to the League of Nations Union to see present here Mrs. Barbara Wootton, who has long been associated with our work and has spoken at our own domestic gatherings. Mrs. Wootton was appointed by the Council of the League to be a member of the Economic Conference, and brought to that body, as to all bodies to which she belongs, her contribution of active thought and vitality. She is the only woman speaker upon our programme, though I hope not the only one who will speak during the proceedings.

Lastly, we have the great honour of welcoming M. Theunis, who has united in his person two extremely high distinctions, the office of Prime Minister of the Kingdom of Belgium and the Presidency of the International Economic Conference itself. When he speaks we shall hear the Conference itself speaking. And I will venture to recall to this meeting that at the end of the Economic Conference M. Theunis used his final words to "remind members of the personal moral engagement which bound them, to do their utmost to secure that the recommendations of the Conference were adopted and put into practice." It is in the spirit of these words of his and in obedience to his last direction that the League of Nations Union has ventured, with

the kind assistance of the Lord Mayor, to call this Conference.

*M. THEUNIS' SPEECH*

MONSIEUR G. THEUNIS (Ex-Prime Minister of Belgium and President, International Economic Conference) said :

In spite of my very imperfect knowledge of the English language, I have thought it better to dispense with an interpreter and to address you directly in your national tongue.

I know by experience how vast is the ground which we have to cover in these three short days, and have thought it better to save a few minutes by losing no time over translation.

Before touching upon the economic situation of the world, I should like to congratulate the organizers of the present Conference.

The initiative taken by the League of Nations in preparing and calling the great international conference at Geneva last May is indeed a cause for legitimate satisfaction ; we have a further cause for satisfaction in the unanimous agreement on the recommendations to be discussed to-day and to-morrow.

But we must not forget that although economic questions are essentially of general interest, they are only understood and appreciated by an élite, that is, by a minority.

If we consider the varied origin and qualifications of the delegates who met at Geneva, the unanimity which they attained is certainly impressive, and one might suppose that in face of this unanimity on the part of experts, obstacles would melt away and resistance disappear. But, as I have just said, however great may be the force of truth, it is not sufficient for it to exist, it must also be recognized and appreciated by the masses.

This is why I declared at the close of the Geneva Conference that I considered that all its members were under a veritable moral obligation to diffuse, to defend, and to drive home, the truths which we had solemnly proclaimed.

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That is the purpose of the Conference now opening, and that is why I responded with pleasure to the invitation of its organizers.

\* \* \*

It would be very ambitious on my part to attempt to describe to you in a few short minutes the economic situation of the world, if the work done at Geneva had not given us a valuable basis for such a survey, which I cannot now do better than recapitulate.

When we consider the defects and the gravity of the present economic situation of the world, it is quite natural for us to attribute their origin to the war; when we speak of the disasters caused by the war from the economic point of view, we have an entirely natural tendency to think of the appalling destruction of wealth caused by the military operations themselves, the squandering of munitions, for instance, or the material devastation caused by the terrific modern engines of destruction. It is less obvious—perhaps to the masses it is not obvious at all—that it has been easier to repair this material damage than to remedy the dislocation which the war has caused in the economic organization of the world and in its normal economic relations.

The very interesting reports upon which the members of the Geneva Conference had to base what I may perhaps call the diagnosis of the world-wide economic diseases of the day, have shown that, taken as a whole, world production is greater than before the war.

But they show further that this increase is not general and that as against the relatively large increase in production in North and South America, Australia and the Far East, there is a slight decrease in the production of Europe. But in any comparison of the curves showing world activity at an interval of twelve years, it is necessary to take into account the rising tendency of this diagram just before the war. If the war had not intervened, it is certain that production in Europe would have continued on the upward grade upon which it had entered before 1914. A slight depression in the curve from 1913 to

1926 therefore corresponds in reality, and in comparison with the past, to a very considerable falling off.

But it is not so much this decrease in production which is harming world economy as a whole, it is more especially and above all ever increasing difficulties in the way of international trade.

It is true that trade had always to contend with difficulties of all kinds and particularly with the protectionist tendencies of certain countries. But these were nothing in comparison with the present state of affairs. The specialized and temporary increase in demand during the war dislocated normal commercial relations and created a state of affairs, the readjustment of which to normal conditions was bound to be a difficult process. During the war, it was necessary to create new and independent centres of production, for which there was no economic justification. In certain cases, an endeavour was made to prolong, by artificial means the existence of these wartime industries. In other cases, the creation of new countries, all anxious to realize the Utopia of a self-sufficing nation, dislocated production.

Moreover, the war everywhere created a profound spirit of unrest, which the financial and monetary situation after the war prolonged and aggravated. This situation militated against the spirit of thrift which provides the capital necessary for the economic life of nations, and for long term investments which are another indispensable factor of progress. More and more the desire spread among the nations, not only to be self-sufficing, as I have said, but in addition to create new markets for their production : two tendencies which are in patent contradiction !

The first result was the raising of customs barriers, thus closing the vicious circle into which the nations were relapsing.

There was no lack of pretexts to justify the raising of customs tariffs : it was the struggle against profiteering on the exchange, it was the protection of national labour and the diminution of unemployment, it was the creation of a means of bargaining when tariff disputes arose.

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High tariffs were not enough. Long after the war, a commercial barrier was maintained which the special necessities of the war had justified temporarily, namely, prohibitions and restrictions on imports and exports. These barriers were from certain points of view perhaps even more dangerous than the customs tariffs, for they depended on the arbitrary will of the administration.

Not only were tariffs increased on all hands, but they became eminently unstable. The alarming fact has been ascertained that out of 183 commercial treaties studied by the economic service of the League of Nations, 150 were made for one year or less than a year! And to add to the difficulties of commerce, tariffs have become more congested and more complicated.

In order to favour the production of one neighbour to the detriment of another, greater and greater subtlety has been displayed in creating subdivisions. I believe that the record is held by the special clause of a German tariff which affected cheese made from the milk of red cows, grazing at an altitude of more than 1,500 metres. This was intended to give Swiss cheese the preference over French cheese, as the conditions in question do not exist in France.

But if the system of protection leads to ridiculous consequences, it also results, and this is much more serious, in raising prices within the country itself. The customs duties amount to a camouflaged tax on the purchasers of the "protected" products.

For the last hundred years, all peoples have noticeably been following a policy tending to the formation of definite national entities. The recent peace treaties were largely inspired by the aspirations of nationalities great and small which were trying to form more and more exclusive national groups. But the development of civilization, the extension of industry and its complexity have overstepped racial boundaries.

The time when important industries could find the necessary raw materials in their own countries has passed. No nation, however favoured it may be by nature, possesses either the whole or even the greater part of the

raw materials which are indispensable for its industries. Moreover, modern industrial production has reached such a point that it cannot as a rule be entirely absorbed by the internal market. In the economic sphere, human activities and interests are more and more dependent on international prosperity and the possibility of contributing to that prosperity without encountering too many obstacles.

Europe, however, does not seem to have understood this situation: customs frontiers have multiplied and increased and Europe, for it is she that is especially affected by the "maladjustment," is, in medical parlance, suffering from serious circulation troubles. By a singular contradiction, enormous sums have been expended in all countries on the improvement of means of communication, ports, canals and railways. But the material progress realized is counteracted and more than counteracted by the artificial trade barriers which have been set up and multiplied during the last few years.

What would be said of people who, in order to save twenty or thirty miles by rail, built a costly tunnel under a chain of mountains and then voluntarily threw away all the time and money this saved by the shortened route by imposing lengthy stoppages at the entrance and exit of the tunnel? This is, however, exactly what is being done in many countries; they spend enormous sums in ports, railways and canals with a view to reducing the costs and time of transport and then neutralize, and more than neutralize, such advantages by their policy of excessive and annoying tariffs.

\* \* \*

When examining the economic situation of the world, we are naturally tempted to refer to the pre-war situation, in order to characterize the present state of affairs. Man has moreover, as the Latin proverb states, always a tendency to admire the past, and you will constantly hear it said of pre-war times: "Those were the good old days." A simple return to those days appears naturally an end to be aimed at and an ideal in itself. The labours of the economists at Geneva have shown, however, that the

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problem is not quite so simple. Although it may be hoped that some of the economic consequences of the war are merely temporary, there are others which are certainly permanent.

The belligerent States of Europe, and even many neutral countries, are overwhelmed by the financial difficulties which the liquidation of the war entails. It will take more than a generation to overcome such difficulties. The financial burdens of certain countries have been aggravated by the fact that in many cases the proportion of their foreign debts has considerably increased, thus involving them in the very serious and as yet little understood problem of the transfer of wealth of one country to another.

Unfortunately, moreover, contrary to the hope which an optimistic illusion might have inspired, military burdens have not decreased.

The problems of population and emigration are becoming more and more acute. Countries with an increasing population are obliged, mainly owing to the restrictions placed on emigration, to intensify their industrial activities in order to provide employment for their labour. Lastly, as I said before, we must not forget that in 1914 the economic equilibrium of the world was not definitely established. The situation of Europe in relation to other continents had changed, and was still changing very profoundly. Europe was no longer the sole enormous factory in which were manufactured the raw materials supplied by the other continents, which, in return, bought finished products in Europe. Even before the war, overseas countries were becoming industrialized; the war compelled them to develop this tendency very considerably, since Europe, their supplier, was no longer able to satisfy their current requirements.

\* \* \*

In this brief summary I have wished to emphasize the fact that the end to be achieved in order to adjust the European economic situation is to establish a new equilibrium which will take into account the permanent changes in the distribution of the world activity and, in



particular, of the exceptional situation of the United States, which, owing to their financial loans, are not only creditors of the rest of the world, but, during the last few years, have enjoyed a commercial balance which shows very considerable surpluses in their favour.

When examining the European situation, we must also keep in mind the great loss which the almost entire disappearance of the economic power of Russia represents for the organization of our continent. The economic interdependence of nations is now a fact which is no longer disputed. The economic interdependence of European nations is even closer. It has very truly been said that the economic prosperity of Europe constitutes a whole which will either develop or fall as a whole. As a matter of fact, the diagnosis of the European situation resulting from the labours of Geneva reveals a serious state of affairs which will very soon necessitate changes and important improvements in the economic organization and more especially in commercial relations.

This result will not be achieved in a day, but in order to be in a position to fight against shortsighted selfishness and individual interests, public opinion must be warned of the danger which threatens the economic organization, and I may even say, the civilization of Europe.

As is clearly shown by the number of persons whose resources have been affected by the scourge of unemployment in Europe, and these amount to several millions, economic depression invariably means suffering and distress which being unmerited is all the more difficult to bear.

Such distress prepares a favourable ground for the spread of pernicious doctrines of social upheaval and the recent deplorable events accompanied by heavy loss of life remind us that, in the very interest of the nations, it is our duty to do everything in our power to render them impossible in the future.

It is thus no theoretical problem what we are now examining; it is not solely a question of commercial or industrial interests. Public opinion must be brought to realize that our effort is one which affects every phase of

human experience. Although our preoccupations may be realist and practical, they far from exclude a constant and deep anxiety for the improvement of human conditions, the increase of human happiness. It is for that reason that it was possible to call together so many men of different ideas and social conceptions to collaborate at Geneva as they are now collaborating here.

It is the duty of everyone to assist in so noble a task, and I have no doubt that public opinion which has the casting vote in the life of nations will grasp the situation.

### *MRS. BARBARA WOOTTON'S SPEECH*

MRS. BARBARA WOOTTON, M.A., J.P. (Member of International Economic Conference), said: After you have listened to the address by your Chairman and to the speech of M. Theunis, I think you will agree with me that not less valuable than the proposals for practical action put forward by the Economic Conference was the discovery by the conference of the facts which Prof. Murray and M. Theunis have been expounding to you.

The Conference was the occasion of the first world stock-taking since the end of the war. And it was largely, very largely, thanks to the assistance which was rendered to the delegates by the permanent staff of the League of Nations, that it was made possible for those simple truths which Prof. Murray put before you to be recognized for the first time. We now realize the fact that the economic difficulties of the world are not difficulties of physical production for the world output is actually greater than it was before the war, even in proportion to population: a fact, which you will agree, is not the least cheering of the discoveries recorded in the report of the Economic Conference, because it carries with it the corollary that the blame for our difficulties lies with ourselves, and we may well believe that what the human mind has done the human mind can undo. But the first step towards undoing the difficulties which have arisen so largely from our own action is a true recognition of their nature.

What I want briefly to say this morning is a word or two about the character of the various changes which have taken place. Some of these changes as M. Theunis has pointed out, are very directly connected with the war. Such, for example, is the circumstance that in all the belligerent countries there has been a great overdevelopment of the trades concerned in the production of war materials, an overdevelopment the signs of which are not yet done away with. It is that condition which has left this country, for example, in an age when there is less constructional work, with a capacity of output in its iron and steel industry alone some fifty per cent. greater than it was before the war. The connection of that fact with war demands is easy to trace. It is similar circumstances which have left a world that does less trade with some thirty-eight per cent. more shipping in which to carry that trade.

Other changes are a little different in character. M. Theunis has told you how the period of the war has been also a period of great development of manufacturing industries outside Europe itself. That is illustrated by the fact that whilst Europe is consuming annually some 2,000,000 bales of cotton less in her textile industries, Japan and the United States of America are consuming some 2,000,000 bales more. The shifting of the balance is easy to see. Likewise we see, and we should welcome, the development of the manufacturing industries in some of the Dominions of the British Commonwealth. In such cases the causes are not so directly or prominently connected with the war. The war indeed played its part; the belligerent nations were busy doing other things, so other people stepped into their places. But the development of manufacturing throughout the world is not an incident for which you can lay the blame (if you wish to blame anything) upon the war.

This development has meant that we do less trade than formerly. Now there is no peculiar sanctity, as I think we sometimes suppose, in trading with other people. There is no mystical advantage in buying a thing from somebody else if you can make it just as well yourself;

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though there is an advantage in buying it from somebody else if you cannot make it quite as well yourself. But if you have very rapid changes in regard to what you make yourself and what you buy from somebody else, you naturally cause a great dislocation of all the industry which is engaged in trading. Europe has lost trade, and we in this country have a large vested interest in trade. We feel the dislocation.

These are some of the outstanding changes with which we are faced. They are accompanied, as we know, by corresponding changes in the position of the groups of active workers who are themselves engaged in those industries. Our economic system is disturbed by the relative advance of some and the relative retrogression of other industries, and there emerges the distinction, which has come unto public parlance only since the war, between workers in the trades chiefly affected by these changes, described now as the "unsheltered trades" and those in the "sheltered trades." Great importance is attached throughout Europe to that distinction, most marked probably in this country; but I venture to suggest to you that the distinction is one which lays the emphasis rather on the wrong part of the problem. To be exposed to world competition, which is to be "unsheltered," is not only a post-war condition. The pre-war railwayman was as much "sheltered" from foreign competition as he is to-day; the pre-war engineer made for the world market as much as he does to-day. The difference between pre-and post-war conditions lies not so much in the discovery of the shelter in the one case, and the lack of shelter in the other case, as in the increased intensity of the blasts which blow upon the unsheltered.

Now, with these facts before us, our problem is a double one. It is a problem partly of discrimination and partly of adaptation: discrimination between the changes that are permanent and those that are temporary. The expansion of the war manufacturing industries is, we may hope with every hope that we have, an expansion to meet a demand that has passed away, though we do not find it so easy to beat our swords into ploughshares when we have

to find markets for the ploughshares. The problem of these industries is temporary.

But the problem which is presented to us in Europe by the rest of the manufacturing industries the world over requires rather more discrimination, because we have got to find out, before we can solve it, which of these manufacturing industries we should welcome and which we have to recognize as based upon an insecure foundation. Some of the new industries of the world have been built up on a very precarious basis, sheltering behind the tariff walls, such as you see in the relief map before you. Some of them know that if these walls are taken down, brick by brick, their future is insecure. The competition of these we justly regard as a competition which does not correspond to economic reality. Similarly some have built up an unstable existence under the protection of fluctuating currencies; though we have reason to congratulate ourselves that that protection is already passing away. At Brussels in 1920, a stable currency was the marked exception; at Geneva, in 1927, an unstable currency was the strange phenomenon.

But others of our changes correspond to new economic realities. The vast development of manufacturing industry in the United States can hardly be credited to the high tariff of that country alone—a tariff which, with true international diplomacy, the author of the map before us has seen fit to omit! The American Cotton Industry, the Australian Woollen Industry, are probably permanent features of the post-war economic world, and when we look at these we have to safeguard ourselves against the tendency of which Mr. Layton spoke in his brilliant paper to the Economic Conference, and which he called “*l’illusion de l’avant guerre.*” Not the least dangerous as I see it of the factors in the world economic situation is our failure to discriminate between competition based on artificial protection and new promotion on a sound basis, adding great riches to the world; and the tendency that we have to regard both alike as unfortunate and injurious to ourselves. If there is anything in the old economics, we ought to be glad to see the development

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of new industries on a healthy foundation outside our own country.

The second side of our problem is, I think, a matter of adaptation. Adaptation is supposed to be a faculty which men lose with age. The industrial system of Europe is older than the industrial system of the East or of the West. Industrially, Great Britain is the oldest country in Europe. And one of the perils with which we are faced is failure to recognize the urgent need for mobility, free movement, and adaptability in our ageing industrial system. I hope that those upon whom lies the task of carrying out the recommendations of the conference, and others who are present here, will give their very earnest consideration to the possible methods of increasing the mobility and adaptability of the European economic system. The problem is one which we are only just beginning to recognize, and which is bound up with a great number of vested interests.

There is only one other word of caution that I would add. There are ways and ways of showing our adaptability. The problem of our failure to adapt ourselves is illustrated in Europe most dramatically by the presence of a body of European unemployed, a body running into many millions of men and women, and their dependants. But we have to take care lest we fall into the easy fallacy of supposing that by a mere reduction in the numbers unemployed is the solution of the economic problem of the world. Unemployment is an easy thing to recognize. A man when he is unemployed is counted, his name is added to the number of those in like need with himself, till we come to speak, as we speak to-day, of him and his like in millions. If he gets employed he goes out of the figures, and we congratulate ourselves. This leads us sometimes to forget that the ultimate standard of prosperity is the standard of living of the ordinary worker, employed or unemployed, of each country. One way of adapting ourselves to the new problem is to attempt, by reducing the wages of those who are employed, to diminish the volume of unemployment, a policy which it may sometimes be worth our while to pursue, for the

worker knows that it is sometimes worth while to take less wages in order to get any wages at all. But if we do follow that road, we must remind ourselves while we are following it, that it is a less desirable road than any other. Because we are undoing to some extent with one hand what we are trying to do with the other. The solution of the European problem is not merely the abolition of unemployment if the alternative be employment at any wages.

### *SIR ALAN ANDERSON'S SPEECH*

SIR ALAN ANDERSON, K.B.E. (Vice-President of the International Chamber of Commerce) : We have listened to two most interesting speeches. M. Theunis and Mrs. Wootton spoke as acknowledged experts in politics, finance and economics. I have no such claim to be heard : the Chairman previously credited me with some offices from which I have retired and others which I have never held, but in fact I was asked to speak because that great and dear man, Dr. Walter Leaf, fell ill two years ago and was pulled up short in full career, and I acted for him as President of the International Chamber of Commerce. I have been placed in rather a difficult position to-day because I was told to prepare my remarks in advance and was not told what the previous speakers would say. It happens that two speakers have already emphasised the great point I wished to make to you, but after all, we are trying to present the facts, and if the facts appear the same to all of us, to men and women who approach them from different angles, that is interesting in itself. Well, whether it is interesting or not, it is what has happened.

M. Theunis mentioned the unanimity at Geneva with which men of all classes of economic thought, protectionist and free trade, agreed together that tariffs were barriers to trade, and that the barring of trade is the real cause of our trouble. But it would be a mistake to think that because we are unanimous therefore we get on. If two men meet face to face and step unanimously one

way and then unanimously the other way, they are quite unanimous, but they do not advance. And when a large number of serious-minded men debate together and decide that the map of Trade Barriers before you shows an absurd situation, that tariff barriers are too high, and that the direction must be reversed, they are absolutely unanimous, each of them, that the other has got to pull down his barrier first: and that is the point we have reached in our unanimity about Tariffs.

M. Theunis spoke of the new production for which there was no economic justification. Here in England Industrial groups are discussing the difficulties of industry which is native and natural to Great Britain. The steel and iron trades, being unsheltered, are particularly depressed. Why? Is it from some artificial advantage that our competitors enjoy, or is it that our workmen have lost their drive and skill, or our employers? I do not know. Perhaps no one can know except the men engaged in these trades. But we notice that our most awkward competitors are precisely those whose currencies have been most disturbed and whose producers have proportionately benefited.

M. Theunis drew attention to the absurdity of driving a tunnel through a mountain and then blocking it with a door. A friend of mine has been down the Danube, trying to restore the trade in that river: the best and oldest highway, blocked by Trade barriers: and he came across a beautiful new bridge, and was shown with pride how easily one could pass over to the neighbouring country. "But what are those sentry boxes?" he asked. "Oh, they are to prevent people using the bridge," was the reply. So the tunnel was not a myth: it really exists.

M. Theunis spoke of the serious and as yet little understood problem of the transfer of wealth. I should not dare to differ from such an expert in economics and finance, but is the problem "little understood"? Is not the answer that to transfer wealth we must transfer goods or services, and is not the difficulty that we try to avoid that conclusion? Of course it is awkward to have to admit that enormous reparations imposed upon



a country mean that the country has to make vast sales to pay reparations : the fact may be unpleasant, but I submit there is no doubt about the facts. And the crisis M. Theunis has analysed ; the economics are forcing us to make up our minds. We have gone on thinking about the dislocation of trade, now we have to act, and we have to act quickly.

Mrs. Wootton spoke about the United States of America and she said the maker of that map had with diplomatic discretion left the United States out. I put the same point to Sir Clive Morrison Bell the other way round : I said that the map would be more effective if he had put the United States of America in, because it would show an enormously wider area without an internal barrier than any in the present map, and that wider area of trade I submit causes the relative prosperity of the United States.

As I told you, I have been asked here as a President of the International Chamber of Commerce. Business men of all kinds in forty-five nations, set up this International Chamber as an ear for trade, and a mouth, and a brain, to get contact with Governments and, in particular, with the League of Nations ; we have established a very useful contact with the League of Nations, as this Economic Conference showed. Before the war the International Chamber of Commerce did not exist because it was not needed, but after the war the League of Nations and the International Chamber of Commerce were needed and came into being. Members of the International Chamber of Commerce are not free traders ; in fact, many of them are protectionists, but when they meet together they have no doubt that they all want more trade and fewer trade barriers. They recognize that movement is trade, and that barriers stop trade. Since the war they say we have suffered from instability : first of all a high fever of inflation, and then a low fever, which gets the more depressing the longer it lasts, and it is urgent we get back to health. To dispel the disease we have to find the cause. Of course, we all blame the war. And then we reach the same conclusion

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that you have heard already; our disease is not caused by the direct losses the war put upon the world's trade. We lost millions of our best men in the war, we lost material, but to-day we have more men than we can employ and too much material, and plenty of people anxious to use it, and we cannot bring these together to produce trade. It is an absurd situation, but it has been going on for years. The world would have been richer had there been no war, but without the war would it have been poorer? I neither know nor care—the world is not suffering because it is poor but because it is disturbed.

So much for the world, but the world is divided into nations, and each nation into individuals, and trade springs from individuals. And after four years of huge war expenditure our nations and our individuals, some of them are new rich and some of them are new poor, and both have to settle down and learn their new parts before we can trade freely together.

If the nation, suddenly, unexpectedly rich, spends its wealth lavishly, it starts fresh waves of dislocation about the world, and causes harm. But if it refuses to be paid in the only international coin, of goods and services, what is to happen? It is not, I submit, playing its part as the wealthy nation of the world, and it cannot be paid except in I.O.U.'s, and it gets rapidly richer, and the economic situation more top-heavy. Incidentally, the loans which it is forced to give help the poorer nations to produce, but do not help them to sell their produce, and if the rich nation insists on selling its own surplus abroad at low prices its wealth aggravates the poverty of its neighbours.

The new poor and the new rich naturally criticise one another, and if the poor nation sees the mistakes of his rich neighbour, he also finds it hard to adopt the economics which suit his pocket; he also dislikes wearing a mean coat because he has little cloth, and he clings to expensive laws, to exotic industries.

So, for a time the new rich may grow rapidly richer, and the new poor poorer, and the world's position worse,

because our problem is not poverty but instability. Hence the critics, because the world's economic position becomes less and less stable so long as this condition permits. As to the cure, the International Chamber of Commerce thinks there is no cure like trade or commerce. The cure of our troubles is to trade rather than to bar our trade, to pull down the barriers which restrict individual enterprise, and which restrict movement of ideas, and men, and goods, which is trade, and which is civilization. And on which we have built up the best civilization the world has ever seen, and which is now in danger.

### DISCUSSION

SIR HUGH BELL, Bt.: Anyone who listened to Sir Alan Anderson's exordium and who was about to speak must have been filled with pessimism. When I was asked to open this discussion it occurred to me that perhaps some consideration of exactly what we mean by unemployment could not be without interest. We are all apt to regard, and now more than formerly, a man as being engaged in a particular occupation. If they are, as I have the misfortune to be, a coalowner, or still more unfortunately a maker of steel, if they are perhaps in one of the learned professions like you, Sir, they may be whatever they may happen to be. But that is not their intrinsic quality. We have learned from the war, if we learned nothing else, with what facility people pass from one occupation to another. And that must have caused many of us to consider what is the essential quality of a man or woman. It is not that they belong to a particular occupation, it is that they have certain absolute needs which must be satisfied. They have to be fed and clothed, and that is their only essential quality. And that consideration appears to me to go a long way towards the solution of the problem which now oppresses the world. One of the chief difficulties with which we are confronted is the fact that all economic propositions are paradoxes. Every-one of the speakers, and especially Sir Alan Anderson,

has dwelt upon it. We all want to sell our goods as dear as possible, we all want to sell as much of them as we can, if we are wise. And there would appear to be a contradiction in terms. I want to sell dear, I want to sell much. If I sell much, I must sell cheaply: if I sell dear, I must sell little. There you have an essential inward contradiction of the economic proposition. Is it to be wondered, therefore, that the persons who are looking at these problems between blinkers, at their own trade, so to speak, are not able to see what their real interests are? Now if that proposition were universally accepted there would I think be remedied a great many of the difficulties with which the economic situation of to-day which is the subject of debate this afternoon is surrounded.

Looked at from another point of view, I recall the story from which you will not escape at this conference, of the man who wrote to Sir Robert Peel that he was entirely in favour of free trade, and that it was of universal application to the troubles of the world—this was about eighty years ago, remember—but there was one thing which ought to be excepted, herrings, and he put up a perfectly irrefutable case for the protection of herrings. I am a steel maker, and I could put up a defence for the protection of steel. It would be a horribly bad one, and I believe that if it were accepted by the public it would ruin me, but that is neither here nor there. The real question we have to discuss is what we can do to bring the matter of these propositions which have been so admirably put to this meeting by the ex-Prime Minister for Belgium, by Mrs. Wootton, and Sir Alan Anderson, to the world at large. I am afraid I am a root and branch free trader. I hold the opinion that the best thing for the world would be that all the world should be free trade. I support that opinion by pointing out that before the war the population of the world increased at the rate of something like 1 per cent.; the trade of the world increased by something like 2 per cent.; and we were therefore steadily increasing in wealth. Now, the population continues to increase

at about the same rate. You, Sir, have pointed out that the production of the world has not diminished. I think it would not be too sanguine to suppose that if the world were free trade the worth of the world would increase at the rate of 3 per cent. Therefore, I urge universal freedom. But I go a great deal further than that. It is of great utility to the world that there should be one absolutely free market. In that way you escape to a large extent the danger of hoarding, a danger from which the world is by no means exempt, and if there be one free trade nation let each one of you pray that that free trade nation may be mine.

The difficulty of anyone opening this debate is to say what ought to be a reasonable limit to his speech. I could say a great deal more. I will only say one thing more. When Columbus set about embarking on that most disastrous expedition to discover America, he sought to balance an egg. Those of you who have forefingers which are delicate enough will succeed in that rather difficult operation (I have seen it done). The Queen sent for Columbus and Columbus showed her the way, by bashing it on the table! I submit that little story as indicative of the way of dealing with the difficulties of stabilising the currencies.

MR. P. REID (South Islington Labour Party) said he was of opinion that the cause of unemployment was the lack of the spending power of the people. Factories like the sugar factories in Greenock were closed while sugar was imported at great preference from Canada.

MR. JOHN ROUTLEY (Brighton Rotary Club) suggested that the problems were not merely international; to improve the lot of those working under deplorable conditions there were real barriers of national feeling to be surmounted.

MISS ALLEN (Co-operative Movement and L.N.U.) referring to the remarks of the previous speaker, urged that what it was necessary to promote was the idea of co-operation on a world-wide basis.

MR. EVANS (Association of Trade Teachers and Technical Instructors): I do not propose to keep the

conference long, but I think it is advisable to emphasize points of agreement rather than differences. I think we all agree that the tariff barriers are intolerable to the unrestricted flow of trade. When Sir Hugh Bell made the statement that he was an unrepentant Free Trader, the bulk of the Conference seemed to agree. I would rather emphasize myself a point not yet emphasized sufficiently that when you do remove the tariff barriers you will then have to deal with the question of adaptability and mobility of labour. We seem to forget that even if the barriers were entirely broken down there is still this question of adaptability, and with it you have to consider the question of education within the country itself. At the risk of grinding an axe, I would suggest you have to consider very carefully and in a very detailed manner how you are going to get this adopted, this mobility of labour. This fact is being grasped in quite a half-hearted sort of way, and some centres for education in industry are being set up, but later on, when we have got the question of the tariff barriers out of the way, we shall have to consider whether we cannot get this adaptability and mobility of labour brought into the purview of practical politics. We are getting all sorts of remedies, but there is no cut and dried scheme, but I would suggest that after we have got this vital question out of the way, or even simultaneously with the tariff problem, we shall have to consider this question of education for the foreign trade and for the home trade and rationalization of industry.

MR. WATERHOUSE GIBBINS said that though himself a free-trader and one who thought there was a general free-trade feeling, it must be recognized that industrialists who experienced special difficulties held other views. As regards mobility of labour, he thought that Great Britain lagged behind other nations, no doubt because industry was older-established here than elsewhere, for example, the United States.

ALDERMAN MORRISON (Mayor of Smethwick): I have been greatly interested in this discussion, but one of the things that struck me most was the general consensus

of opinion that the direct ravages of the war had been made up, and yet we are in this terrible condition all the world over to-day. That inevitably makes one ask what was the country like before the war, and also did the war begin it, or was it there long years previous to the war, through the competition of the nations prior to the war? We can recollect the position, and candidly speaking I am very little impressed with the free trade or protection arguments and efforts to solve this problem. Free trade countries have their good times and failures, and also countries under protection have had similar experiences, but it was rather significant that there was a terrible and blatant tariff campaign directed against Germany a few years before war broke out, a campaign for protection in this country, and not long after the war came about. Was it because protection could not be gained in one way, that Germany, a great trade competitor, should be downed in another way?

I was also impressed by Mrs. Wootton's point that when we beat our swords into ploughshares we have to find a market for them. We should not set this up as sentiment but must prove that it is good business to do away with war. We should see that the League of Nations and the other nations are as good and as capable as this nation. But we have not only to eliminate the beggar-my-neighbour policy, but also to apply that between countries and our own homes. After all, the fuller life of civilization, socially and between nations, are only expansions of the family life, and if you have family dissension in the home you are not going to have peace and concord.

MR. J. W. BOWEN (Union of Post Office Workers): If in the excellent speeches we have had this morning from expert speakers neither of them can give us a cure for the economic difficulties of the world to-day, I am sure that a layman cannot be expected to offer a solution in the course of five minutes; but we are gathered together to put our views into one hat, to see what help we can get out of it.

The world situation, as any casual reader must observe, is a serious one. The shifting of the balance of trade from one continent to another is bound to have very serious effects upon those of us in this country of Great Britain, where we have thought of ourselves as the centre of activity. But the discussions under these heads lead dangerously near to an examination of political and social difficulties which seem to be irretrievably mixed up together.

I cannot find any short cut to the solution of the world's economic position, but I am bound to observe that the discussion this morning seems to have gravitated to consideration of whether or not free trade is the most desirable or most effective thing. I wonder whether in such an event as the breakdown of trade barriers, those who are peculiarly engaged in the administration of trade affairs can tell us what is going to happen—if free trade were accepted by all the nations? Whether there is to be a fierce competition between traders, and what its effect is going to be on the population of Great Britain? If we are to face facts, then we had better face every one of them, because we have seen how fierce competition in one industry is rapidly bringing about the ruin of that industry, not only for the owner but to the serious disadvantage of the men and women employed therein. I rejoice that there are men and women who do give their labour and thought to the consideration of those problems through the League of Nations Union.

I am a strong believer in international friendships, in the meeting of the people of one nation with another, because I believe that in the ultimate it will break a great many barriers down. Whether it will break trade barriers down I am quite unable to say: I am not versed in the study of such problems to be able to answer. But it does seem to me that trade barriers must be reduced. I feel, however, they will only be reduced when the people of the various countries insist that they shall be reduced, and it is no use our talking about the possibilities if we cannot expect that. I cannot see any solution of our difficulties but to do away with these



tariffs all round. But we must analyse the sympathies of the people of this country. In this country you are at once brought up to party politics. We in this country, as an international trading country, are in a very serious condition. Economists talk about the difficulties we have experienced in regard to the transfer of trade from one centre to another, and the mobility of labour. Mrs. Wootton spoke most eloquently, if I may say so, on her subject, and on the growth of mobility of labour in particular. One of our troubles has been that during the last generation we have always been preparing for war. In turn, different huge amounts which have served no useful purpose, have been taken, by taxes, from the population as a whole, but more particularly from that particular point of view, and industry has inevitably suffered. The position we are now in is the consideration of post-war problems, which possibly had their genesis long before the last war started. And when we come to talk about adaptability and mobility, we have to see what we can do to make our people mobile. It is no use talking to a labourer in the north about new life in the south if he has to meet the same difficulties when he comes south. It is no good telling an employer to adapt his machinery: you have seen that once a coalowner, always a coalowner—but adaptability is not one of the things we can pride ourselves on in this country. But it does call for consideration, from the point of view of the employer and employed, from the point of view of the administration of the whole country. Adaptability means much more than a shifting of a trade or of men from one part of the country to another. It calls for consideration from the point of view that our world circumstances must be dominated by what we can contribute to the world from our own nationality. I do think that we should start here, and if we can get an incentive from this conference if essentially a world-wide conception rather than a narrow nationalist conception we shall encourage other nations to do the same thing, and through the medium of the League we can help to reduce these barriers and develop the higher conceptions which I

think will help us to understand really how to meet our present difficulties.

MR. F. LAWLEY maintained until there was an ordered and regular production and exchange of goods there would never be a solution of Europe's, or the world's, economic difficulties. The facts must be faced as the League of Nations and the International Labour Organization were facing them. The facts would be found to be as Socialists had foretold.

MR. COPELAND (League of Nations Union) referring to the existing unemployment problem, said that a question deserving serious consideration was the possibility of putting more people on the land in the Dominions and colonies and of drawing more wealth from that land.

MR. T. A. PARTICK (Bootle) said that the world situation had been placed very clearly before the Conference. What was needed was to decide what we were prepared to sacrifice in order to remedy the situation.

MR. HAWKES (Hemel Hempstead Branch, League of Nations Union) suggested that the real problem was not one of ability to sell but of ability to buy or the perspective of buying power and productive power.

SIR GEORGE PAISH : I have only a word to contribute to this valuable discussion. The last speaker before the Chairman referred to the question of buying power. If the world had the means of buying then the world could sell. I had that put to me during a journey I made through various countries in Europe some time ago. They were all anxious to buy, but they had not the buying power; and they said, How can we buy? It came back to this at that moment, having regard to the situation : "How can we obtain capital and credit, because as soon as you can get credit you can begin to buy." My answer was, "How can we give you credit if you pursue your present policies? Your present policies are in the direction of increasing the barriers between the various nations on the continent, and that means that you will get poorer and not richer, you are afraid your industry cannot stand international competition. You are putting up barriers to prevent the goods of other countries coming

in, and so in your hearts of hearts you are afraid of the future. How can you expect to get credit if you are afraid of the future? If your industry is strong enough to stand up against world competition, you can get all the credit you want." I suggest to you that too much credit has been granted, too much has been created since 1913, and the only possible way to enable people to meet their credit is to enable them to sell their goods, to do a much bigger trade than they have ever done before. The world cannot possibly meet its present enormous obligations unless trade is restored and greatly increased. I can see no other way but to take away the trade restrictions, to take away the barriers to commerce, to reduce the tariffs, enable goods to circulate freely from country to country, and thus bring about a very great improvement in the situation. The prevention of economic well-being has not come from the existence of physical obstacles between the nations, indeed great strides have been made in everything that has physically facilitated trade—better roads, better transport, and better communications. But the statesmen of the world are reversing, by artificial means, these advantages. Artificial barriers are being built where physical barriers used to be. The simile of the tunnel was extremely valuable, and it is true. Barriers are being replaced.

If you will think these things over and will bring to their consideration that most valuable report which came from Geneva, you will, I am sure, wish to do all you can to persuade others that a policy of trade restriction is injurious, not beneficial.

## SECOND SESSION

### COMMERCE

#### THE TARIFF PROBLEM

The second session opened at 2.30 p.m. on Tuesday, December 13th, 1927, in the Council Chamber of the Guildhall, E.C.2, the subject under discussion being "Commerce—The Tariff Problem."

The Rt. Hon. Philip Snowden, M.P., was in the Chair.

#### *THE CHAIRMAN'S ADDRESS*

The Chairman said: The subject for consideration at this afternoon's session is that of Tariffs. In view of the importance of this question and the little time at our disposal, I wish to offer at the opening of the Conference only a few, very brief observations. I should under any circumstances feel considerable trepidation in speaking upon this topic to a Conference composed to such a considerable extent of experts and of men and women who understand the question from long practical experience.

I have no qualification to occupy the chair at this session unless it be one, and perhaps from our point of view that is a disqualification rather than a qualification. For this is not a conference of free traders or of protectionists.

But perhaps I may be pardoned if I say that I do not often agree with Mr. Churchill, but I certainly do subscribe to a statement of his, that he believes in free trade as he believes in the multiplication table. There are few questions, few matters about which we can feel perfect assurance, and, so far as I am concerned, free trade is one of them.

But we have here this afternoon both free traders and protectionists, and I understand that we are to discuss

not so much the abolition of tariffs as what practical steps can be taken to prevent them from going up and to encourage them to come down. There is, I think, this common ground between free traders and protectionists, that we all recognize the evil of tariffs, the hindrance that high tariff barriers are to trade. The International Chamber of Commerce, which is composed, I suppose, of men who hold different views upon the question of free trade and protection, have done I think incalculable service in the investigation that they have made into the question of tariffs and the recommendations that they submitted to the International Economic Conference, and I am quite sure that we should all be glad to unite in paying our gratitude to the recent Economic Conference for its exhaustive enquiry into this question, and for the unanimous recommendations it made. It was indeed a very remarkable achievement, I might say, that you should be able to get together men from some fifty countries and get an agreement, such a very large measure of agreement, upon the questions they were called upon to discuss.

The first essential is, before we can proceed to practical steps for dealing with an evil, to get agreement as to the existence of the evil, and upon that fact I think there was unanimity in the Economic Conference. But then, when we have got the recognition of the existence of the evil, and a desire to do something to mitigate it or to remove it altogether, we emerge upon the practical stage, and the practical stage is always the most difficult. And there are, we must all admit, very grave difficulties in the way of giving practical effect to the resolutions of the Economic Conference. We have some experience of that in our Imperial affairs. If we are unable to bring about the reduction of tariffs, or the abolition of tariffs, within the Empire we can realize how much more difficult is the problem when we have to deal with foreign countries.

The war and the blockade during the war increased the difficulty of dealing with this question. The blockade itself was a form of very high protection, and under the

protection of the blockade and through sheer economic necessity many countries established or stimulated home industries, vested interests were created, and thus increased the difficulty of dealing with the problem. And then there is, I think, another difficulty, and that is, through the Peace Treaties, the creation of a number of new States, some of which appear to have a rather, shall I say, exaggerated idea of their own importance, and are anxious to emulate the older countries, not merely where emulation is a beneficial thing but in respects where it is otherwise.

These it appears to me are some of the difficulties in the way of removing or reducing these tariff barriers. But I think it will take a long time to convince highly protected countries of the truth of these facts. But I think it cannot be to the real and permanent economic advantage of any country that it should try artificially to create or to sustain by artificial means industries for which the resources of the country are not specially adapted. I think in the course of time we shall realize to a much greater extent than we do to-day that the world economically is one, and that the best policy for each country is to develop to the utmost its own internal resources and to devote its energies to the production of those goods which in its circumstances can be most economically produced and thus to promote the freest possible intercourse with other countries.

It is not for me to make any suggestions as to the course the debate or discussion this afternoon should take, but perhaps you would pardon me if I suggest that the discussion might concentrate upon trying to find out what practical steps can be taken immediately for giving effect to the resolutions of the Economic Conference, and not to spend the time in talking about things upon which we are all agreed. There are, so far as I can understand, two views—I do not know that they are divergent, it is rather a difference perhaps of emphasis rather than of anything else. There are those who say that the problem can be best approached by promoting between nation and nation bi-lateral agreements. I think we shall all

agree that so far as this is practical and so far as it can be achieved, it is desirable that we should pursue that course. And then there are those who take the view that these tariffs are not merely matters which affect two countries alone, that trade is international, that perhaps the problem can be more usefully approached by general international action. I can express no opinion at all upon the respective merits of these two suggestions. Probably, when we come to deal practically with the question, we shall find we shall be able to proceed in both ways at the same time.

There is only just one further word I should like to say, and that is in relation to the United States of America. I think the position, the economic and financial position which is being created in the United States is likely before many years have passed to exercise a very important influence upon the international tariff question. It seems to me that the whole equilibrium, the financial equilibrium of the United States is being changed: she appears to be approaching something like the saturation of the home market, meeting to the full all the possible demands of the home market, and is necessarily increasingly trying to find investments for her surplus capital in foreign markets. And the position of America, when it is changed almost completely from that of a debtor nation to that of a creditor nation, is likely to raise the question of the high tariff policy of the United States in a very concrete form, with possible influence upon the tariff abolition in all other countries.

We have arranged that two or three speakers shall open the discussion, and after that it will be thrown open to the delegates. I am glad to welcome, and I am quite sure that I am expressing your wishes, when I say we do heartily welcome our friends from foreign countries at this conference, and I would like also to congratulate the League of Nations Union upon having arranged such a conference as this for the discussion of these important questions. I am sure that the ventilation of these problems by such well-known people as are taking part in the discussion here can do a great amount of good. We

have with us this afternoon Dr. Richard Schuller, of Austria, who will speak first, and he will then be followed by the Rt. Hon. Walter Runciman, who can speak with quite exceptional authority upon this question, having been at the Economic Conference, and then I shall be very glad indeed to welcome my Parliamentary colleague, Mr. P. J. Hannon, whom I would certainly not flatter by describing him as an out-and-out free trader. But in this conference in which we are taking part there is the fullest liberty for expression of individual views and of different opinions, because we believe that it is out of the conflict of different opinions that the truth will emerge, and as John Milton said "The truth which never was put to the worst in a free and open encounter."

#### *HERR DR. SCHULLER'S SPEECH*

HERR DR. RICHARD SCHULLER (Austria, Member of the World Economic Conference) said: I must confess to having been for thirty years actively engaged in constructing protective tariffs and commercial treaties, but I promise I will try to speak with the utmost impartiality. During the last century the Continental States, following the example set by England, came nearer and nearer to Free Trade. But after the seventies in most European countries—the Netherlands were an exception—a change took place in favour of Protectionism. The outstanding reasons for this change were the competition on the European markets of the superior English industries and the cheap agricultural products from overseas. In the nineties the price of wheat fell to £6 a ton, owing to the development of the American railway system and owing also to the fall of 10s. per ton of the freight rates from New York to Liverpool.

To begin with, increases of duties were moderate. But every fresh tariff was higher than its predecessor and so most of the European States reached in pre-war days duties averaging from 10 to 30 per cent., in Russia they were 100 per cent., for protected branches of production.



The war then brought an extraordinary intensification of the system of mutual isolation, a relapse into the old methods of mercantilism; import and export prohibitions and restrictions. This was not done on account of economic considerations but for reasons of national defence. But after the war ceased in many countries these methods of mercantilism have continued to be employed. Various reasons were given: preparation of national defence for the future; protection of the national economic system weakened by the war; and in particular measures to prevent a fall in the rate of exchange. Now the English pound has regained its gold value without the use of import or export prohibitions, and many countries that wished to protect their currencies by means of such prohibitions have had to see that the real reason for the depreciation of a currency is not the importation of foreign goods but the printing in the home country of paper money. The prohibitive measures of the war period are being gradually abolished.

The Governments are returning to their pre-war policy, that is to say to the protectionist system which they have been pursuing for fifty years.

Now, what is our experience with protectionism on the Continent? Although I have been actively engaged for thirty years in constructing tariffs and negotiating Commercial Treaties, I will try to speak with the utmost impartiality. On the strength of my experiences, I think I may say that in certain cases protective duties can be advantageous from the economic point of view.

If by means of a duty of 5 per cent. the production of a certain article is increased to such an extent as to cover 50 per cent. of the quantities that had hitherto had to be imported, such a duty will result in an increase of the national income. In this case the charge on the consumer is small in comparison with the increase in production, and the duty, according to our Continental views, would be a profitable one. If, on the other hand, a duty of 50 per cent. produces an increase of 5 per cent. only in the home production of the article, such a duty is detrimental, because the charge on the consumer is larger.

than the increase in production. I am sure I am going too far in simplifying this problem : a book would be necessary to understand it. I confess I have written such a book. But I think that the question which duties will be profitable depends on the circumstances prevailing in a country. In this way it would theoretically be possible to construct a scientific tariff.

But experience has taught us that practically such an undertaking is absolutely impossible and this for the following reasons : Tariffs are made not in a study or library but at the Piccadilly Circus of business interests. If the policeman at Piccadilly Circus raises his white-gloved hand, traffic stops. But governments have not white gloves and when they raise their arms business interests won't stop. Then other branches of production which are not protected will demand tariffs for themselves, without any regard to their scientific desirability, but simply as a fair compensation for the higher prices they have to pay for protected goods

It is in this way that Continental States have arrived at general tariffs which are by no means scientific, and which, side by side with some good duties, contain many bad ones.

Powerful and well organized groups of interests will succeed in securing duties for Protection in a country which are useful to themselves but detrimental to the nation.

We now come to the consideration of a fact through which even a scientific tariff loses its usefulness. This is the fact that not one state alone but all States or almost all States are making tariffs. Even if one country succeeds in developing by means of protective duties those of its industries which are working for the home market, its export industries are hampered by the protective duties of the other countries. That is a poor bargain. Let us suppose that a certain country is preventing—through the introduction of custom duties—the importation of goods to the value of 100 millions and at the same time its exports are reduced by 100 million pounds through the duties imposed by the other countries. This

reduction of exports means a loss of 100 million pounds for the national income. But it is not a net profit to the national income to prevent the import of goods to the value of 100 million pounds, because the price of the commodities in question is increased and consumption therefore reduced by the duty. Thus not 100 million pounds worth of goods, but less, are produced in the home country, and the consumer is, moreover, burdened with higher prices. It is of greater advantage to any country to abolish even reasonable duties if thereby the abolition of duties in other countries which restrict its exports can be effected. It is, therefore, in any case more advantageous to a State to increase its exports by 100 millions than to reduce imports by 100 millions.

Thus as a result of our fifty years' experiences made with protectionist policy we arrive at the following conclusions.

The advantages which a particular country can procure through protective duties for the industries producing for the home market are smaller than the damages inflicted on its exports through the duties of other countries. Even if the tariffs were really scientific and reasonable, it would be more advantageous to every country to abolish them if the other countries did the same. On this long, roundabout way through complicated considerations we arrive at the result that Free Trade is the right policy, and that the Powers are only causing loss to one another by their protectionist policies. The scientific commercial policy is Free Trade.

And how about the real commercial policy of the European States? By means of tariff conventions the continental States try to pay regard to the fact that it is profitable to reduce one's duties in order to obtain a reduction of duties in other countries. The feature of these conventions is that tariff reductions are mutually granted, so that in most States a conventional tariff exists side by side with an autonomous tariff. This is the so-called "policy of bargaining." It forms together with the most favoured-nation clause the substance of continental commercial policy.

In order to be able to judge of the nature of the latter it is necessary to thoroughly understand how this system developed. During the period in which the Continent was continually drawing nearer to Free Trade, bargaining was the most important method of obtaining a mutual reduction of duties. The reductions, accorded to one country were afterwards extended by means of the most favoured-nation clause to the goods of all countries, since bargaining with the most-favoured-nation clause was the substratum of Continental economic policy. Since the time, however, when most of the States turned in the direction of protectionism and began to enforce increasingly higher tariffs, the bargaining policy has become merely a means of retarding and mitigating the raising of tariffs. And even this end is attained to a decreasing extent, because together with the growth of the protectionist movement, Governments attach increasing importance to maintaining their duties and on the other hand decreasing importance to a reduction of duties in other States. The negotiators of the treaties are made responsible for the concessions they make; for the concessions they do not get, it is not they who are held responsible, but the other Governments. The real concessions made in tariff conventions are thus constantly becoming smaller and their place is taken by sham concessions which are effected in the following manner: The Governments include in their autonomous tariffs numerous duties which are higher than actually intended. In the treaties these duties are afterwards reduced to the intended level. I do not want to say that the tariff conventions consist of nothing but such pro forma concessions. They do contain a good number of real concessions, but a large and ever increasing part consists of sham concessions. This is one of the main reasons why there is—for instance in Great Britain—if I am not mistaken, a reconsidering against the policy of bargaining. It must be added that in many cases no, or not sufficient, regard is paid to countries which still stick to Free Trade or have low protective duties only, although these countries, which cannot make on their part any

tariff concessions, would be entitled in consideration of the favourable conditions they offer to the export trade of other countries to receive due regard to their own export interests.

But it would be a mistake to suppose that an improvement would be brought about in the present state of affairs if the bargaining policy were to be given up and only most-favoured-nation treaties to be concluded. For the most-favoured-nation system, too, has entirely changed its character. In the last century the importance of this system lay in the fact that the duties were always felt, and that the continually decreasing rates of duty were applied generally, so that the bargaining did work for Free Trade. But now-a-days the higher the duties grow and the smaller the concessions made in the tariff conventions become, the less is the real purport of the most-favoured-nation clause. The objection has also been made against this clause that it was irrational in its effects upon the different countries, because the value of the most-favoured-nation treatment was absolutely unequal for different countries. For one country it may mean that foreign goods may be imported at low duty rates whereas in another country it means that all foreign goods are shut out by high prohibitive rates. But from my experience I am sure that no better formula has yet been found for a general regulation of international trade than the most-favoured-nation clause. After all, the most important principle is that all should have a chance to compete under equal conditions. If the goods of different countries have to pay different duties enormous confusion must arise in international trade, which has a turnover of more than 10 milliards of pounds a year. For this reason, in spite of the frequent attempts to deviate from the most-favoured-nation system it has again and again been reverted to and it will be necessary to adhere to it. But it is no remedy for the ever-growing protectionism and cannot remove the obstacles in the way of reciprocal commercial intercourse.

After fifty years' experience with the protectionist system, the Continental States see that they are on the

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wrong road. The fact that they are on the wrong road is being brought home to the Governments of Europe by the realization that the economic situation of all countries since the war presents far greater difficulties than before the war. There are 11,000 additional kilometres of Customs frontiers to be reckoned with as a result of the establishment of six new States in Central and Eastern Europe ; the trade of Russia has been reduced to a small percentage of the pre-war figures ; and a very large part of European capital has been destroyed and heavy interest has to be paid to America for borrowed capital. Inter-allied debts and other international debts resulting from the Peace Treaties have increased the liabilities of Europe to an extraordinary extent. In order to balance these liabilities an increase of exports would be necessary, but instead European exports have decreased and unemployment on a scale unknown before the war has become one of the hardest problems with which the Governments of Europe are confronted. For these reasons a policy which, although detrimental, was bearable before the war, because the tariffs were not scientific and the most-favoured-nation clause has altered its character, is to-day suicidal, and the Governments of Europe are beginning to realize that it cannot be maintained.

The question is, how to get back on to the right road. As Sir Alan Anderson said this morning, who is to begin with the reduction of duties ? Nobody believes that if in commercial policy they set a good example, it means that the others will then follow suit. One would imagine that bilateral tariff conventions might be the way to bring about a reduction of the tariff level, since under these conventions we receive concessions in return for concessions granted. But owing to the most-favoured-nation clause, those concessions would also be applicable to all the other States which do or do not reduce their duties. The bilateral treaties can improve the situation. As things are we are faced with the difficulty that an individual State can make an efficient start neither autonomously nor by means of bilateral treaties. It is evident that a change in commercial policy can only be brought

about if all the States, or at least a considerable number of them, simultaneously and jointly take to the road which leads to freer commercial intercourse.

Out of the realization of this situation developed the International Economic Conference. When preparations were being made for the Conference nobody dared to put questions of commercial policy in the forefront because it was thought impossible to come to an agreement on them. The Conference was to occupy itself chiefly with bringing about an international organization of the various industries. It was felt this would be easier: it has not proved so. It was significant how in the course of the discussions questions of commercial policy came to the front as if by irresistible need, and how they tended towards a solution.

Only a short time ago it was considered an impossible task to make tariff questions the subject of international agreements; they were, so it was argued, a matter affecting the sovereignty of each State which could not be restricted. In the face of this fact it was justly pointed out at Geneva that every international treaty restricts sovereignty and that in important fields of social legislation and in the sphere of traffic by rail and ship, treaties of this kind have been concluded. International agreement should not make a halt just in front of matters of international commercial policy, in which the interdependence of the policy of one State on that of the others is greatest. But it was not a question of arguments. Such things never are, but it came out quite clearly; what was of consequence was that all European States are confronted with great economic difficulties and that the conviction that a change in commercial policy is necessary is general. Public opinion is pressing forward in this direction. Therefore the Economic Conference arrived at the important decision to propose an international settlement of tariff questions. There is great willingness to try such a policy, for European Governments are tired of their commercial policy and feel that it is necessary to take a different path. Public opinion is pressing in that direction.

The technical problem to be solved by such an international agreement is a difficult but not an insoluble one. What is required is that the great deal of trouble and sagacity that has hitherto been devoted to increasing duties should in future be applied to reducing them. It is a good omen that the first meeting which took place a few weeks ago at Geneva in accordance with the programme of the Economic Conference for the Abolition of Import and Export Prohibitions led to a positive result.

I should not like to be too optimistic. For present-day Europe, as I see it, is in a state of stagnation or, to be more exact, of oscillation in the sphere of commercial policy as well as in many other spheres. Faith in a powerful movement in the right direction, faith in the international spirit is small as yet. But the forces that press towards a disentanglement from the stagnation now prevailing are strong, because we realize it is a question of life and death for the European States. There is much talk of Europe's growing old, but I think that therein we shall be deceived, or that we shall find at least that Europe is quite a strong old gentleman still.

I am only supposed to speak of Continental commercial policy. But will you allow me to say in conclusion one word about the English position.

England can through its commercial policy exercise a very strong influence either in the direction of the steadily growing protectionism or in the direction of freer trade and, finally, Free Trade, on which depends the economic fate of the Continent and of the whole of Europe.

#### *MR. WALTER RUNCIMAN'S SPEECH*

RT. HON. WALTER RUNCIMAN, M.P. (Member, International Economic Conference): The Conference must have heard with great pleasure the speech just delivered by Dr. Schuller, and I am sure that he will not think I am detracting from any compliment to him if I say that he is a fair sample of the personnel of the Economic Conference, for it was that same clarity of thought and



general recognition of the good of Europe as a whole which dominated the Conference, from its early days right through to its final session. We were all well aware of the difficulties we had to face in our own countries. The division of view abroad on economic questions is just as sharp as it is in Great Britain. It would be almost impossible for us in this country to have complete unity of view on government policy, especially in times of depression, for it is only natural that those who are engaged in the depressed trades should snatch at any means to re-establish their prosperity, and there are always large numbers of people who are ready to believe that governments can do what they cannot do for themselves. The protectionist idea is not local, it operates universally, but the outstanding characteristic of the Geneva Conference was not that there was a wiping out of protectionist theory and the adoption of free trade theory, nor was there any compromise on the part of those who hold strongly the one view or the other; it was that the whole Conference approached this problem from a new point of view—we became for the time being European rather than National.

One of the most remarkable contributions made in an early session of the Conference was that by the representatives of the American Delegation. The Americans came to that Conference although they are not members of the League of Nations. They came without abandoning any of the fiscal or commercial theory which has dominated their Governments for two generations. But they did, with all due respect to our feelings, express an opinion on the European situation which was of great value, for they saw from the outset how far we were wronging each other by refusing to return even to pre-war activity in industry and commerce, and they quite truly said that Major Morrison-Bell's map showed the kind of thing which would be impossible in the Northern Continent of America. If around every State of the United States of America there were erected tariff barriers in their view the immense, almost marvellous, prosperity of the United States could never have

been attained, and while not wishing to hurt our feelings, they suggested to us in plain language that if we in Europe, covering a territory of about the same as that of the United States of America, adopted the same freedom of intercourse as now exists in the United States our prosperity would rival theirs. And on reflection, I believe that is profoundly true. Europe is not played out, as Dr. Schuller so truly said in other words, Europe is not an exhausted old man. If Europe can unite, and take a new departure; if, instead of developing rival nationalisms she can regard herself as being one large economic unit in which all the countries are dependent upon each other, then the prosperity of all these populations can be increased, if only we can regard ourselves not as antagonists but as co-operators. That, indeed, is the whole secret of whatever new policy is likely to do good in Europe. We must approach this question from a new point of view. Everyone here must have grown tired of hearing trade described in term of physical warfare; if I may say so, to do so shows great ignorance of the nature of trade. It is far truer to say that international trade, so far from being a long series of acts of hostility, is really an interchange of benefits, and only as an interchange of benefits is it likely to do good to the great trading communities of Europe. Well, we took, and I think nearly all the delegates took, that wider and more generous view. There were none of us who were not well aware, because all the delegates had some active connection with either commercial work or policy, we were all well aware of the great difficulties we have to overcome. Dr. Schuller has shown the need for a lead being given in the general reduction of tariffs. Some one will have to begin, as Sir Alan Anderson is so fond of saying. Who is to begin? Is it suggested we should begin in this country? Well, if our lead is to be followed, I should be glad to see us take the lead, but is a lead to be given and then to be ignored in the continental countries? If so, we should be no further forward. Is there a lead to come from Central Europe? I think the Central European countries have been the chief sinners since the

war. A new lead from them would be followed in the East and in the West. I see very little sign of it being followed in Russia, but I hope greater wisdom will prevail in France, in Holland, in Great Britain. I do not think in this conference we can answer the question, "Who is to begin?" But there is one thing we can do, and that is to put on record our view with those who go in the opposite direction, that those who increase the barriers between the countries, or, as I should prefer to say, between the traders of the world, are doing that which is harmful, not to their own country alone but to Europe, and to their own country in particular.

Let us see how far we can go in practice. I do not think that any one can deny the fact that within the limits of the British Empire it would be far better if we had free trade rather than tariffs between the various States. It would be better for us, and I venture to think it would be better for them, and within the boundaries of the British Empire we could provide a huge free trade State. That is a view not shared by the Governments of the Dominions, and as far as we can tell it is not shared by the bulk of the inhabitants of those Dominions, and is not for the moment practical politics. Failing that, the next step would be a completely free trade Europe. And from our point of view of the volume of British trade, that would indeed have a greater immediate effect than would even British Empire free trade, for Europeans buy the largest amount of our goods, they provide us with customers, and they are suppliers also and not only customers. They do not take, however, the same view of our custom as we do ourselves, and it was a remarkable fact that at the Geneva Conference one of the statements which appeared to come almost as a surprise to our colleagues, our foreign colleagues, there, was that we imported into the United Kingdom of Great Britain and Northern Ireland a larger amount of the exports of the world than does any other country. Indeed, it goes even further than that, of the total exports of the world the preponderating proportion

finds purchasers in Great Britain and Northern Ireland. If these European customers are to be cut off it will certainly be a disadvantage to us, but it will be a greater disadvantage to those suppliers who now find us the purchasers of their goods. If we became a closely protectionist country in my view it would be a bad thing for us, but it would be a far worse thing to those who find here in Great Britain their most generous and constant buyers. If the representatives of foreign countries will realize how much harm could be done to the trade of Europe, and of their own people, by Great Britain going protectionist, which she has not done up to the present, I think they would realize that it is not a question of lowering what comparatively small tariff walls we have around our shores. We have a good deal even on a pre-war basis to give away and to withhold. We now have the power of making arrangements with continental statesmen, provided the spirit to modify tariff walls is present both here and abroad. I do not know how far we can say we have reached a new outlook in this country, but if we can as free traders or protectionists take an impartial view of these matters, I would be inclined to say that there has been a growing tendency in Great Britain towards leaning upon tariffs for support, and for protecting ourselves against foreign competition by some of the methods that have been practised on the Continent. These methods, wherever they have been established, have only added to the difficulties of trade. By trade, I mean the exchange of commodities between the British and foreign citizens, without let or hindrance.

Is it possible for the opinion of the people of this country to be brought to the view that more activity, and more rapid turnover are the best things that could happen to us. It would be a remarkable fact if in this great City of London, which depends upon international finance, and is still the greatest merchant centre of the world, and which has in its very small area the greatest market in the world, we should refuse to accept the view that activity is of the very first importance, that turnover is what we want to secure, that there should be buying rapidly and

selling rapidly, that we should not endeavour to exist on a smaller number of transactions with a large margin of profit, but on a number of transactions with a small margin. That is the healthiest way of following our own tradition, and these lines the delegates at Geneva, with only one country dissenting, advised Europe to follow. I think we must leave Russia out of account, because their view is so entirely different from ours, but all the countries with that one exception agreed that rapidity of trade, with the smallest number of tariff barriers between buyers and customers, was the ideal at which we should aim. How are we to reach that? Dr. Schuller does not think we shall make much progress by bilateral treaties. He has had so much experience that he is aware of their difficulties, but after all a bilateral treaty is better than an annual change: we have growing difficulties, not only from high tariffs, but from rapidly changing tariffs. Stabilization would be not only in our own interests but of those we employ: if British labour, much of which is unemployed, could be assured of long-time engagements it would be in my opinion better to have a fairly high tariff settled for ten years, or six years, than to have changes every year, leaving us in a position of incalculable uncertainty. I therefore would not discard bilateral treaties as one means of arriving at a more rational way of carrying on European trade. A good deal of good must be done by the interchange of view between manufacturers and makers of one country and their counterparts in other countries. The meeting of the steel and ironmasters of France, Belgium, Germany and Great Britain recently can only be for the general good, and I have no doubt we shall see something of the same kind happening amongst the coal-owners and coal merchants. These international conferences all do good, and they will not tend towards making the tariff walls higher. Extreme nationalism has done a great deal of harm in Central Europe since the war, and has led to a tremendous addition to the mileage of barriers. I suppose it is hardly rational to expect that trade would recover after the war very rapidly, but we have almost

reached the point where the world is producing what it was in 1913. But it is not exchanging anything like as much. At least we can hope that when we gather all the trade representatives of the world, who are great organizers, great civilizers, those with experience in the organization of business, or authors of commercial treaties or statesmen in the manipulation of public opinion that what happened at Geneva will be repeated over and over again. They will agree with us that one of the best things that can happen for the restoration of the world and for the full employment of its people is that we should begin to look on trade as I said at the beginning as an exchange of benefits conferred rather than as a form of warfare, where we must destroy each competitor in order to arrive at our own prosperity. I know how easy it is for those who speak in public to forget this. I am myself a modest apostle of cheapness. For my own part I should like to see cheapness universal. We want to make our money go further and by a wider distribution of wealth add to the welfare of the world. That can only be done if the barriers which exist between us are broken down, and broken down soon.

#### *MR. P. J. H. HANNON'S SPEECH*

MR. P. J. H. HANNON, M.P. (Hon. Secretary, Anglo-German Trade Committee) said: I am sure I shall have the sympathy of this audience in following the three speakers to whom we have just listened to. First of all, the speech of the Chairman himself, one who occupies a very distinguished place in the public life of this country, left us entirely in the dark as to his views on free trade. And then we had the most interesting speech of Dr. Schuller, whose reputation stands as high as any man in Europe, and he told us that after thirty years' intimate association with the arrangement of agreements affecting trade, he had come to the conclusion that a policy steadily approaching the abolition of tariff barriers was an economic necessity in Europe. Dr. Schuller said when he was talking of somebody giving a lead that if we

in this country gave a lead either in the direction of tariff extension or towards more complete Free Trade it would have a strong influence with other countries. That is a most significant statement, coming from a public man who has given his lifelong thought to the examination of these political problems of international trade, and I hope that our Chairman, who has the shrewdest appreciation of a critical expression of that quality, will keep it at the back of his mind when we are examining whether it is wise that we should extend our tariff schemes in this country or should give the lead in Free Trade which is so generously suggested to us by so many of our continental friends.

Coming to the question of the International Conference at Geneva, I agréé entirely. The recommendations of the Conference have I think made a profound impression upon the economic thought of the world. It was impossible to foresee that when all those delegates came together for the primary purpose of talking about cartels that they would, before the conclusion of the proceedings have come to an unanimous agreement that the tariff policy of Europe, as manifested since the war, was, in fact, disastrous to the advancement of international trade. That is a very striking and remarkable fact.

I have been in every country in Europe since the war, except Russia. I am satisfied that the recommendations of the International Economic Conference are more than justified by what has been taking place in Europe since the war. This wild spirit of nationalism, which has grown up in the older States as well as in the Succession States, is, in my judgment, a most serious drawback to the achievement of prosperity in Europe. In all these little countries I have been with their statesmen, I have talked with their economists, I have talked with the ordinary man, I have endeavoured to understand and, what was by no means easy, I have endeavoured to establish more intimate trade relations with them. Everyone of these countries has in its own economic wisdom, pursued a course of subordinating everything

to a desire to become self-centred, and self-contained, with a minimum of concession within the country itself and the maximum of exploitation outside : and I believe that is an unwholesome policy. But when we come to ask what practical step can be taken to bring about, as the report of the Economic Conference states it, " a movement in the opposite direction," we realize the difficulties. To give you an example from my own experience of the difficulty of making that move : I was a representative at the International Parliamentary Conference at Rio de Janeiro, in September last, with colleagues in the House of Commons, as representing this country. There were delegates of forty-five Parliaments, and one of the questions which was discussed was exactly the question we have before us at this conference this afternoon : what practical steps can be taken towards the reduction of tariff barriers in Europe ? And, indeed, I might say that the South American Republics are steadily extending the same policy, by putting up barriers from day to day. When I spoke at that conference I asked would any single Member of Parliament present stand up and say that he was prepared to introduce a motion into his own Parliament or present a Bill definitely directed to the reduction of his own country's tariffs : I did not get from that conference of representatives of forty-four other Parliaments a single affirmative reply. Everybody knows that in all these European countries to-day there is a view that they ought to establish industries under protection, that they should become as far as possible capable of supplying their own requirements. It is a pitiful state of affairs, but it is the fact. Believe me, you are face to face in Europe with a great number of hard facts, many of which have their roots deep in the prejudices of these countries, and you will have extreme difficulty in finding any statesmen who are prepared to make the first step towards the reduction of these tariffs.

Of course, since the war these barriers have been created partly because of the depreciated currencies in neighbouring States, partly because of a desire to balance expenditure and revenue, but above all was the desire



to organize productive industry in their own communities and thus find employment for their own people. In many cases the geographical situation, the means of transport, access to raw materials, were all against the creation of helpful and hopeful industrial life. Notwithstanding this, industries were established, tariffs were built up, and interests were created and, believe me, it is no easy process to tackle these European communities and get them to take the first step. I agree with Mr. Runciman that the process of bilateral agreements must do a great deal indeed to open the way in that direction. I was sorry to hear Dr. Schuller speak rather lightly of bilateral agreements as a way towards the reduction of tariff barriers.

We have to ask ourselves, particularly I, as the lonely and forlorn exponent of Protection here to-day, I have to ask where we stand *vis-a-vis* this problem of reducing tariffs. I say in the formation of conclusions and the advancement of the recommendations at Geneva we do not come into the category at all. For seventy years we have been a free trade country, in the fullest meaning of that expression. Such little protection as we have adopted in recent years has simply been as an instrument of sheer self-defence. And I agree with Dr. Schuller, and I am very glad he said it this afternoon, that the only real influence we can exercise in this country of bringing about a systematic and steady reduction of tariff barriers in Europe is to extend in the interests of our own industries and our own work-people in the first instance our tariffs in this country. And every extension of tariffs in this country for the protection of British enterprise will impress more and more upon the Continental politician and economist how important it is to continue to have the British market as easily accessible as it has been to his goods. I was so glad Mr. Runciman emphasized that point. I am not at all certain that as a protagonist of British tariffs I have not got two or three valuable texts this afternoon. The vast market which we give generously to every nation enables them to exploit across us in their gentle way. If the continental

politicians and industrials saw they were likely to lose that market they would reduce their tariffs. I would put it the other way, by saying protect English enterprise by protecting the English workers, and the thoughtful continental politician will realize he has to give us a *quid pro quo* to have easier access to our market.

The International Conference Report comments on the post-war practice of the introduction of "*tarifs de combat*." It alludes to the process of creating a high tariff in order to be in a position to bargain with their neighbours ; and that is roundly criticized in the Report, and I think quite properly condemned. But I say that the whole economic structure of this country, the whole outlook for the welfare of our people would be in an entirely different position if we had had bargaining powers for the last twenty-five years. And not alone in Europe : during my time in South America, going up country and trying to do a little trade on behalf of British Industry, I always found that my colleagues and I were at a disadvantage as compared with other nations, the United States of America, Germany, France, Italy, because they were in a position to offer something which we could not. Believe me, in those days of dealing with this question, while I agree entirely that the recommendations of the International Economic Conference are admirable and commendable, no responsible person would ask the British people, who had sacrificed more to economic theory than any other in the interests of human welfare, to give a "lead" by making more sacrifice in the hope that we may enjoy the tribute, as somebody so wittingly described it, or the "sincere flattery of imitation." We have been holding out too long in the hope of imitative tributes. I believe the time has come to tackle our problem as others have. With over 1,000,000 still receiving unemployment insurance benefit, with poverty staring us in the face in many of our largest towns, kept down with a burden of taxation without parallel after the war,—no other nation has borne a load such as we are carrying to-day. The nations to whom we lent money, the nations whom we helped in the war,

in whose interests we became borrowers to lend to them, in whose interest we made that bargain with the United States, are comparatively very well off in contrast with us. I ask the Chairman to trace the economic policy of this country and of France since the war. France has risen steadily step by step, from being a broken nation on the day of the armistice to the position to-day of abounding prosperity. France has a comparatively small debt, while we, every man, woman and child, in this country to-day bear £188 per head of national debt. Believe me, while we may desire to contribute to this problem of Europe to-day, we must continue to press in relation to our own affairs that "charity begins at home." The way in which we can most wisely and usefully assist in reducing these European tariff barriers is to accept the suggestion of Dr. Schuller, that we, for our own benefit and equally for the benefit of Europe, show the way to the other nations by extending instead of reducing our tariffs.

CHAIRMAN: It is my painful duty to have to destroy the final appeal. It was made under a misapprehension, and I will ask Dr. Schuller to explain.

HERR DR. RICHARD SCHULLER (Austria): Mr. Hannon says I have invited England to give a generous lead in this matter, that they should give an example of free trade by raising their tariffs. He misunderstood me. I said that the policy of England, whatever it was, would have a strong influence. I can only warn you of one thing, that we are protectionist. Since we adopted protection fifty years ago, we have had continual bargaining, but tariffs are always increased. We feel it is the wrong way. You in England, if you feel your way is wrong and turn from free trade to protection, that would be very just, because you were long free traders when we were protectionist, but I do not think this would be a way to bring about free trade in Europe. England is a very important country, and is a very important influence in the world as to whether the world shall turn to protection or free trade. If England is moving to protection, then protection in Europe will not disappear in our life time.

*DISCUSSION*

SIR CLIVE MORRISON-BELL, M.P., in opening the discussion, said : I always consider, when I have attended other meetings in various capitals with this model of the Tariff Walls in front of me, that anything I could say, were I as eloquent as Demosthenes himself, would not convey one half as much as the map in front of you can, and I would therefore be very glad if any delegates here who have not yet already done so would study the map before leaving.

Let me explain in very few words exactly what the model, or at least what I hope the model, can do. It is an attempt to visualise the idea of Tariff Walls. Everybody, certainly every business man, is perfectly familiar with the fact of Customs barriers, but the general public, though they realise vaguely that such things exist, do not really take in their significance and all that they mean. But, it is public opinion in the long run on which you will have to rely for getting anything done, and the map therefore is an attempt to show not only to business people but to the great outside public that tariffs are definite physical obstacles over which international trade has laboriously to climb. It is not difficult to appreciate the difficulties that trade has to encounter in circulating around Europe when they are shown in this manner.

I am often asked on what basis is the map founded, and what calculations have been used. Fortunately for me various economic Authorities for some time have been studying this question, and I myself was responsible for some, I fear, rather amateurish efforts, when I started on the map now nearly two years ago, for which I am almost ashamed when I think over them now. First, there is the Balfour Report, which gave comparative figures about several European countries, and later on was published the Layton-Rist Report, which referred chiefly to the situation in the Austrian Secession States. Then last year the Economic section of the League of Nations published some figures, which with the other reports enabled me to form some idea of the relative positions

in which the various countries should be placed. Another report which I found most useful was that issued by Herr. Riedl, the Austrian delegate at Geneva, who produced for the Conference a really stupendous work on the tariff question; for, while the League of Nations' Report was based on calculations dealing with seventy-eight articles, a task that in itself occupied several months of work, Herr. Riedl and his Committee worked out similar figures for over 400 articles. From my point of view the chief satisfaction in Herr. Riedl's Report was that his final calculations produced conclusions which reinforced and confirmed the relative heights that you see before you on this Tariff Walls map.

Now, what result can be obtained by the utilization of this or similar maps, or can any results be obtained at all? For myself, I believe they can. I do not wish to underrate the power of speeches or the value of articles in newspapers or magazines on the Tariff question, but somehow these impressions, however vivid at the time, are apt in the general rush of events to get blurred and to lose their effect, and taking into consideration how difficult and dry this subject is, I believe that more can be done by direct appeal through the eye. Instead of one copy of this map, were dozens at work implanting this lesson in all the different countries of Europe, I believe that you would very soon obtain a movement in public opinion, the force, as I have said on which you will have to rely, and leaders and statesmen in all countries would find themselves being urged to tackle the problem seriously and without further delay.

In conclusion, is there any solution to these trade barriers? It is easy enough to talk about these difficulties, but it would be more useful to point the way to some remedy. I do not myself see any immediate solution, though I have got a constructive suggestion to make, one that I put forward last May in Vienna when addressing a group of Deputies in Parliament Buildings there, and one that I respectfully put before the delegates of this great conference now. It is the adoption of a "Tariff Holiday," using the phrase in the same sense

as it was employed with reference to a "Naval Holiday" before the War. That is to say, get the assent of the different European countries not to reduce their Tariffs—the day for a general assent to that proposition is still in the future—but an agreement *not to raise their present Tariffs any further*. It does not seem beyond the bounds of practical politics to get all European countries to agree to this for a period, say, of three years, namely, not to increase their existing Tariffs any higher than they were on a certain date, for instance the date of the Geneva Economic Conference, and such a pact would in effect mean a period of stabilization. At the present moment, unfortunately, the tendency is decidedly the other way. It may be urged that this is no solution; I admit that, but a Tariff Holiday would at least be something gained, a first step, a jumping-off ground for something further, and I firmly believe that from this stabilized base, this economic harbour of refuge, great results in the all-round reduction of these Tariff Walls would speedily begin to show themselves. But to make a real impression on public opinion I must once more repeat that this Tariff model seems to me to offer, if widely multiplied, the best and cheapest chance. I will conclude by hoping that it has done its work effectively and been of some interest during the last two days here in London's famous Guildhall.

MR. RAYNER (London Co-operative Society) expressed disappointment that in the speeches made from the platform nothing had been said about the greater social consequences underlying trade. Trade should mean more than the interest of one or two particular groups; it meant something that was going to count so far as millions of people were concerned. Its objects should be to supply the human needs of the race.

MR. OWEN FLEMING (Political and Economic Club) urged that the attention of statesmen in this country should not be directed to the reduction of wages but reduction of the cost of production so that we could build whatever was wanted cheaper than other countries could with their highly protected industries.

MR. BEN TILLET (Transport and General Workers' Union) said: If I may refer to the world position of production: the world's production has increased from 16 to 18 per cent., but the inter-world commerce has not increased 5 per cent. The population of the world has increased 5 per cent. since 1913, but the population of European countries has only increased 1 per cent. The figures concerning France are remarkable: she has advanced production by 28 per cent., as against America's 20 per cent., and the German 10 per cent. Our production has increased about 1 per cent. These are figures given after examination by experts. And when we consider the tremendous revolution that has taken place in production in Germany and France—France is more self-contained than ever she was, she is even as self-contained as America. America consumes 95 per cent. of her produce: we really depend upon an export of 25 per cent. All these things are very important lessons.

But the German State, the German Government have taken a part in reconstruction. You, Mr. Chairman, know more than I do about these figures, but the German State has invested £250,000,000 and it has done so with the acting authority of the Dawes Plan.

The Ruhr is now obtaining its electrical power direct from the Alpine hydro-electric source, representing 7,000,000 horse-power, also representing 20,000,000 tons of coal. It has saved itself about £40,000,000, and it has added to itself the value and energy of 200,000,000 human lives. And here is Lorraine seeking her power from the upper reaches of the Rhine.

If you consider the application of electricity, America gets at least 68 per cent. of power from electricity; Germany 64 per cent., and France about the same, in her general production work. The Northern and Pas de Calais area applies 100 per cent. electricity. Germany, in the Ruhr, applies 78 per cent. We apply 40 per cent. Italy in her general production uses 80 per cent. In iron and steel, Belgium uses 87 per cent. of electrical power; the Germans utilize 74 per cent.; we utilize about 41 per cent. In textiles, the Americans use 65

per cent. ; the Germans, 54 per cent. ; we use 19 per cent.

The French State is involved in the reorganization in such a manner that she is shareholder of 50 per cent. of the new organizations constituted by reconstruction. You must recognize France is now third in the list of steel producers. And she is producing potash. Her countryside industries are supplied with electrical power. In this country we have more than 95 per cent. of electrical power controlled by private enterprise. You cannot, in the face of scientific reconstruction such as that, but recall the speeches we all heard in this country about reconstruction after the war.

I say nothing of the great savings. Even the Germans have utilized brown coal, which was considered waste ; 33½ per cent. goes into the production of her chemicals, 20 per cent. goes into her electricity, and 11 per cent. into her potash.

And when you take the the reorganization : in 1923 there was such a reconstruction and economy in production that in the blast furnace industry, the foundry industry, the rolling mill and steel works of Germany, there were 356,000 workmen ; within twelve months, they were reduced to 290,000, but such was the scientific organization that they were able to produce pig iron in about 50 per cent. greater output, with 20 per cent. reduction of men ; in steel ingots, another 50 per cent. production, and in finished steel, another 50 per cent. production, and that has gone on, and it is only because the States themselves have taken a hand. And wherever the refugees have been reinstated in France, all the new plant has been put in by the State. This has put France in line with the greatest industrial country in the world, and the country with the greatest resources. Now what appeals to me is that we have got to gather the lesson, and instead of lamenting over the sad state of our unemployment, at least ask the brains of the country to do better than they have done to help our country out of this morass.

MR. J. CASSELS (Tring Labour Party) and MR. J. H. WEIGLER also took part in the discussion.



## THIRD SESSION

### COMMERCE

The third session opened at 10.30 a.m. on Wednesday, December 14th, 1927, in the Council Chamber of the Guildhall, E.C.2, the subject under discussion being "Commerce."

Mr. Percy Mackinnon, Chairman of Lloyd's, was in the Chair.

### *THE CHAIRMAN'S ADDRESS*

#### TRADE BARRIERS AS APPLIED TO THE BUSINESS OF INSURANCE

The CHAIRMAN said: As I have been called upon to preside on this occasion because I occupy for the time being the position of Chairman of Lloyd's and as trade barriers present themselves to me most often in the field of insurance I may perhaps be allowed to deal with these barriers from the standpoint of the insurance community. As Chairman of Lloyd's, I have seen the restrictions at work and the effect of them, and I am convinced that the Committee's recommendations in so far as they apply to the insurance world would, if carried out, be of great benefit to the commerce of the whole world.

There is at present, and there has been for years, a strong tendency in foreign countries and in our own Dominions to confine and restrict the insurance business of their Nationals to certain channels approved by those particular Governments. That tendency is not yet, I think, on the decline, but to my mind there is no field of commerce in which it is more demonstrably unsound. After all, what is Insurance? Its principle is the simplest thing in the world. It is machinery for spreading the burden and equalizing risks. It enables the small

capitalist to undertake enterprises which would otherwise be restricted to those who commanded largest resources ; it enables separate communities to share their burdens ; it enables the weak community to benefit by the resources of the strong and it enables the whole world to face with equanimity disasters, which if they fell on a weak community uninsured, might cause distress that would spread far beyond its own narrow frontiers. There can be no need to labour this point. It must be clear that in proportion as the burden is widely spread, in proportion as the channels between man and man and between community and community are free and open, in that proportion the advantage and the benefit of insurance will be realized.

We have only to think what would happen to a small community, say, a town, or a street, or a county which restricted the insurance of property within that area to certain approved insurers to see how illogical the restriction of insurance is. When a Government, or a Municipality, or a State says to a trader or a group of traders, " You must insure with this man and not with the other," it is *pro tanto* defeating the whole purpose of insurance. These general considerations are, I think, incontestable.

If insurance is to be effective it must be reliable, for the less reliable insurance becomes, the more difficult and dangerous is International Commerce. For insurance to be entirely reliable the Insurance Companies and Underwriters must be in a position to look forward with confidence to any loss or disaster that can reasonably be foreseen and be certain of their ability to meet the results of such a disaster swiftly and surely. Under modern conditions unless insurance is certain it is almost valueless and unless the burden is widely distributed no such certainty is possible. An event which might be regarded as a disaster by an Insurer with a restricted area of commitments would be felt with little effect by an Insurer who has a world-wide field in which to work. The ideal insurance is one which could meet any foreseeable disaster in any part of the world without a tremor. The

restriction of insurance Companies and Underwriters by Government intervention is in direct violation of this, the only sound principle of insurance and so far have they carried their action that some Governments have embarked on State Insurance the effect of which may be (and insofar as the scheme succeeds will be) to confine the burden of loss to their own country and rivet on to their Nationals the effect of any disaster, however large.

Other Governments, while not venturing so far as a State scheme of Insurance have imposed on insurance companies unreasonable deposits, crippling restrictions and harassing regulations, in some cases discriminating between their own National Insurers and Foreign Insurers venturing their capital in the country, encouraging by regulations their own Nationals and discouraging the foreigners. The effect of such regulations is to injure not only the foreign Insurance Company but the National Policy holder. The cost of insurance is increased. A disproportionate amount of the country's risk is carried by the Country itself and a first-class disaster, instead of spreading its results throughout the world, is concentrated on the Nationals of one country.

In particular, may I call attention to one special danger? When the whole burden of a great disaster falls on the Nationals of one country the settlement may necessitate the liquidation of the country's assets at the time when their value is depressed and exchanges are naturally against them. If there were no restrictions, if the burden were distributed widely amongst the Insurers of many countries the influx of cash from abroad would obviate—has in experience been proved to obviate—this financial danger.

Salonica, for example, during the war was afflicted by a great conflagration. If all the property destroyed had been insured by the Greek Nationals the effect on Greek finance must have been disastrous, but actually the insurance was mainly carried abroad and was spread over more than one country and it is a remarkable proof of the smoothness with which the insurance machinery works

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that the whole settlement of that great conflagration was made without any serious effect either upon the Insurance Companies who paid the claims, or on the Greek Exchange through which the remittances were made.

I have mentioned briefly the question of Deposits demanded by Governments from Insurance Companies within their frontiers. The grounds on which these deposits are demanded is security and within certain limits it is no doubt reasonable for a Government to safeguard the security of those who accept and receive premium for running their Nationals' risks. But if the system is carried too far, more especially if the security is nothing but protection camouflaged, then it must defeat its own ends. If the deposits demanded are so high that the foreigners are driven out, then the burden of insurance falls entirely on the Nationals' Insurance Companies and the policy-holders' security is weakened.

If the deposits are not pushed to this point, still they are ineffective as a protection against a serious disaster, for any serious conflagration would probably far exceed the annual premiums derived from that particular locality or from the whole country in which the occurrence took place, and wherever the risk may be primarily insured, whatever may be the funds deposited with the local Government, it will be necessary after the fire to hurry funds from other countries and to make good the financial effects of the disaster. But if a material part of the resources of the Underwriters or Companies is locked up in deposits in various countries of the world, if the funds held in Country A cannot be transferred to Country B, the effect must be that prompt diversion of sufficient funds to any point where they are required is rendered far more difficult.

No matter where the insurance is done, no matter how far the home market may have been barricaded against the foreigner, funds must be diverted to the country of the disaster, and the barricade may be built so high as to make this transfer a matter of extreme difficulty and inconvenience. When the influx of funds is most urgently required the barriers set up against foreign

Insurers must operate against the country which has built them.

An excuse for this harassing legislation in respect of Foreign Insurance frequently arises from the mistaken idea that when insurance is effected abroad it involves unduly large sums in premiums leaving the country concerned. The promoters of legislation of this character seem to lose sight of the fact that a very large proportion of the premiums is absorbed in the payment of losses, in the remuneration of agents and in other forms of management expenses locally incurred, and that only a relatively small proportion of the premiums represents profits which leave the country. Insurance is not like a trade transaction which, if it should prove unprofitable is limited as to the loss by the value of the goods under trade. The insurance in profits made over a series of years may be nullified by a single occurrence and even if there should be some margin of profit transferred abroad that profit is more than offset by the facilities given by insurance to international trade, and sometimes even to international finance. Even such profit as may be transferred abroad is an additional security for the future and is available for the benefit of the whole body of the Insured, including those of the particular community from which the profit has been derived.

With regard to the scheme of State Insurance, it seems clear in view of the ever present possibility of grave disaster that so long as private Insurers are ready and willing to provide properly for the requirements of the public there is even less justification for a State to embark upon insurance than upon any other form of trade. The Committee's report deals so specifically and adequately with this form of trading that I will only draw attention to its strong recommendation that if such trading is resorted to there should be no discrimination between State enterprise and private enterprise.

If I have pleaded for the freedom of insurance I have done so not only because I see the great benefits which would flow from the breaking down of barriers already in being, but because I believe that if Governments develop

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and intensify their restrictive policies, if deposits are added to deposits and one check follows another, there must be a very serious effect, not only on the insurance business of the world, but on the commerce, the international commerce, which so largely depends on insurance for protection against the unforeseen.

### *MONSIEUR WALTER STUCKI'S SPEECH*

M. WALTER STUCKI (Switzerland, Member of the International Economic Conference): First of all, I would like to express my thanks to the League of Nations Union, for having been good enough to ask me to speak here to-day. I have yet another agreeable task to fulfil, which is to bring you a very cordial message from the country which has the great privilege of extending its hospitality to the League of Nations.

It has been perfectly well recognized for a number of years that the world economics have been in ill-health and that the European body economic in particular is suffering from a serious malady. It is also well known that the human body is liable to diseases that are to be attributed to the unnatural atrophy of certain vital organs and other diseases which originate from abnormal development of other organs. A similar statement may be made with regard to diseases of the European economic body: a wasting disease which, happily enough, has in a great measure been overcome, but which for the time being seriously endangered the vitality of the body. I am speaking of the atrophy, or even the lowering of certain standards. Although this very acute illness has been overcome, it was one of the causes of another chronic disease, the hyper-development, still existing to-day, which I would like to call "the hypertrophy of protection." This is an exceedingly dangerous illness, because, like many chronic diseases, it is very difficult to diagnose and is not to be healed by ordinary remedies.

Some time ago several good physicians studied the disease of the European economic body and have made known the result of their examinations, as well as their

proposals for healing it. Let me remind you of the exceedingly good work done by the International Chamber of Commerce and the well-known Bankers' Manifesto. Whether it was that his sufferings had not been fully realized by the patient, that he had, in fact, been unaware of them : or whether the authority of the doctors was not appreciated as it ought to have been, their consultations have not resulted in any sensible improvement. But the progress of the disease necessitated the gathering at Geneva last May of the largest and most able assembly of doctors that the world had hitherto witnessed. As is usually the case with medical men, their task was threefold : first, diagnostic, to ascertain the causes of the disease, then therapeutic, to decide upon the course of treatment and, lastly, moral, in order to subject the patient to the necessary influence to induce him, in his own interest, to follow the treatment recommended to him.

What is surely a very rare thing when doctors are gathered together—we have only to recall Bernard Shaw's famous satire—happened, namely, the doctors at Geneva expressed their carefully considered opinion unanimously, both in regard to the diagnosis as well as the therapeutics.

In these circumstances, it is neither necessary nor advisable to remind you of what the authorities at Geneva said concerning the cause of the disease and the means by which it may be healed. These two tasks have been performed and are finished with. But the third of the above-mentioned duties of every conscientious doctor is still waiting to be put into execution : namely, the constant energetic influence on the patient to induce him to follow the medical advice. With comparatively little trouble the patient has emphatically been brought to recognize the correctness of the medical opinion, and has also more or less promised to try to follow it. You are aware that the Governments of many States have done this by individual and explicit declarations, and as a consequence of this, in September of this year the Assembly of the League of Nations unanimously

accepted the judgment of the Economic Conference and adopted it themselves.

But has this settled the question, has it cured the patient, or does even a possibility still exist that it will cure him? I believe that this question must be answered in the negative, and I am sure that there are many here who agree with me. The Economic Conference at Geneva was a beginning that must be followed unconditionally by further steps, unless there is any doubt at all about the entire healing treatment. Not only is the human patient weak, not only is he incapable of commanding the necessary energy to follow this advice continually and energetically, after having consulted the best doctors and notwithstanding the excellent advice that has been given to him and which he himself has recognized to be the best. Old habits, the belief that it is only for a time or eventually perhaps for "the last time" we might ignore our medical advice with impunity—all this (as we all know well enough) plays an injurious part in the healing of human diseases. The hindrances and resistances that stand in the way of the realization of the advice given at Geneva are the same in all the States. For this reason it is necessary that in all these States the doctors must work without intermission, constantly reminding the patient of his disease and the counsel that has been given to him, frustrating every attempt to backslide into his old evil habits. With regard to the moral character of the disease and its exceedingly wide diffusion, the medical work must be particularly *energetic*, but at the same time thoroughly *organized*. I see two main directions of activity for all those who are firmly convinced that the economic conditions in Europe must be radically changed :

A *collective* activity which has and will continue to have its centre at Geneva, and  
an *individual decentralized* activity in the different States.

Before I begin to discuss what can be done and what must be done in this direction in the future, I want to



touch as briefly as possible on the question as to whether anything, and what, has already been done in reference to the realization of the Geneva resolutions on the subject of commercial relations. On this point I have come to the conclusion that in the comparatively short time that has elapsed far greater results have been attained than could have been expected concerning the immense difficulty of the question.

With regard, firstly, to the collective activity centred at Geneva, two steps chiefly claim our attention: one against the existing import and export restrictions, and the other for the unity of customs nomenclature.

With regard to the struggle against the import and export restrictions, you know that between the 17th October and the 8th November of the present year an International Conference has been sitting at Geneva, which succeeded in drawing up a Convention already bearing the signatures of twenty States. I am quite sure that no one who has participated in the work of this Conference will deny that the whole spirit of the discussion was entirely influenced by the Economic Conference that took place in May last and was, so to speak, dominated by it. When it is realized how difficult it often is to settle by negotiation between two countries only the question of import and export restrictions, and when it is appreciated that such difficulties are in reality multiplied by the great number of States taking part in the Conference, that we began for the first time to deal with a collective Commercial Treaty, we cannot be, and we ought not to be astonished how arduous is the labour and that we have not yet created the desired ideal State. But, in spite of this, as far as I can see, undoubted success is apparent, chiefly because the convention that has been drawn up represents an essential improvement upon the scheme originally drawn up by the "Comité Economique" of the League of Nations. The weakness of that first project consisted in the fact that exceptions had been declared to be admissible so far as they corresponded with the interest of the national defence of the State concerned, or as far as extraordinary

economic and financial conditions exist. It is clear that practically all the import and export restrictions existing to-day would have to come under this definition. The discussions at the Conference have distinctly shown that many States considered that they have the right to maintain the existing restrictions under the cloak of that resolution. If on this delicate point a complete understanding and an essential improvement became possible, it was due in the first place to the British delegation, which rendered two services to the Conference: one was excellent and the other rather less so. The excellent service was that they declared with a sincerity, which is traditional for English mentality, that England must keep the existing import prohibition of dyestuffs, and that she holds the opinion that this would be allowable under the heading of "National Defence." If the English delegation had not made this frank declaration but had kept their opinion and intention secret then, as far as I can judge, the Convention would have been a sham, which would have been far worse than if nothing at all would have been done. This frank British declaration has clearly shown to the whole Conference that the most important provisions of the Convention had to be defined very much more sharply and distinctly. This has already been done, and the provisions are now worded so, that the possibility of justifying actions by the wording of the Convention, which are inadmissible according to its spirit, is restricted to an absolute minimum. This is the great service that the Conference owes to the English delegation.

The minor service lay in the fact that the English import prohibition of dyestuffs could not be abandoned and that for this reason it had to be sanctioned by the Conference as a temporary exception. The consequence of this was that somewhat similar temporary exceptions had to be conceded in favour of other States. Through this, the importance of the Convention has suffered a further set-back. Nevertheless, the situation is considerably better than it was before, much better even than it would have been if the draft of the "Comité Economique" had been accepted: for to-day, every State can

see clearly and exactly what are its limitations; it is protected in a far-reaching manner against unwelcome surprises arising from the elastic paragraphs of the Convention. But here is another thing: all those who have criticized the Geneva Convention drew attention to the list of approved exceptions: but they entirely forgot them against these, perhaps twenty, explicitly detailed exceptions, there are standing to-day many hundreds of existing import and export restrictions, and that at the present moment in nearly every country there exists a possibility of these restrictions being increased to an almost unlimited extent. Is it not a great advance, worthy of all honour, that these existing possibilities are practically abolished, and hundreds of restrictions hitherto existing have been reduced to twenty or thirty and among them some that are undoubtedly recognized as being temporary?

Based on these brief considerations, I do not hesitate to express my opinion on the fact that the Convention of the 8th November, relating to the abolition of the import and export restrictions, constitutes the first result of the recommendations of the World Economic Conference at Geneva, and thereby the first and important step forward in the sense of international commercial facilities.

The second point of which I have spoken regarding the collective work at Geneva, is the unity of the customs classification. During the last months leading experts from five different States have taken up this difficult problem with eagerness and thoroughness. All those who understand anything about this delicate subject and who have had the opportunity of following the work of these experts were, as I was myself, very much surprised at the important results obtained and which exceeded all expectations. I need only mention that even Customs experts from States which have not taken part in these expert discussions are already describing the project as forming a thoroughly practical basis for further work. Here, we have a second result, from the World Economic Conference, a second undoubted advance, a foundation upon which further fruitful work can be erected.

Other no less important problems, to which the World Economic Conference has taken up a position in their resolution regarding commerce, are being diligently developed, and I am convinced that here also within a short time a certain amount of progress can be achieved.

What can we say about the *decentralized* endeavours of individual countries? Naturally, I cannot give you a conclusive survey of the political events in the commercial world during the last twelve months in regard to all countries, but I may refer to several indications which I consider important. If it happens that I may say a few words about the conditions and development in my own country I hope you will not attribute it to immodesty on my part, but that you will find an excuse for it in the fact that everybody is better acquainted with those conditions that are nearest to him.

Your countryman, Sir Clive Morrison Bell, has earned the great credit for having represented clearly to European publicity by a relief map of the existing Customs barriers the absurdity of the post-war Customs policy. The Customs barrier existing in my own country is described as being one of the lowest. When it is remembered that Switzerland has no shipping port and is not obliged to foster vast international commerce, but that she represents a highly industrialized inland country, it is not difficult to say that the Swiss Customs level is comparatively one of the lowest in the world. I emphasize this, not to boast that we are better than the others, but to assert the opinion that this policy corresponds better than any other to our highest interests. You will understand, without my saying anything further about it, that numerous and powerful economic groups in Switzerland have demanded from us stronger protection of the home market from foreign competition by further important restrictions or, at least, by a marked increase of customs duties. If the Swiss Government has hitherto been able successfully to resist these powerful demands, it must be attributed in the widest measure to the recommendations and moral influence of the World Economic Conference at Geneva. This great influence is still more

distinctly shown by the fact that the draft of a new Swiss Customs tariff has been considered by a Parliamentary Commission, but it has recently been returned to the Government, with the opinion that the suggested Customs figures must be revised in the sense of reducing them, thereby bringing them into line with the ideas promulgated by the World Economic Conference at Geneva. Over and over again, I repeat that in my country all those groups that are standing up for a freer conception in commercial politics, who are convinced of the necessity for greater international collaboration, have received considerable moral support, and that the others, that is to say, the national protectionist group, are visibly impeded in their struggles by the World Economic Conference and its stipulations.

The same thing experienced in my country is shared by many others. For instance, the conclusion of the Franco-German commercial treaty is undoubtedly mainly to be attributed to the atmosphere created at Geneva. If the French Government has at last conceded to the German Reich treatment under the most favoured nation clause, if considering the Customs draft for a new French Customs tariff published in May of this year it has made many and marked cancellations, this I consider once more to be attributable in a very great measure to the World Economic Conference at Geneva. Although scarcely any other country is as hardly dealt with as Switzerland by the counter-effects of this Franco-German commercial treaty through special conditions, I do not hesitate for one moment to greet the conclusion of this treaty as a happy event in European commercial politics, as an event that would scarcely have been possible without the recommendations of the World Economic Conference. Loyalty compels me also to state that in the spirit of Geneva the French Government is now ready to shatter further illusions entertained by certain extremely protectionist French industrial circles, and to reduce the Customs dues even much lower than the level settled by the Franco-German commercial treaty. This new level will still be too high,

but, on the other hand, it must not be forgotten what great and vital concessions France has already made in her commercial policy, and will still make in the future, to the ideas of Geneva. The condition of affairs is just the same in Germany, where, as you are aware, the Reichs Government has already renounced the continuation of a new increased general tariff and where reductions have been made, and will still be made, not only in the way of commercial treaties but where likewise an independent Customs reduction has been formally announced. Remember, again, that a short time ago Belgium independently abolished its import prohibition of dyestuffs, that the Government of the most important country in the former Danube Monarchy, Czecho-Slovakia, is standing on the ground of the Geneva resolutions, and that, finally, not one of the many new considerably augmented Customs tariffs that have for a long time been threatened by different European countries has till now been carried through; then you must acknowledge that the advice of Geneva and the work of the Geneva physicians have surely made themselves considerably felt already in different countries.

If, in conclusion, I may still say a few words about the collective and individual work in the *immediate future*, I can only do so in connection with the development during the past months which I mentioned just now. I expect a great deal from the work of the "Comité Economique" and from the recently created "Comité Consultative," although I am also fully aware of the fact that there are tremendous difficulties still to be overcome. In connection with this, I would like to indicate only one important point in which the commercial recommendations of the World Economic Conference seems, in the opinion of certain critics, to contain a contradiction: the World Economic Conference at Geneva recommends, on the one hand, that the most favoured nation clause, in its most unrestricted sense, should form the basis of all international commercial relations. On the other hand, it provides for the conclusion of collective commercial treaties, allowing it to be

understood from the beginning that such treaties can scarcely ever be concluded between *all* the States simultaneously, but that a certain number of more or less progressive and liberal-minded nations will always be ready to conclude them. If then, in such collective treaties, the parties to them grant commercial facilities to one another, must they not also grant similar facilities gratuitously to all the most favoured nations? To raise this question is simply to show how difficult the problem is. To-day I shall not attack this problem; I am not in a position to do so, because the study of it can scarcely yet have commenced.

More than all the drafts of treaties to be considered at Geneva, the establishment and perfection of the moral and spiritual work at Geneva and the encouragement of a friendly attitude towards it, seems to me to be the most important of all. All these friends—and I am proud to claim that I am one of them—naturally find themselves face to face with great difficulties and often gross ingratitude in their own countries; but they may be sure that in the regular meetings that take place at Geneva they will gain strength to carry on the battle, and they will be firmly convinced of the evident justice of the proposals put forward by the World Economic Conference. In spite of all opposition, they will indefatigably stand up for their opinion and will win wider and wider circles of public opinion to support it, not in order to render service to other nations, but from a profound recognition of the fact that apparent sacrifice is made in favour of the communion of the whole of the European States, and from this every individual country will benefit. Many, indeed most of the Geneva friends can command a certain amount of influence in their own country, and the new thing that Geneva has produced is that national protectionist circles can no longer, as formerly, govern more or less without restraint, but that the “*entraves au commerce*” demanded by them will be opposed by the “*entraves*” of the opposition and the attitude of the Geneva friends. The struggle will be prolonged and obstinate. It will be successful only

if each one of us does his very utmost to prevent any harm being done to the recommendations of the World Economic Conference, for any kind of wrong done to them immediately serves as a bad example, and forms an excuse for similar proceedings in the endeavours directed to the same end in numerous other countries. I am convinced that the present gesture of the English representatives at the League of Nations will be calculated in a high measure to re-arouse public opinion in each of the European States, to encourage the friends and physicians at Geneva and, also, perhaps—last, but not least—to exert a certain amount of influence upon English economic policy. If a small and feeble country in the centre of Europe has been able so far to keep the banner of “Freer trade” flying and is willing to continue to do so in future, it sincerely trusts that in its efforts it will not be abandoned by its great English friend.

#### DR. PER JACOBSSON'S SPEECH

DR. PER JACOBSSON (Economic and Financial Section, League of Nations) said :

Of the resolutions passed by the Economic Conference the most important were no doubt those relating to Commerce. The essence of these resolutions was that tariffs should be *reduced, simplified and stabilized*, that, in the words of the Conference Report, “the time has come to put an end to the increase of tariffs and to move in the opposite direction.” It is often thought that *commercial* circles are the only ones who will benefit from reduced tariffs. If one reads the Commerce report through carefully one will find that the main argument in support of the reduction of tariffs was that only by such a reduction is it possible to arrive at a better utilization of the productive power available—the erection of tariff barriers means not only uneconomic and costly production, but also a wasteful use of the world's capital resources. The members of the Conference realized that the development in America had only been made possible by the existence of a *very wide market*. It would be correct to



say that the ultimate aim in seeking to increase trade is to enable the industries of the world to organize themselves in a more rational manner. Rationalization was the catchword of the Economic Conference, and it is no doubt true that the desire for rationalization was the underlying idea of the Commerce resolutions.

Mrs. Wootton said yesterday that certain people believed that foreign trade conveyed advantages of an almost mystical character. So did a learned professor who set out to explain, as many had done before him, the true causes of the downfall of the old Roman Empire. He pointed out that as the Empire got bigger and bigger, it included at last the whole area of the world which was known at that time, and then it had no foreign trade. It is *not*, of course, foreign trade *in itself* that is beneficial, but the fact that the development of trade makes possible a better application of a country's productive forces—a rationalization of the whole economic organization.

It was in Geneva that the Economic Conference met, but the idea that the existing trade barriers in Europe are harmful to all nations is not an idea that has been preached only under the auspices of the League of Nations, when the delegates are subject to the seductive influence of the Geneva atmosphere! When the members of the International Chamber of Commerce met in Paris and in Stockholm they, quite on their own initiative, expressed the same view, and urged the same policy. We may therefore take it that this is the best advice in the economic field that can be given to the present generation, and our one and only problem now is to see that the principles that have been stated with such great authority shall be translated into practical politics.

A number of Governments, including the Government of Great Britain, have already accepted the recommendations of the Conference, but is this not only lip service? In the seven months that have elapsed since the Conference met, has any Government done anything which would show that the Geneva resolutions had influenced the course of world affairs? M. Stucki has already quoted a few instances where such an influence

has been noticeable. Both France and Germany, for example, have publicly declared that the recent Franco-German commercial treaty could not have been concluded, apart from the help and influence of the Conference. You all know that this Treaty is based on the application of the most-favoured-nation clause. The Economic Conference was most *emphatic* in stating that the mutual ground of unconditional most-favoured-nation treatment is an essential condition of the free and healthy development of commerce between nations, *and you heard yesterday* that the President of the Board of Trade, Sir Philip Cunliffe-Lister, considered the most-favoured-nation treatment clause as being *the only solid basis for the commercial policy of Great Britain and of other countries*. This is important to remember, for though this commercial treaty between France and Germany, without the slightest doubt, must be considered a favourable development, that treaty may have certain immediate repercussions on British trade, which are perhaps not too good. I read in the last number of the *Economist*—a paper which is known for its constant endeavour to preach the doctrine of the benefits of international trade—an article by its Paris correspondent in which it was stated that this most-favoured-nation treatment of Germany by France may have disastrous effects upon British trade. Before that treaty was concluded, British products enjoyed a favoured position on the French market, but now German products enter France on the same terms as British products. There will, no doubt, have to be some readjustment and some temporary difficulties, but if you believe the Conference in Geneva, and if you believe your present President of the Board of Trade, in the long run it should be better for the development of the British trade that France and Germany have come to an understanding based on the most-favoured-nation treatment. The outlook would indeed be bad if in the Franco-German treaty the most-favoured-nation clause had not been accepted.

Another instance that may be quoted is the recent *Czecho-Austrian Treaty*, which would probably not have

been concluded or concluded in so favourable a form, apart from the influence of the Conference. Nowhere in the world is the reduction of tariffs more urgently needed than in that part of Central Europe which is made up by the Succession States of the former Austro-Hungarian Empire. In the Report of Mr. Layton and Professor Rist on the economic situation of Austria in 1925, it was estimated that trade between Austria and other Succession States had fallen to *less than fifty per cent.* of the pre-war volume. Since that time a number of commercial treaties have been concluded between the different Succession States; and Hungary, for instance, a country which pursued an extremely protectionist policy immediately after the war, has now concluded commercial treaties with both Austria and Czecho-Slovakia, and in that connection considerably reduced her import duties. When the Hungarian Minister of Finance prepared his last Budget, he allowed for a loss in the yield from Customs duties owing to the reduction in the rates, but it is interesting to note that the increase in imports has been so great that not only has there been no loss of revenue, but an increase of more than 24 per cent.

It is well known that budgeting considerations are frequently brought forward to justify very high tariffs; and this example is important as it shows that increased revenue can be obtained and, at the same time, rates reduced.

A third instance that may be quoted is the history of the *coal embargo*, which was imposed by the French Government in the late spring—just at the time when the Geneva Conference resolutions were made public. You all remember the loud protests which were suddenly raised and as suddenly faded away. How was that? The coal exporters got all the licences they wanted from the French Government and they were, therefore, not hurt by the theoretical embargo. In this connection it is important to note that at a recent International Conference for the Abolition of Import and Export Prohibitions and Restrictions, which was held in Geneva from October 17th to November 8th last, the French delegate did not reserve the right for France to prohibit or restrict

the import of coal—an attitude which is tantamount to a declaration that the coal embargo will not be enforced in the future. In a Stockholm paper a Swedish economist, reviewing the Geneva recommendations, said that the attitude of the French Government towards the application of the coal embargo would be an acid test of the sincerity with which the French Government accepted the Geneva resolutions. The economist in question was frankly pessimistic when he wrote his article. If he applied his own criterion he should now be an optimist.

I have just mentioned the Conference for the Abolition of Import and Export Prohibitions and Restrictions. After many difficulties, which were perhaps greater than had been expected, an International Convention was accepted and has now been signed by the representatives of twenty Governments. This Conference dealt with a limited field of commercial policy but it will be remembered because it represented the first attempt in the history of the world to arrive at a multi-lateral commercial agreement. The position before the war was that, apart from certain considerations concerning sanitary conditions and certain restrictions of an artistic character, commodities could be freely imported and exported from one country to another. After the war a very great number of import and export prohibitions were imposed for all kinds of reasons. When the war ended many countries were short of their most immediate necessities in the way of food and raw material, and it was perhaps only natural that they should impose one form or another of restriction on the export of such supplies as they might have within their own territories. It was, however, soon found that this very highly complicated system of import and export prohibitions, together with the granting of licences to individual firms, which were very often enabled to make undue profits in a restricted market, was both uneconomical and demoralizing. The last Conference in Geneva adopted a Convention in virtue of which the contracting parties undertook, within a period of six months after the coming into force of the Convention, and subject to certain duly specified exceptions, to abolish all existing

import and export prohibitions and restrictions and not to impose new ones. The general exceptions were then worded as carefully as possible, so as not to leave any loophole, but in addition, Governments were allowed to make certain special reservations if the other Governments agreed. Not all the reservations that were put forward were agreed to. One Government in Central Europe put forward twenty reservations, of which, when the first two or three had been ruled out, all the others were withdrawn. The Government in question has already signed the Convention. It may be useful in this connection to explain the reservations made by Great Britain, Germany and France, as those reservations are not only the most important, but also show very clearly the interdependence of the restrictions imposed in one State upon the system in force in other States. The whole question was thrashed out in public debates so there is no secret about it. The delegates of Great Britain declared that the British Government was unable to abolish the prohibition of the importation of dye-stuffs into Great Britain, a prohibition imposed in 1920 by an Act the force of which will cease in 1930. Germany then declared that as long as Great Britain maintained the import prohibitions on dye-stuffs, Germany would be compelled to maintain the prohibition of the import and export of coal. The latter measure was the reason given by France and other countries for prohibiting the export of scrap iron.

Other examples may be quoted showing the same interdependence between the régime in different countries. The prohibitions on the export of raw hides, bones, etc. are maintained in some countries merely because they exist in others, and because manufacturers utilizing these raw materials consider that they are entitled to the same measures of protection as those enjoyed by their rivals abroad. Reservations were also made with regard to naphtha oil from Roumania and nitrate from Japan and other countries. The question of veterinary measures with regard to the import of cattle was also raised, a question made difficult by the fact that these measures often amount to a kind of disguised prohibition.

These examples show that the Conference had to deal with concrete problems affecting enormous interests. It is evident that no real progress can be made if the various Governments are not prepared to make important concessions. No country would be willing to make these concessions if the other governments were not able to make certain corresponding concessions. The right attitude for a government to take seems to be the following: What can we give up in order to help the whole? In countries which for a *considerable* period of time have applied the system of industrial protection it will often *prove extremely difficult to retrace steps*. It will always be up against protests from vested interests which have grown strong behind the protection of the tariff wall. For Great Britain, which is suffering from unemployment mainly in a few great export trades—coal, cotton, wool, engineering and shipbuilding—it is, of course, of enormous importance that steps should be retraced, that a policy of reduced tariffs, of freer trade, should be adopted, particularly in Europe.

Dr. Schüller, who is no doubt one of the greatest living experts on commercial policy, said yesterday that the example of Great Britain was of the greatest importance, as continental countries pay considerable attention to what is done in Great Britain. It is, of course realized that if England were to give up her policy of commercial freedom and become a *tariff* country, that would be a tremendous blow to the movement for reduced tariffs which has now been initiated. It is perhaps less clearly realized that even *minor* changes, such as those introduced by the Safeguarding of Industries Act, will exert a relatively great influence on the minds of continental observers. Why is that? The Englishman can rightly point out that the changes introduced under the Safeguarding of Industries Act appear insignificant as compared with the extensive tariffs applied in most continental countries. But as Great Britain is such a large market, taking one-fifth of all the exports of the world, and as the channels of trade leading to this British market have been established for a considerable time,

even a minor change in Great Britain will have a relatively great effect on the prosperity of foreign industry. I myself live in Switzerland, and for the last two years, I have seen and shall see during years to come, how the Swiss Press devotes article after article to the subject of the British duties levied on Swiss watches imported into Great Britain.

If it is agreed that Great Britain would benefit perhaps more than other countries from improved conditions of world trade, it seems obvious that the British people should carefully consider whether they are able to make any *definite promise* on their part, in the event of other countries retracing their steps, a process which would no doubt be more painful to them, more difficult for them than for Great Britain.

Before I finish I should like to say a few words upon the *new organization in Geneva which is going to carry on the work initiated by the World Economic Conference*. At its meeting last September the Assembly drew up the general lines on which the Economic Organization should be established, and the Council has now fixed the details and made the necessary appointments. The Economic Committee, which was set up in 1920 and which during the last seven years has done more work in study and preparation than has perhaps hitherto been realized, has been maintained with minor changes in personnel. It is a Committee of officials of the different governments. Dr. Schüller, who addressed you yesterday, and M. Stucki, who has addressed you to-day, are both members of that Committee. All the action which will be taken on the basis of the Economic Conference resolutions will finally be of an administrative or legislative character, and the League could certainly not hope to put forward acceptable proposals if it had not the guarantee of intimate and constant collaboration with those persons who, in the different national administrations, are the *responsible advisers to their respective governments*. Most members of this Committee have known each other for years. They have met during commercial treaty negotiations where they, on their

different sides, have defended the interests of their respective countries and tried to score successes one over the other. In Geneva, they meet on the same platform, having to work out *not* opposing policies, but a *common* policy, having to meet not as antagonists, but as collaborators. Being myself the civil servant of fifty-five Governments, it should be far from me to say anything deprecatory about Government officials; but in all modesty I submit that an official is not generally thought to be the best person for initiating a new policy. The initiative and vigour must be provided by some other body. In the Organization which has now been set up in Geneva an unofficial body has also been established, the so-called Consultative Committee, which is mainly composed of private experts, competent in questions relating to industry, commerce, agriculture, finance, transport, labour questions, etc. The object of this Committee is to follow up the application of the Economic Conference recommendations. In carrying out this task the Consultative Committee will put forward suggestions, take the initiative in new action and generally establish contact between the official work in Geneva and great industrial, commercial and labour organizations of a national or an international character. The President of this Committee is M. Theunis, who addressed you yesterday, and the Vice-Presidents are M. Loucheur, who was the promoter of the Economic Conference, M. Colijn, a former Dutch Prime Minister and the President of the Commerce Commission at the Economic Conference, and Sir Atul Chatterjee, from British India, best known in Geneva as the President of one of the International Labour Conferences. The majority of the members of the Consultative Committee have taken part in the preparatory work for the Economic Conference and in that Conference itself. They have thus already subscribed to the principles laid down and they may be expected to provide the driving force in the new machinery established in Geneva. The Committee will consist of between fifty and sixty members. It will, in fact, be a small international



conference of picked members appointed by the Council.

There is no doubt that a great deal can be done by means of international collaboration, but ultimately action by the different governments and parliaments will be decisive. Will the governments be inspired by the idea of international economic collaboration? Only if public opinion is strong enough to over-rule the demands of vested interests. Personally I believe that ideas play a great rôle in shaping the destiny of the world. The last century was marked by the idea of Nationalism. A glance at the map of Europe shows the extraordinary degree to which the idea of Nationalism has been able to effect territorial changes—changes which have not been due only to great victories on the battlefield. The three small Baltic States, of which not one has a population of two million inhabitants, are all sovereign states, all Members of the League of Nations. They are independent not because they are strong countries, but because their existence has been in agreement with the prevalent idea of our age.

But even ideas do not live for ever, and there are signs indicating that the idea of nationalism has already had most of its day; it has been carried to extremes and a reaction is setting in. There is a chance that the prevalent idea of the twentieth century will be that of international collaboration. Should that be the case, then the task of those who deal with the application of the resolutions of the Economic Conference will be greatly facilitated. But how can we make sure that the idea of international collaboration will prevail? Only by persuading the public that that idea is a sound one. Persuasion can take many forms, the best being free and open debate, such as in this Conference organized by the League of Nations Union.

#### *MR. LAYTON'S SPEECH*

MR. W. T. LAYTON, C.H., C.B.E. (Member, International Economic Conference) said: As the number of speeches on the Commercial Recommendations of the

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Conference has already run into double figures there is little new for me to say.

It seemed to be suggested, in the discussion yesterday, that in talking about these trading matters we were ignoring production and such big questions as wages, hours, etc. That is not the case. Commerce, Production, Prosperity and the Standard of Living are all very intimately bound up. The Conference emphasises the interdependence not only between nations but between industry and agriculture. It also clearly states the interdependence of all classes—labourers, management and capitalists. The time of the Conference was not taken up merely with commerce for its own sake, but with the prosperity of the world. It is because international action is both possible and necessary in regard to Commerce, that the Conference spent so much time upon it.

But prosperity and international trade are closely connected. During the nineteenth century the production rose rapidly and with it the standard of living. But it was the increased exchange of goods which fostered this development in production. During this era of great material growth international trade multiplied four fold in forty years. During the war, both trade and production were very greatly reduced. Since the war, the volume of the world's Production has recovered but is now only just equal to what it was a decade ago, while trade which was the most essential condition for the development of material civilization instead of increasing at the rate of more than 40 per cent. per decade is substantially behind the level of 1913. Emphasis was therefore rightly laid on commerce. Not because the other things are not important, but because it is in the realm of trade that the aftermath of the war has been most severely felt.

Again these papers and discussions must have brought home to this audience and to the British public that the Conference at Geneva was not an academic affair, attended by a few professors and theorists. No doubt many people went to Geneva rather like Balaam,

to curse, or at best to damn with faint praise. Those who were at the Conference realize, however, that very remarkable conversations took place, and the scoffers stayed to bless.

No one can have listened to the speeches here—particularly those of our foreign visitors, whom I personally wish to thank most warmly—without realizing that the work of the Economic Conference represents something significant and important in the life of Europe. You have heard the experience of people whose lives have been spent in making tariffs. You heard yesterday, one who has had exceptionally long experience in the centre of Europe, the centre of this maelstrom, and you heard how we had been led by his experience to modify his outlook on the tariff question. I do not know whether Dr. Schüller is present, but I will tell you something he told me personally. He said he had very often wondered whether Great Britain's free trade period from the forties of last century to the present day, was an interlude in history, the normal course of which is in a protectionist direction, or is it a sign of the future towards which the world is moving? His considered opinion to-day in the light of all that has happened in his lifetime is that Britain's experience during the last hundred years is a forerunner of the future commercial policy of the world.

But the battle is not yet won. You have heard to-day the speech from M. Stucki, representing a comparatively low tariff country. At this very moment Switzerland is considering what it is to do if the tariff movement in Europe continues. Similarly there is a move towards the adoption of a higher tariff in Holland, which used to have a tariff of 5 per cent. and now has one of 8 per cent. Holland is contemplating a further rise with a double tariff for bargaining purposes if the present situation continues. Indeed, all countries naturally tend to say "If there is to be a fight then we must be prepared." One of the most important influences in producing the Geneva report was undoubtedly the introduction of the French tariff just before the Conference

which realized that if that tariff went through as proposed it inevitably meant the outbreak of a whole series of tariff struggles, and trade for perhaps a decade to come would be strangled. The fear that the alternative to making a move downward would be these tariff wars was perhaps the greatest stimulus to the conference.

May I for a few moments say a word on an aspect of the question which has not yet been touched on in this discussion? We have talked as though the question was almost entirely a European one. But the Conference was not a European one. I saw in an American journal the other day a statement by a distinguished writer that the resolutions only applied to Europe and not to the United States and elsewhere. But if the resolutions had been drafted purely as European resolutions they would have been very different from what they were. They were drafted so as to make it possible for delegates from elsewhere to subscribe to them. But I would call your attention to the fact that the tariff problem is certainly an acute one, not only in Europe but elsewhere. Among the countries outside Europe represented, and which agreed to these resolutions, there were several very high tariff countries. What did they mean when they subscribed to these declarations? That the time had come to move in the opposite direction and to give greater freedom to commerce? Some of us perhaps think that Australia should not be expected to do very much on these lines. But it is very interesting to find that within three months of the production of the Economic Conference Report the Tariff Board of Australia produced a report, in which the Board warns Australia of what was happening through the excess of protection and the running riot of this conception of extreme economic nationalism. They say there is a danger of the tariff being used to bolster up the ever increasing cost of production of their goods, and the ever-widening gap between the standards maintained in their national life and those in the United Kingdom. They go on to say that so far as the recent increases of duties are concerned, they had swollen

receipts but they had not proved effective in giving protection and had merely taken money out of the pockets of the people which ought to have been left there. They proceed to describe the trouble which happens between the Tariff Board on the one hand and the Wages Board on the other. An industry gets protection; the workers go to the Wages Board with a claim to share some of the benefit; the cost of living rises; the industry goes back to the Tariff Board, and claims a still higher tariff to enable it to pay the award of the Wages Board. That vicious circle benefits nobody, but as the Tariff Board points out, is making it impossible for Australia to export under present conditions, any of its secondary manufactures. They conclude that if Australian industry is to be maintained the leaders of the Unions must recognize the meaning of this process, and of the rising cost of production for "many industries are in jeopardy; the situation is serious and calls for the serious attention of all parties without political bias; otherwise there can be nothing but disaster." In view of that declaration we may assume that the Australian delegates were very sincere and speaking with knowledge of the position when they subscribed to the resolution condemning the excesses of protection.

But there is a more important case than that of Australia, and that is the United States of America. The United States is one of the world's greatest economic factors. The production report of the Geneva Conference showed that roughly you might divide the economic production of the world as follows: Europe 40, North America 30 (of which 3 per cent. is Canada), and the rest of the world 30. These figures represent a rough balance of economic activity (the correct figures are 39, 29 and 32). What are going to be the trade relations between the 40 of Europe and the 30 of North America? The future economic progress of the world very largely turns upon the answer to that question and we cannot dismiss America's tariff as something which merely affects people over the sea. It seems almost hopeless

to expect that there will be any departure from the extreme high tariff policy of America and we may have to wait some considerable time before anything happens. It is indeed a very telling argument to say to the American public "We are prosperous, why worry about tariffs?" Some say our prosperity is due to the tariffs, others say that we prosper in spite of it. But in any case we prosper, let well alone. But there are two considerations. One is that the farming community, still a large influence in America, is restless. The Agricultural Committee at Geneva pointed out the differences between the prices of agricultural and manufactured products. American Agricultural prices cannot be maintained by protection. There is therefore an agitation amongst the farmers that the government should take steps to control wheat prices, maintaining it at an artificial level in the home market and selling it at a lower price in the world market. I do not think myself that so far-reaching an interference with economic forces will be carried through. But if it falls the farming community will ask what other means the Government is going to take to adjust the prices of agricultural produce to those of manufactures, and that is going to be the beginning of further pressure for lower tariffs. Again there is another side to it. The manufacturers of the United States want to export. To-day they do not export any substantial part of their production for their costs are high and tend to rise. In view of these facts the general opinion is that the tariff will not go higher, and it may go lower. That is as much as one can say at present.

The position as I see it is that the need for the removal of trade barriers is keenly felt in Europe. There is a growing consciousness of the need in some other countries, and a faint idea of it in the United States. This creates a real opportunity and it is vital to Great Britain that we should seize it. M. Jacobsson has already referred to the great extent of our unemployment; it depends upon our exports. Our fixed capital is locked up in our export trades. There is no device which could more rapidly remove unemployment than restoring our exports.

How is the Geneva policy to be pursued? There is the possibility of bilateral treaties. They have difficulties but we must go as far as we can in this direction. Then, again, M. Stucki has spoken of collective agreements. But there is the very great difficulty about collective agreements that they may involve preferential or other arrangements, which will reduce tariffs within a given area to the detriment of others outside that area. Is it good for the League to foster local agreements, and if not is there any alternative? The British policy has always been in favour of a general lowering of tariffs. And it is inevitable that Great Britain should take that view in the negotiations which are to follow. But is a general lowering, as distinct from a lowering within a particular area practicable? Is that possible, in view of the fact that America is likely to retain a high tariff? America's attitude and example undoubtedly makes the problem much more difficult. Nevertheless I think that it is possible. Indeed the whole tariff history of the last hundred years, in America as in Europe, shows an ebb and flow. I believe that all we have heard, and an examination of the state of opinion in Europe, show that we are at a moment when the tariffs may begin to ebb if the movement is well handled. That is the problem of the economic organization at Geneva.

I think there are three stages of the work before the Geneva economic organization. In the first place I see no reason why it should not quickly and definitely secure agreement to stop further increases, within certain conditions. The second thing is to secure simplification of the tariffs, making it possible for traders to know what they have to pay and generally to make the existing situations as tolerable as possible. The third step is to initiate the general downward movement.

In any case, whatever happens, a great step forward has been taken. Something important has happened. These great questions of international trade relations have been brought within the purview of the League of Nations. Economic affairs and the most difficult of economic affairs, are now its business. There is laid

down in the Conference Report something like a programme, or policy, based upon mutual understanding and concession. It is now somebody's business to look at all these questions not merely from the individual point of view of the separate nations, but from the international point of view. We have a policy, and we have a machine to carry it out. It is a commonplace that the great difference between diplomacy under the League and before the League was that in the old days there was no standing body and no secretariat whose business it was to frame diplomatic documents and to state the question with a view to bringing out how best it might be settled. Every Foreign Office's business was to state its case. The business of the secretariat of the League of Nations is to find a solution. In economic affairs we have now reached that stage. We have now a permanent organization of the League and a group of people whom it has drawn within its orbit, not unimportant persons, but the representatives of federations of industries, as our own Federation of British Industries, the Trade Union Congress, the big organizations of agriculturalists, and so forth. It is the business of this organization to look at the problem from the international standpoint, and that is bound to have a great and lasting effect. This is a new departure that should be generally understood for it can only be effective if it has the largest possible backing of public opinion. We must not expect miracles. But the conviction of the members of the Conference was clearly expressed by M. Theunis who concluded his speech in these words "After the terrible calamity experienced by Europe, the results of which have been felt throughout the whole world, we cannot expect that order will be restored as if by enchantment. But whether the fruits of our labours are gathered by ourselves or by those who succeed us, we are animated by the firm determination to unite our efforts to those of friends who share our hopes, our enthusiasm and our ideals. We know that the time will come when mankind will be happier for our work."



*MR. S. W. PASCALL'S SPEECH*

## UNFAIR COMMERCIAL PRACTICES

MR. SYDNEY W. PASCALL said : I am dealing with no such thrilling subject as tariffs. At the same time there is no question about it that these unfair commercial practices are distinctly a hindrance to commerce, a prevention to exchange, and the cause of festering international ill-will.

The organization with which I am connected was first of all asked to present its views to the Preparatory Committee, and the Preparatory Committee included a clause in its programme "Difficulties resulting for international trade from unfair or dishonest commercial practices, and particularly from practices not covered by the Convention for the Protection of Industrial Property."

When I went to Geneva it was at the invitation extended by M. Theunis to Rotary International. As the headquarters of Rotary are in Chicago, we in Britain thought it rather an achievement. We believe that everything that tends to associate the American people, and particularly the commercial class, with the work at Geneva is itself a remarkable advance, and therefore we were very proud when the President of Rotary International nominated our principal officer for this representation.

Although I am talking about the getting rid of unfair commercial practices, we are not making any general accusation that commercial practices are unfair ; on the contrary, we in Britain, and no doubt other countries can say the same, are proud of the reputation of the British trader throughout the world. We believe that the reputation of the British trader throughout the world is second to none, for honour, and for all that makes life decent, and sweet and clean. The difficulties are unquestionably created by minorities, and minorities can be extremely obstinate at times.

I have individual cases, I am not going to refer to any country, but I put these cases before the Economic

Conference, in a memorandum addressed to M. Colijn, Chairman of the Commerce Commission. Those dealing with matters of international exchange of goods will be aware that, speaking generally, when dealing with known shippers, there is nothing to fear, but in the case of unknown shippers there is grave risk of trouble. For instance, there is frequent failure to adhere to specification and sample. We find it is a common practice to adulterate parcels with (a) A proportion of inferior quality ; (b) water (to increase weight), (c) foreign matter, such as dust, fibre, etc. Secondly, to avoid fulfilment of the contract in the event of the market going against the seller. There are flagrant instances of this, and many in which there is no redress for buyers, as our experience is that it is a waste of time and money to take legal action in foreign courts of law. Whether that is so or not, the business man believes that it is cheaper and better to prevent an abuse rather than take legal action after it has happened.

The second abuse I submitted to the Conference was the Misdescription of Goods. In this respect the Drapers' Chamber of Commerce has done a very notable service in this country, by drawing up a list giving official sanction to the correct naming of furs, of gloves, of silk goods, and cotton goods.

And then I come to my third great subject of unfair commercial practices, the question of Bribery and Secret Commissions. With regard to Bribery, I suggest that bribery in itself is a very great hindrance to decent commerce. It tends to drive decent business out of the market, and it tends also to cause ill-feeling between peoples. Because you only feel contempt for the man you bribe, or you feel enmity if you lose business because somebody else bribes your customers, you feel hostility to the people who get that business from you by unfair means. Unquestionably bribery stirs up ill-will as well as hindering trade.

The question arises as to what is to be done to remedy this wrong. With regard to Bribery, I would suggest a comparative study of the laws of various countries. We

believe that the law in this country is the best that has been devised so far. It may be our insular prejudice! But in German law, I believe, Mr. Chairman, it is quite permissible for me to bribe the chauffeur of your car, but not the chauffeur of your firm's car; the British law makes it illegal to bribe either. And the Economic Conference might well take up a work left undone by the International Chamber of Commerce initiated at a great meeting in Paris, in 1914, only to have it violently stopped by the Great War. If we could take up the question just where it was so rudely interrupted, in these days I believe we could devise an international agreement with a standard of legal penalty with regard to this matter of bribery.

My last word is this. I think the great difficulty about these questions that are moral in fact, though economic in their results, is to know just how far you can proceed by law or international agreement and how far by voluntary means. I rather fancy that this is where bodies like the Rotary Movement and others of like character may come in, because it seems to me that it is something of a compact between voluntary associations and international agreements you have to get with regard to these questions based upon ethical conceptions, you have to have an enlightened public opinion in order to rest such legislation upon a sound basis. If you do not have the backing of public opinion the international agreement is not worth the paper it is written on. If you get a convinced public opinion that these abuses should be removed, and that it is desirable to do something to remove them, you can, through the League of Nations, devise the proper method to be adopted, to get an international common standard, and then having that, get your convention ratified by your Parliaments and the particular law in each country made enforceable by the definite action of this convinced public opinion. And there I believe that you will find this co-operation between the International Chamber of Commerce and the similar movements such as I represent, backing up the work of the League of Nations, will be extremely valuable and will alone provide the means whereby these

problems of economic and moral considerations may be solved.

I hope that just because the questions of Bribery and of Unfair Practices are not quite so exciting and thrilling as the tariff problems, that they do not arouse men's ire and men's combative instincts quite to the same degree, I hope that they will not be shelved or buried, because that is an even worse fate. It does seem to me we have here something we can achieve almost at once, something we have not to wait for the passage of years to prove right or wrong as Mr. Layton said with regard to the high tariff countries. There is no man in that great conference at Geneva who would have stood up and made a case in favour of bribery, even those who felt that bribery may have been deep rooted in their countries were merely anxious for it to be kept outside of the consideration of the Conference. They dared not defend it, but suggested that it was too delicate a matter to discuss in the open light of day. I hope we shall not be compelled to put this on one side, but that we shall realize that it is possible to do something, and to do something very soon, with regard to removing some of these problems out of the way and thereby facilitate trade between countries and remove not merely potential but actual causes of ill-will between the citizens of the countries of the world.

### DISCUSSION

SIR GEORGE PAISH: We have had a most valuable discussion this morning. These various papers have impressed upon us the importance of this matter of tariffs. Yesterday and this morning we have had a case presented to us that is overwhelming in the appeal that it has made to us, not only for our consideration but for our action. I will venture to speak on two points only in this discussion. First of all, urgency. You might perhaps imagine from some of the statements that have been made that there is an almost unlimited time in which to carry out the policy advocated by the Geneva Report. I venture to say that that is not the case. We are engaged

in a race against disaster, and it is doubtful whether we shall win or lose. Already too much time has been allowed to elapse before this particular question has been taken up. I am not going to give you my own opinion about this question of disaster. Five years ago I went to see one of the greatest bankers of the world, in order to discuss matters with him. I took the optimistic side, that things were going well, and he turned upon me and said, with much irritation, "Paish, you know that nothing can prevent a breakdown. Your head tells you so, but your heart refuses to believe it," and I recently wrote to him to ascertain what his present views were, and he said: "I cannot see my way through the tangle of 1928-1929, especially in the matter of trade restrictions."

Last year I had the opportunity of visiting a great many countries in Europe, and ascertaining the views of most of the great bankers of Europe, and I came back with a feeling of great despondency. I knew the situation was grave, but I had not realized it was as grave as it was. On my return I went to see another of our great bankers. I do not mind telling you his name. He would be glad that I was speaking as I am. It was Mr. Walter Leaf. He had given me most of my introductions, as President of the International Chamber of Commerce, and I went to him to tell him the result of my interviews. I said to him: "I do not like this European situation, it is very grave, and I should not be surprised if there were a breakdown this autumn." Upon this he immediately replied: "I am afraid there will be a breakdown this week." This year I have been to America. There I have seen the great bankers, and discussed matters with them. I spent three nights with one of the greatest experts of America; I took the optimistic side, and he took the other. He maintained that "Nothing can prevent a financial breakdown." That statement applies to America as well as to the rest of the world. I have since been to Germany, and discussed this matter with the great German bankers, and they too, maintain that "Nothing can prevent a breakdown." I want you to realize that.

I myself have not yet given up hope that we can prevent that breakdown. But time is short. Unless we can get right down to fundamentals soon a breakdown cannot be prevented. If it is not prevented, then the steps necessary will have to be taken in a period of great crisis, of panic, when financial disaster is spreading throughout the world. I therefore urge that you should give this matter your most careful and urgent attention.

I want you to realize that if we can solve this great problem, overcome this great danger of world solvency by means of a great trade expansion, that we shall not only overcome the immediate difficulty, we shall overcome the permanent difficulty. We shall come out of our difficulties, of our distress, into prosperity. There is nothing to prevent the world from being prosperous except the mentality of men who do not understand the modern world. There has been no fundamental reason, no reason whatever, for any unemployment in this country since the war. No reason, except the fact that the politicians and statesmen do not understand this world situation, and if they do, are afraid to tell the people the truth about matters and to indicate the steps that must be taken if the world is to get out of its difficulties. The matter has gone beyond the statesmen of the world now, and the appeal must be to the people of the world to create a world opinion. The people must be awakened to their danger, and the people must see that the right steps are taken.

I do not share the view that the smaller industries of the world, or the young industries, will be crushed out by the removal of the tariffs. If we could get the restrictions upon trade removed, if we can get goods to the consumers over the barriers, there would be such a call for them that every industry in the world would be actively employed. In pre-war days the production and consumption of the world increased twice as rapidly as the population. Year by year in future, after we have got rid of these barriers to trade, the expansion of barriers will be much greater than in pre-war days. Buyers will then be looking for sellers, and not sellers looking for buyers. Let us then

get rid of our fears, let us take down the tariff barriers and raise the world to that high degree of prosperity which the present development of science has rendered possible.

MR. RAYNER (London Co-operative Society) thought the speeches delivered that morning dealt too exclusively with the scientific aspect of the question under consideration, though he found the human touch in that of Sir George Paish. He asked world economists to remember that millions in each country depend upon trade, to recognize that there is an ideal in trade to strive for. Trade as an exchange of goods should be based on equality and justice ; he hoped for a time when those goods would be produced under the very best conditions. We have each our part to play in human service.

MR. LIPSON (L.N.U.) suggested that while it was our duty to help create a point of view favourable to the adoption of the Geneva Resolutions, we must be prepared to face and deal with the argument—which would surely be raised in some quarters—that our present high national rate of unemployment is due to our free trade policy, and the further contention that, by the admission into this country of goods produced under conditions much lower than those which obtain here, we are penalizing our employers.

## FOURTH SESSION

### INDUSTRY—RATIONALIZATION

The fourth session opened at 2.30 p.m. on the afternoon of Wednesday, December 14th, 1927, in the Council Chamber of the Guildhall, E.C.2, the subject under discussion being "Industry—Rationalization."

Sir Arthur Balfour, K.B.E. (Chairman of Committee on Trade and Industry), was in the Chair.

### CHAIRMAN'S ADDRESS

THE CHAIRMAN said: As you will see by your programme we have the very interesting question of rationalization to be discussed to-day. I am very pleased to see we have three speakers: Sir Alfred Mond, M.P., who will speak from the productive side; my friend, Mr. A. Pugh, who will speak from the Labour side; and Professor D. H. MacGregor, M.A., to whom I am consigning the consumer.

The exact definition of the term rationalization is something the Chairman may clear up. In the old days we had the application of commonsense to production, and I think it is one and the same thing. As rationalization is perhaps a new word, it requires a definition. It really is the method of technique and organization designed to secure the minimum of waste, in effort and material; added to that, the scientific organization of labour; the standardization of materials and products, and the simplification of processes and physical improvements in the system of transport and marketing.

It is true, as a result of economic disturbances created by the war, the attention to these various questions is more considerable to-day than ever before, and it is so not only in this country.

But in adopting these various methods there are certain dangers which must be safeguarded. We found during the war that many jobs, many pieces of work which



we looked upon as skilled, or semi-skilled, could easily be carried out by unskilled persons after very short training, and in the process of rationalization no doubt this information is being and will be very largely used. But I do want to plead very strongly for a general education of engineers and others in skilled trades, as, after all, it is from the ranks of those who were trained and who thoroughly understood their work, and not specially any one process only, that most of the great inventors have come. It is this which makes it so imperative that technical and suitable training schools should be encouraged, even more vital than in past days.

The psychological aspect is very important, and I think the Institute of Industrial Psychology has already done great work and has a great future before it.

We now turn to that interesting side of rationalization, that is the international aspect. Internationally, rationalization can probably only be applied to a limited number of commodities, those commodities fairly comparable between one country and another. But nationally there is no reason why rationalization should not be carried on in every manufacturing industry in the country which is carried on on any large scale, and the tendency is to concentrate in future into larger units. But from the international aspect those who were present at the Geneva Conference were often asked whether rationalization and cartels which were likely to follow it—especially International Cartels—would be a means of removing tariffs. Personally, I think not. I think there is indeed much danger that cartels of that kind would be used as a means of creating tariffs rather than reducing or abolishing them. The relief map in front of you shows how important it is that this question of tariffs should have consideration, as, undoubtedly, at the present time it is interfering very largely with the free flow of international trade, particularly in Europe.

There is another very important side of rationalization, and one which recommends it to me strongly, and that is, if we wish to improve the standard of living, both in this country and all the other countries, if we wish to increase

wages, if we wish to reduce working costs, it is absolutely necessary that we should find some means to produce on a scale which will not only enable us to do these things, but will leave us sufficient profit so that works, plant, and machinery can be kept up to the highest pitch, and also leave sufficient profit so that capital will flow into industry and promote trade to keep its plant running. We certainly cannot expect welfare work, or better working conditions or all the other things we should all like to see carried out unless there is adequate profit. It seems to be thought in some quarters that to make profit is a crime. I think the finest thing is to make profit and then to use it in the proper manner.

Of course, the carrying out of these rationalization schemes, just as when the Industrial Revolution came about, by the discovery and inventions, steam and machinery, there was immense opposition. If you turn your mind back to the time of the Industrial Revolution, all these new inventions were very strongly opposed, with the idea that they would mean less work and people would be thrown out of employment. Properly carried out rationalization will not make less work but more work. I admit there will be an intervening period, which will have to be carried over in some form, and that was discussed at Geneva. Inevitably, if you get the workman interested in his work you will have the very desirable situation which you have in the United States of America, namely, that all, you will find, Trade Union leaders and all the workers, all believe in production. Now if people will all believe in production, if they have goodwill and will co-operate in that spirit, that is the surest way, and the only way in which their standard of living can be increased, and their general welfare and future taken care of.

#### *SIR ALFRED MOND'S SPEECH*

THE RT. HON. SIR ALFRED MOND, BT., M.P., said, I have been asked to say a few words on the subject of Rationalization, in connection with the report of the World Economic Conference at Geneva, in May, 1927. I

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think, therefore, it may be advisable to go back to the report of that Conference. The summary of the report by the President states :

“ We have passed an important resolution stating our unanimous conviction that the maintenance of world peace depends largely upon the principles on which the economic policies of nations are formed and executed ; that the Governments and peoples of all countries should constantly take counsel together as to this aspect of the economic problem and that we should look forward to the establishment of a recognized body of principles designed to eliminate the economic difficulties which cause friction and misunderstanding. . . . ”

Now, as regards the subject more especially under discussion :—

“ The Report enumerates in detail the aims of rationalization and declares that it must be applied with care so as not to injure the legitimate interest of the workers. It therefore recommends that Governments, public institutions, trade organizations and public opinion, as the case may be, should encourage producers to promote the investigation of the best methods and results of rationalization and scientific management, and standardization, not neglecting the smaller undertakings and giving special attention to measures calculated to promote social welfare.”

I have always been rather surprised why we should have this sudden intense discussion on what is really a very old matter. People now talk of rationalization as though it were some kind of new discovery, since the war, and so people have started to study problems which those in industry have been studying for a quarter of a century.

Stripped of everything extraneous, there are two main points. First we have the adjusting of production to consumption. One of the chief troubles in the economic field at all times, and specially to day, is the difficulty of adjusting production to consumption in such a way that either an overproduction which results in a fall of prices, making the whole of industry bankrupt is avoided, or so that shortage which induces intolerably high prices and thereby inflicts great suffering on the consumers does not occur.

Now although people do not seem to realize it, all those engaged in the direction of industry have been giving a great deal of their time to try to make possible some estimate of consumption and to arrange production accordingly. Neither of these are constant factors. Estimates of the consumption of countries, of the world, are only speculative, dependent upon a large number of factors, so great in fact that even the most skilful brains very often may fail to take some of them into consideration. Let me give you an instance: nitrogenous fertilizers, of which I know something. All those in the industry were troubled to know what was going to happen to the heavy stocks of nitrate which were threatening to deluge the market, and ruining prices. To the general astonishment the constant demand of the market has been such that all those stocks disappeared and prices have gone up instead of down.

That is merely an instance of the difficulties of foreseeing future consumption. It also indicates the difficulty of pre-arrangements of production to keep step with it in an intelligent way. That is the financial crux of all industrial prosperity. The first thing, therefore, that rationalization ought to aim at is as close an approximation between these two as can be humanly obtained. Starting from that basis a number of other things naturally flow. It is obvious that unless you know with fair accuracy what the country will produce, what the production of the world is going to be, you cannot get the rationalization of production to consumption, which is required for economic prosperity. It is also fairly clear that unless those engaged in production are prepared to stabilize, to co-operate either with the restriction or the development of production in some manner on a fairly large scale, you will get what we see in the world now, a continual zig-zag either of over or under production and over or under consumption.

I have found this problem occurring again and again in industry. People talk about it as though it is an insoluble problem. Take, for example, the coal industry. Anyone who analyses it will see that if you produce more

coal than the world wants you arrive at an uneconomic price, and that unless you succeed in obtaining some kind of combination which regulates production with consumption that state of things is likely to continue for an almost indefinite period, much to the detriment of all those concerned in the industry although perhaps to the benefit of those who consume its commodities. From this premise flows naturally the idea of amalgamations, trade combinations, of national and international cartels and combinations. Intelligent industries have really co-operated more or less on these lines for a number of years; the less intelligent still go on cutting each other's throats, and wonder why they do not make as much money as those which are intelligent.

But the movement industrially from smaller to larger units is not a new thing; it has been going on for a number of years, and, curiously enough, it has been highly developed in that country which has spent and devoted more time in endeavouring to defeat trusts, and endeavouring to devise legislation to cripple combinations than any other, the United States of America. The United States, extraordinary as it may seem, is a country which has always opposed rationalization from the point of view of policy, whose legislature has passed endless, absurd and difficult Acts to stop people coming together by rationalization; and yet it has perhaps the biggest combinations in the world, like the United States Steel Trust, or General Motors, or hundreds of similar huge concerns, each individually about as large as the whole industry in their particular branch in Europe. They have not waited for conferences to meet at Geneva or anywhere else; they just watched, consulted, and formed these combinations, which have been assembled, and dissembled by Courts, and re-assembled by interests. In fact, those who now begin to get frightened at the existence of anything of this kind, and suggest checks and counter-checks and controls, I think might very well study what has been happening on the other side of the Atlantic, and realize that the best control, the only real control of the activities of combinations of industries is the voice of

public opinion, and the economic necessity which always prevents the unreasonable exercise of power by any body of men in any modern community.

We have in this country quite a considerable amount of combination in different trades—tobacco, textiles, and others. I well remember the time of the formation of the Fine Spinners, and Calico Bleachers' combinations. A large number of textile works came together, and combined with a large number of others. These combinations have not all been uniformly successful; like all human institutions some have done well, and some have not.

There is no magic in the word "rationalization," in a number of experts sitting round a table. To create the required organization is by no means a light and easy task. That is one reason why a good many people have stood aloof and looked askance at it. Is it an attempt to combine live organizations in order to create a greater or more healthy organization, or is it an attempt to palm off on the public obsolete works and plant which should be pulled down? Too many have been of the latter kind, and far from being encouraged they have been discouraged, and have turned out skeletons by the roadway. But if you start on a sound basis, and amalgamate things which ought to be amalgamated, and not things which should have been scrapped, and amalgamate things which are complementary and can assist each other, have capitals on a sound, not on an inflated basis, if they are carried on by people who have the capacity for handling big affairs, then you have really advanced, and you have an economic organization for the future.

I must confess I myself was driven to this line of thought and action by the fact that unless British industry succeeds in arriving at a measure of large-scale organization, it will find it extremely difficult to keep its position and to face, the competition of the great combinations of the Continent and America. I certainly come to that conclusion as far as the chemical industries are concerned, and I believe it is correct for a number of other industries in this country.

You can rationalize, with very considerable advantages, by well-conceived and well-carried out combinations. You provide for instance a large measure of common finance. It is obviously easier to obtain finance for large interests than for small ones. You can provide in a large measure for common research. You can provide, if you have the means, for the best management obtainable, because you can afford to pay larger salaries, which will form a smaller part of your general expenses than in a smaller business. You have this pooling of knowledge, by the large number of expert men employed, and also, you can work out large schemes for dealing with your labour problem. You have these advantages. One other advantage is that you are in a position to deal with authority with the industries of other countries.

Now I have no doubt myself that as industries come closer together you will get more and more international arrangements for the carrying on of the great industries of the world, and this being so you must have people in the different countries who can speak with authority for those countries, and unless you have this essential condition it becomes quite impossible to rationalize international trade. That is one of the difficulties which exists to-day as far as this country is concerned.

I mentioned coal: I have also expressed the view that coal is an international question, not national, and everything confirms my view. To-day it is a European problem, and every country in Europe is in the same difficulty. It has really to be solved by some kind of arrangement amongst the European coalfields; otherwise you will get a continual demand to depress wages, lengthen hours, a dismal long road of unemployment and disappointment in every way, with all its subsequent disadvantages. Therefore you have in the beginning to deal with the international position. Obviously in every country there must be a national body which can act for that country in any form of international discussion. This is one of the advantages undoubtedly which you will get by a more rational state of industry.

Of course, we ought to get economies in production,

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economies in overhead costs and in transport. You also get a greater steadiness in the all-over profits of a large association of concerns, and greater stability for labour, which is not to be despised.

I would throw out one warning word. These results are not automatic. These results can be obtained, and will be obtained if appropriate methods and principles are applied. But you have to guard against certain dangers. For instance, there is the limitation of the growth which you can ultimately achieve before you arrive at the position when the very size of the enterprise checks economy and you become another form of bureaucracy, like a Government department. There is always a danger in organizations getting so large that they finally become very little more than a form of Civil Service in which action becomes so delayed that the very size really makes a giant very often the prey of smaller and more agile firms. Then again, you have to see that the results really are forthcoming, otherwise far from making economies you may find a very wasteful and extravagant expenditure, owing to want of financial control which you often get on a smaller scale.

Moreover there will always be room for many modifications. Some people are afraid that industry will become a number of big concerns, with no room for initiative and the small man. I do not share that view. I think there is room for all and that there are many occasions and many industries in which the intense application and enthusiasm put in by some individual will probably outweigh the advantages of membership of a large corporation. Therefore, I say rationalization must come, because it is part of the economic trend of our period, and whether you like it or not does not matter so much to-day, as what you do with it. Its technique to be applied successfully should be applied thoughtfully, and the various factors so arranged as to deal fairly with the different parties involved.

I do not think to-day that any great industrial corporation can look upon itself as appointed merely to make either dividends or profits. The responsibility



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to-day is very much higher than that. I well remember having a talk with the late Judge Gary of the United States Steel Corporation, and he said, "I look upon myself as an arbitrator in the world's affairs, and I have to keep an even scale between the interests of capital, the merits of labour, and the position of the consumer, and my function really to-day is that of acting as arbitrator, knowing all the different elements." I was much impressed by that statement, coming from a man with the responsibilities of that vast concern. I feel it is perfectly true, and great industrial corporations have to go a little further. They also have to have regard to national interest as it were, and, if you will excuse me for a moment's divergence, I would like to say a word or two on that subject. I pointed out a short time ago that we had to deal not merely nationally but internationally. The future of industry, if rationalization was to be carried to the fullest extent, would lead to the co-operation of producers in all parts of the world. But that co-operation must be treated by all those concerned not merely as an economic problem of production and cheapest production, but with some regard to the national interests of the countries involved. There is a certain conflict between what you might call ideal economics and national feeling, which has to be bridged. This question really forces itself right to the front, and in bridging that, future success will lie. It is the appeal to the academic theory of free trade and the academic theory of protection. If you carry Free Trade to its logical conclusion, certain countries might be confined to the production of one article, that they could themselves produce, and therefore gain the richest success, whereas under the Protectionist ideal everything would be produced in each country. That is to say the consideration whether a country requires production for itself and its defence may conflict with a theoretical and academic position which has never yet arisen in practice, and probably will not arise in either case.

I mention this academic case because the same class or order of thought does apply to the kind of conflict I see staged between the ideal of British Empire development

and a world or European combination. There is no real conflict. What is really required, however, is an adjustment, a recognition of each other's point of view, an adjustment which takes reasonable care of the various elements in the question.

I have already detained you long enough. The subject is a large one, and difficult one, and on its proper solution depends, to my mind, to a large extent the future of the peace of the world and progress of humanity. I am afraid I do not quite agree with our Chairman, although he knows a great deal more about the subject than I do, when he said he did not think international agreements would reduce tariffs. If you could get to a point not merely of agreements, but of international interests, then surely by everyone being interested and by manufacture being carried on under the most economic circumstances, you might create, and I have heard it said by some of my continental friends, you would create a different spirit, which would tend to diminish, if not abolish, these restrictions on industry which the tariffs of Europe to-day so obviously create.

These are ideals for the future. All we can hope is that this beneficent work which has been commenced at Geneva, and which is one more instance of what the creation of the League of Nations is helping to achieve in the international sphere, will continue. The thorny and difficult paths that we are trying to walk down will finally lead to useful results, and by uplifting the whole standard of industry at any rate in our part of the hemisphere, we may be able by joint action in international matters to uplift the whole prosperity of the toiling millions of this hemisphere who to-day look, with somewhat longing eyes, I will not say with jealousy, on their brothers across the Atlantic who apparently appear to be so much better placed.

#### *MR. ARTHUR PUGH'S SPEECH*

MR. ARTHUR PUGH (Secretary, Iron and Steel Trades Confederation; Member of International Economic Conference): My remarks will be on more general terms

and general principles. And first may I say that I regret it is a disquieting fact that what I venture to describe as an epoch-making event in modern history, the assembly under the authority of the League of Nations of responsible representatives of industry, commerce and economic science, from practically all the countries of the civilized world, should have passed almost unnoticed by that institution of public enlightenment of this country, the Press, and that in Great Britain—whose welfare is so enormously concerned in world peace and economic adjustment—it should rest with the organization responsible for calling this Conference, to direct public attention to the appeal which the World Economic Conference issued to the Nations.

The fundamental grounds upon which the Assembly of the League of Nations arrived at its decision to promote the holding of a World Economic Conference, are contained in its resolution in which it expresses its firm resolve "to seek all possible means of establishing peace throughout the world," and its conviction "that economic peace will largely contribute to the security of nations" and of the necessity "of investigating the economic difficulties which stand in the way of the revival of trade prosperity and of ascertaining the best way of preventing disputes."

The keynote of the Conference held at Geneva in May last as the result of that decision, is expressed in its Report where it states that, despite the diversity of theories and the legitimate national sentiment of all who took part in the discussions, one important and encouraging fact emerged, namely, the "unanimous desire of the members of the Conference to make sure that this Conference shall in some way mark the beginning of a new era."

From an examination of the most carefully ascertained and prepared information from the different countries, supplemented by their representatives and by expert opinion, the Conference was able to present a picture of the world situation and thereby not only to state the problems, but also to a great extent to lay bare the causes and to indicate the road along which the nations should

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travel if economic health and progress is to be attained. And underlying the whole of its conclusions, is a definite emphasis upon the fact of the close association of world peace with the nature of the principles upon which the various nations frame and carry out their economic policy.

As a part of that policy, there is required a more rational organization of industry, as one of the primary steps to be taken by each country in the necessary adjustments of its economic life, the Conference having with unanimity asserted "the urgent need of greater, more far-reaching and better co-ordinated efforts in this field." And rationalization expressed in simple terms means, orderly government and co-operative effort in industry, given practical effect to by conscious planning and carefully thought out development, which will relate sound economy in the production and distribution of commodities with healthy and expanding consumption. For in the framing of a rational policy, it is necessary to recognize the plain fact that the economic crises which affect society do not arise from any technical problems of production, but is one of the disposal of commodities, and that the limitation of markets to-day is chiefly a matter of the proper relation between production and consumption. So far as quantity production is concerned, there is no problem of accomplishment; the problem is to enable the people to obtain access to the wealth produced.

This fact seems to be dawning upon some of the leading minds in the United States, so dependent upon its great home markets where the fetish of high production—as though it were an end in itself rather than a means to an end—is receiving a check. The policy of high wages to which expression was recently given in such vigorous terms by the Secretary for Labour, is not based upon any great spirit of altruism, but on the plain business fact that the demand for her commodities is out of stride with her productive development, and that underlying her surface of prosperity, is a stream of unemployment and comparative poverty.

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This is one of the troubles in the countries of Europe to-day, including Great Britain, but it is one which has an acute bearing upon the question of rationalization of industry. For with an enormous increase in productive capacity, there is an abnormal degree of unemployment in this and other countries. Reduced consumption due to the impoverishment of the people, has had its reaction not only upon their internal economy, but also upon their trading relations with each other. The latter condition is disclosed by the fact that, while the mercantile tonnage of the world has increased by thirty-eight per cent., the volume of goods carried by sea is little more than in pre-war years. This has reflected itself in the shipbuilding industry which is one of the staple trades where acute depression has particularly affected this country. That condition in turn reacts upon the iron and steel and heavy metal trades generally. The metal and shipbuilding trades expanded to their utmost to meet war conditions, now find themselves with an enormously increased power of production, but with a world demand which has not kept pace with the needs of normal development.

In another of the staple industries of this country, the cotton textile trade, the position of over capitalization has been accentuated by increased productivity in other countries, and the development of other forms of textile goods, such as artificial silk, and also to the generally reduced purchasing power of the people.

The effect of the present condition of things, is seen in the greatest of all industries, agriculture, while a lack of organized effort on the part of the agriculturist, and the burden of an army of non-productive middlemen, act as deterrents to healthy association between the agricultural producer and the consumer. Indeed, profitable business seems in present circumstances to be found not in the great basic industries, but is derived by those who in an increasing degree deal in goods they do not produce and capital tends to be directed into non-productive channels or into trades of a luxurious character.

While emphasis is laid upon the abnormal disturbance

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of world economy due to the war, it is certain that the position of to-day is to a material extent what would have presented itself in due course had the war not taken place. The play of economic forces and a new alignment of international trade and commerce were proceeding for a quarter of a century before the war occurred. The war hastened the process, but it also changed the direction.

As an indication of the revolution which has taken place in industry during the past twenty years, owing to mechanical production and scientific development, the Report on the Census of Production recently issued by the British Government shows that among twenty-two important home industries, not one shows an increase of less than 100 per cent. per worker.

And so, faced with the inevitable consequence of a system of unrestricted competition, we see a development of the next stage of industrial evolution in the form of arrangements through trade associations covering the whole or the larger part of an industry for a systematic regulation of prices in the home market, and international agreements with foreign countries or the formation of international combines under which a division of the world's trade between the competing bodies is agreed upon together with the restriction of output within the limits of demand.

Such a review of the general problem is necessary if we are to obtain a true perspective of the aim and purpose of rationalization as one of the channels to be explored in an endeavour to adjust the defects of our economic policy.

Rationalization involves scientific management; a much misunderstood term. This does not mean, as some people would seem to imply, the regimentation of labour, a sort of goose-step to the time of the machine; it means the science of good management, good government in industry, applied to the workshop, winning co-operation of labour for the elimination of waste in human effort, material and organization, and in getting the best results in productive enterprises and services. Combined with this is the acceptance of the principle that, in the science

of good management, cutting down wages and extending hours of labour is the last and not the first recourse. Further, that where these principles of workshop practice are applied, men do not want managing, for the spirit of self-government can be developed.

Some few weeks ago I went through a large locomotive works, and one thing that impressed itself upon me was the absence of shop managers and foremen. "If they are here," I thought, "they certainly do not obtrude themselves," yet there was no evidence of hustle and the men seemed to be just carrying on. I commented upon this to my guide. "Oh, but you see," he replied, "every man here knows the part he has to play in the organization of this shop. We know precisely the work that is put in, we can follow a job from one stage to another as it passes through the Shop or Department, and at the end can measure the results; the record is made known to the men themselves, and if the results are not up to the standard, whether it be in production or quality of workmanship, this matter naturally arises at the meeting of the Joint Works Committee, and as it not only affects earnings but is a reflection on the Shop standard of workmanship, the men are as anxious as the Managerial side of the Works Committee to find the cause. "By this means," he said, "and by encouraging suggestions to the fullest extent from the men individually or collectively, we have been able to eliminate many defects in Works organization as well as waste in material and labour effort."

Then, I said, "I suppose you would say you have developed the spirit of the football team?" "Yes," he replied, "where all play the game." Yet I learned later that but a few years back, under a different policy, just the opposite condition of things obtained.

There are, of course, many matters of important detail in the application of the science of good management to productive and service undertakings, which I have not time to deal with. It is the elementary—but no less fundamental—step to the rationalization of our industrial life. But the value of the application of a sound policy in the units of an industry, may be destroyed by the

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reaction of an unsound and unco-ordinated policy in the industry as a whole.

There must, therefore, be a policy for the industry itself which will have regard to the most effective and economical means of assembling its raw materials, the distribution of its orders, the relation of its production to effective demand, the marketing of its products—including elimination of wasteful and non-essential charges between the point of production and consumption—its general technical development and organization.

Here again all concerned in the fortunes of the industry have an important part to play, and its industrial Advisory Council should serve the industry in the matters referred to and including its interests in relation to other industries and services, as well as in respect of its position in the common economic life.

So much in brief as to rationalization in respect of the domestic needs of separate industries.

To carry out the requirements of the case as indicated by the World Economic Conference, as well as the national needs, and having regard to the interdependence of industries and the reactions of one industry upon the other, we require a central body free as possible from political influences and constituted of representatives of industry, commerce, finance and economic science, which would obtain the fullest possible information of all factors in the economic life, and evolve an economic policy as a guide to industry in general as well as to political action when this became necessary. That body would form a connecting link with the international Economic Organization at Geneva, through which agreements and conventions with other nations must be effected, and an endeavour made to obtain adjustments in the policy of nations as foreshadowed in the Report of the World Economic Conference, and to establish more satisfactory commercial and other relations between the various countries.

In this connection the steps now being taken by Germany and France to develop the machinery of a National Economic Council, is a matter of considerable interest, but I predict that unless the idea of this as a



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means of regulating their economic affairs finds its roots into the everyday life of industry, it will not prove sufficient for its purpose.

Even so, it is an indication of some vision as to the future need of countries in respect of their economic as apart from their political life.

In a review published last year of developments in collective economic policy in different European countries, Mr. Maxime Terry discusses the constitution and functions of the Economic Council which it was proposed to set up under the decree of April, 1925, in France. In his concluding statement he expresses a truth which it is important should be grasped by those who hold responsibility for the conduct of affairs in economic as well as the political sphere of national activities.

“What,” he asks, “has the future in reserve?” “Certain it is that the political institutions designed for military societies—where the central power was pre-eminently a police and whose morality was expressed in rules of obedience—are no longer suitable for societies which stirred by a thousand democratic upheavals and by terrible economic crises, have replaced obedience by discussion, and political conflicts by economic conflicts; nor for people to whom the question of wages has become a matter of social concern, nor for an epoch where all are increasingly conscious of the capital value of their occupational interests. Hence, we must visualize institutions beside political ones.”

With the establishment of a National Economic Council, as a necessary part of a national industrial policy, it would be possible to visualize industry as an economic whole, and to have regard to the inter-relating interests of industries and the reactions of one upon the other. Further, within that scheme of things, and with the facts ascertainable, it should be possible to evolve equitable principles to guide or govern wages negotiations and settlements, and so establish more scientific methods of determining wages standards, for it must necessarily be a part of rationalization of industry, that so far as

possible it renders unnecessary, the wasteful struggles which affect so adversely the well-being not only of those engaged in industry, but the community at large.

While there are glimmerings here and there that new ideas are evolving, nothing but a real and concerted effort will succeed in extricating our country from the waste and disorder which permeates its social and economic life.

I have no apprehension as to the contribution of the inventor, the engineer, the research chemist. I do not fear the opposition of labour to a really honest attempt to reconstruct our industrial life. I entertain no bogey about capital, which cannot help but flow into channels of healthy industry. It is on the side of those who exercise control in the operation of industry, that, I venture to say, the obstruction to change will come, and here we have factors arising from the rapid development of the Joint Stock system of economic organization, which must be taken account of.

I sometimes feel that we Labour people are barking up the wrong tree when we proceed on the assumption of the conflict of interests in industry being exactly expressible by "Capital *versus* Labour," although that does not exclude consideration of the power of financial control for good or ill.

Under the system of Joint Stock undertakings, however, there has been an enlargement of the area of capital ownership, but the scores of thousands of holders have no more part in industrial policy than the workers themselves. The position is in some degree analogous to the estate agent and the absentee owner, except that in the operation of the share market the personnel of capital ownership in relation to any industry may imperceptibly change from year to year or even from month to month. Moreover, the old relation of employer and employed is rapidly disappearing and we have developed a form of industrial bureaucracy which is neither the one thing nor the other, and which in the main, is recruited with an extraordinary lack of appreciation of the fact that it is charged with one of the most vital functions of our economic life. That it comprises many men of

outstanding ability is unquestionable, but in the general mass there is an attitude of self-sufficiency and an outlook towards modern thought which is appalling, while its views on labour's place and rewards in industry, are based upon the economic philosophy and ideas of the eighteenth century. Its great dogma of belief appears to be the sacredness of managerial functions which being interpreted means keeping Labour in its place.

If you think this is an over-drawn statement I invite you to compare the general run of our industries and business undertakings with those which are controlled by that type of enlightened and broad-minded management, which by its very quality has shaken itself free of century-old traditions of industrial policy. There you will find rationalization in its right interpretation in the process of practical development.

I shall be met with the retort as to what Labour is doing or is prepared to do in this scheme of rationalization and reconstruction of our economic life? Well, Labour too, has many preconceived ideas to get rid of, and without Labour's co-operation there can be no reconstruction. But what shall Labour do? This hewer of wood and drawer of water, on what standing and with what status is it to co-operate? Is its function just production—keeping pace with the machine—or is its ability to think, its intelligence, its skill, its experience, its labour power, its capacity for service, to be accorded a true measurement of value and reward in the scheme of national economy?

We shall not get out of present difficulties by our present outlook, methods and policy. The existing disequilibrium in national well-being, and the apparent acceptance of a million idle wealth producers as a normal condition of the national life, is a sign of moral and material degeneration. It is no compensation to know that dog racing is flourishing, and that a mannequin parade has been held to display a million pounds' worth of jewels. Great Britain can do better for its people. It can rationalize its industrial life; it has all the potential resources of material well-being and of cultural development.

The World Economic Conference is but a commencement. It has sought to point the way for the nations to take. In the concluding words of its Chairman :

“ We have worked together to secure economic peace on which indeed political peace depends.

“ By contributing to the framing and adoption of our recommendations, we have assumed a real moral obligation to disseminate, to defend and to secure the triumph of the truths which we have formally proclaimed.

“ But whether the fruits of our labours are gathered by ourselves, or by those who succeed us, we know the time will come when mankind will be the happier for our work.”

### *PROFESSOR MACGREGOR'S SPEECH*

PROFESSOR D. H. MACGREGOR, M.A. : After the war it seemed that the ideas of this country were to be turned on to methods that generally were called reconstruction. There was a Ministry of Reconstruction. And it is only in the last few years that the whole conception of reconstruction in the light of post-war conditions gave way to a new word, that came from Germany—Rationalization. I think it will be evident that a great deal of what Mr. Pugh said attaches itself to the period of reconstruction, and what I want to do this afternoon, briefly, is to try to explain what is the special significance of the new way of looking at it, because, as a matter of fact, the new way of looking at it has got more body in it than had the old notion of reconstruction. It is a definite line for reconstruction.

Of course, anyone who has a post-war policy will naturally define it as rational, and as an aspect of rationalization. Now this word came from the following source. After the war there was great confusion in the economic circumstances of Germany, due partly to the war and partly to the peace, and although the German people did not formerly like the trustification of their industries, after the war the necessities of the position were such that very powerful leadership was wanted, and

the men who came to the front, as the leaders of Germany's post-war industrial life, men like Stinnes and Thyssen, wanted a strong, striking word in order to "get away with," so to speak, the new conceptions they wanted Germany to adopt. They knew that monopolies and trusts would not be popular; what had been popular in the United States would not be popular in Germany, and "rationalization" was the word by which they got their ideas made current in Germany.

I do not propose to deal with some aspects of it that Mr. Pugh is more qualified to speak about; the inside, or factory aspects. It is for industrial managers to know the right methods, and the technical difficulties of management. What does concern us is that industries are being shaped, and currency being given to this idea, more and more so as to increase the influence of personal leaders; as to group them more and more in great organizations, and to present the nation with these alternatives. On one side, high efficiency of organization, great authority of industrial leadership; union of great businesses for economy, as Sir Alfred Mond said: that is one side of it. On the other side, the dangers of monopolistic influence. The fact is that so far as outward form goes you cannot tell whether the structures that are being raised up in the great industries are good or bad, and, as was said in the Report on Selling Agencies in the Coal Industry, you are left trusting to the hope that the leadership of these great concerns, these great business units, will be imaginative and considerate. Now this idea, with which the nation as a whole is concerned, corresponds to a purpose which you may say is the approximation of our great industries to systems of administration rather than to systems of contest. The approximation that is to say of the government, the management, the arrangement of our great fundamental industries to the kind of guidance, the kind of idea, the kind of outlook that you get in an administration. There are, I think, four great spheres of national life that you can compare with each other: Politics, the Churches, Army and Navy, and Industry. Three of these, the first

three, are conducted as administrations. They are conducted by leaders working on policies, and the rationalizers are people who want Industry in the same way to be conducted on the basis of policies by leaders, and the great personalities, like Sir Alfred Mond himself, who have built up in our industries tremendous structures, covering not only the country but reaching out over the world, are the people who want the freedom to govern industry in that way. They want room to move; they want to be able to plan ahead without feeling that there are too many unknown elements for any general policy to be laid down as safe from interruption, and practicable. I think you will see there is great value in this notion, that a definite, consistent policy for the great industries does require something of that sort. And, also, that in respect of that policy, there is left to the nation the hard question as to how far the national interest can be left to great national leaders of the great fundamental industries in that way. I should like to show you precisely what is the kind of psychology that leadership asks in our great industries. There are no statistics for this country. Of the whole manufacturing industries in the United States of America, only seven per cent. of the businesses—remember, this is in the home of trusts—only seven per cent. of the businesses have got two or more establishments. But when you consider the importance of the men who lead the great groups and companies, this comes out: the great businesses which have a product of one million dollars or over per annum, they have only five per cent. of the number of establishments, but they employ fifty-seven per cent. of the number of workpeople, and they turn out sixty-six per cent. of the product. Now, when you have got that kind of corporation, when you get men at the head of concerns smaller in number but turning out the greater part of the product, they want room to govern. They see the industry as a whole, as people could not see it long ago. They attach importance to their own position in industry, and they want to make further organization, with the view of bringing it all into a system and a plan. Now I think myself that it is

inevitable that great fundamental industries will go that way, and I think that for the future we shall be left more and more to trust great industrial personalities. But there is the great danger of monopolistic influence. I need not enter into the history of the leaders of great combines, but we must take one way or the other, and in a world which requires the greatest economy of use of its future resources it may be the safer plan to allow these concentrations to take place and to trust to the leading personalities of our great industries.

A word about the Labour side. If you compare the four great spheres of life I mentioned, and if you are speaking of the position of Labour in the structure, it appears that the sphere of authority in industry is not so great as it is in any of the other branches of national life, nothing like so great as it is in the Churches or the Army, or Politics. A great many of the criticisms of industrial structure, of its relation to labour and of the leaders in industry, come from sources where authority is far more strongly entrenched than in industry. Certainly there is great scope for the application of the new ideas of the planning of industry, and my own view is that the new movement is healthy in that respect in so far as it creates on the other side industrial units of enterprise, great corporations, with authority on the same scale as the labour organizations, which extend beyond the individual business, that refer to the whole industry. The fact that labour organizations and the amalgamations of capital are being aligned now in the industry rather than the individual works is rendering it possible for plans to be carried out in the way of labour control, representative control, which are hardly possible in any individual business. And, to that extent, I do not look so much to the future of co-partnership, to the relations of individual workmen in individual businesses, as to plans carried out with the whole of the industry as the basis, the building up with Councils at the top, but working through not only the Works Council but through the District Council and through also Industrial Councils, the modern movement is tending to parallel the size and

scale of labour organizations with capital organization. And that I believe makes agreement, and not only agreement but plans for representative government as far as it is applicable to labour, and, with respect to industrial peace, the giving of mutual guarantees more possible than otherwise would be the case.

There is a great deal more in this subject. These are the hopes of the new idea, the idea of assimilating the control of industry as a branch of the national life to that of the other branches of national life, and, therefore, the idea of leadership. But it does not follow that everything in the nature of a combine is rational. I do not call the German potash syndicate rationalization; to carry on the German potash industry until 1953 with many of their works closed and to pay those works dividends. The outward form will not tell you whether a particular structure is rational, but if we are to adapt industrial progress to what I think are the general modern views, it must be by the application of the general scheme of rationalization in the hands of the right people, and there are in this country, I think, great industrial leaders who are now working in that way, and the way towards it. I hope, therefore, I have been able to explain how I personally view the working out of this subject, and the fact that if we get to the bottom of it we are trying to place industry in a new relation to life and to other aspects of national life. I would repeat that the conception we are faced with is, that we hope to make, I would not say for all industry, but for at least the great fundamental industries, administrations.

### DISCUSSION

MAJOR L. URWICK : In opening this discussion I should like to pay my very humble tribute to the three intensely interesting papers we have listened to. I think the League of Nations Union may be particularly congratulated that, in approaching this most important subject of rationalization they have not only obtained as Chairman



the British representative on the Industrial Sub-Committee of the World Economic Conference which drew up the resolution, but have also secured in the academic sphere, among the captains of industry and leaders of labour three men who are nationally recognized as leaders of thought on this question.

Sir Alfred Mond once said that industry was a trinity, and did not only consist of capital and labour, but capital, labour and management. My excuse for standing here is that I represent the third and humblest member of that trinity, namely management. Now throughout the addresses to which we have listened, it has seemed to me that with the possible exception of Mr. Pugh's remarks, there has been some slight tendency to emphasize that particular aspect of the word rationalization which is born of its German origin. It has been assumed that rationalization implies only rationalization on the scale of a whole industry, on a national or international scale. I should like to suggest that as far as this country is concerned the most pressing issue at the moment is that we should get rationalization inside the individual enterprise.

It is now nearly twenty years since F. W. Taylor, the inventor of scientific management, first made public the work he had been doing. Scientific management, as Mr. Pugh properly said, does not involve the kind of regimentation and cold-blooded mechanism which it was originally supposed to contemplate. I think I may say that modern exponents of scientific management would say that no management was scientific which tended to "put Labour's back up." They accept the wider view of rationalization, but they do emphasize the application of methods of science to *every* problem which arises in the work and conduct of production and distribution.

Where do we stand in this country. If this process of concentration of capital, of large scale rationalization which Sir Alfred Mond has advocated, which Professor MacGregor has endorsed, where do we stand if this is inevitable? If it is true that our industries in the future are going to tend towards the concentration of power in

the hands of a few leaders, what steps are we going to take to protect public interests? The first step, the first fundamental, is to build up a new attitude inside the individual enterprise. That is what rationalization is : a completely new attitude towards the problems of managing a business. A denial of the old idea that if you have the power, you work your personal will there. Denial of the old idea that all economic health is necessarily based on conflict, an idea which still exists in many English enterprises, within the enterprises as well as without. If ever we are to get rid of that idea, do we realize how big a change it means? And yet, if we fail to get rid of it, how are we to find the men to manage these vast organizations of the future? Because it is only out of an instructed, educated rank and file that great leaders can be found. I venture to think that all the people we have listened to this afternoon, with the exception of Mr. Pugh, have not sufficiently emphasized this aspect of the problem.

We have not a great deal of evidence of any change of attitude in this country at the present moment. In the *Times* every morning you will find a column headed, "Directors and Partners," advertisements of commissions for sale in the industrial army—no word of fitness. Now, if we are going to rationalize we have to realize that we must get rid of bought commissions, of family endowments of feudalism ; you cannot manage scientifically on a basis of favouritism. We have very little evidence, but what there is emphasizes the grave national need. The great report which you, Mr. Chairman, are engaged in producing, informs us that in 1925 in the United States of America, there were 80,000 students of graduate standing dealing with the subject of industrial administration, not chemists, not technicians, but students of the pure science of industrial administration. In Germany, 16,000. In this country, less than 1,000, on the figures that can be ascertained. I should like to suggest that these figures are ominous in respect of Great Britain's prospects of rationalization. In September last I had the privilege of attending the Third International Scientific Management

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Congress at Rome. There were 1,400 delegates, representing forty different countries: Great Britain's delegation numbered six, and only one of those was a substantial figure in our own industrial life!

What I want to suggest is that this is important not only for the health and success of our individual enterprises, but still more for the success of that process of change in industrial structure which is inevitable if rationalization is to come. Let us consider the implications of our lack of grasp of this new attitude towards the management in the international sphere. It is quite impossible for administrators successfully to get round the table and to bring a subject to a practical conclusion unless they possess not only goodwill, but some common working philosophy, a background of similar intellectual experience. Now, these other nations, some of them much harder pressed economically than even we have been are studying this new science of administration, with an enthusiasm which I find very slightly paralleled in this country. What it comes to is this. If we go on in our present attitude towards this whole subject, towards the possibility of scientific method, not only in technique but in administration, if we continue with our present complacency, as the years roll by we shall find that, however good our will, we cannot play our part in conference with the industrialists of other nations trained to discuss matters on a scientific basis. I do not mean to suggest that I am pessimistic about our eventual prospects. But if those prospects include, as they inevitably must, further combinations in steady development in the direction of rationalization, one of the things we must do as a nation is to set about securing higher education in industrial administration for the future leaders. It is a vital national interest which cannot possibly be left to the individual initiative of isolated firms.

MR. H. L. SYMONDS (London Chamber of Commerce) : With reference to Professor MacGregor's speech, I would far rather see business in the hands of a monopolistic, scientific concern than in the hands of petty bargainers

who have had so much to do with our trade in the past, and been prejudicial to it.

There is one question of fact raised by Mr. Pugh, and it is his reference to the Census of Production figures which have been issued. If I understood Mr. Pugh aright he suggested that these figures were satisfactory, because there was an additional yield of something like £100 per year for each person engaged in particular employments. I venture to suggest that these figures are by no means satisfactory, and that the additional amount per head, in view of the increased cost of living, is nothing like adequate to the position. It is true that in some cases there has been increases of more than £100 per head. Lamentably, these increases are in the luxury trades, and so they have been rightly deprecated by previous speakers as taking away the interest of the people from the true interests of the country. But taking it at £100 per head, that simply means that the workers in the trades have been given, and rightly given, an advance in wages corresponding to the increase in the cost of living, but there has been in my opinion in these industries absolutely no fund available for a return on capital, and unless we do have a fair return on capital we can bid farewell to the future prosperity of this country. And it is with a view to getting a return on capital, as fairly and as widely as possible, that I heartily support rationalization.

Mr. H. V. HODSON (Oxford University Branch, League of Nations Union) : I should like to quarrel with the view put forward by Major Urwick. Personally, I think Professor MacGregor hit the nail on the head. When the ordinary man, whom I take myself to be representing, thinks of rationalization he thinks of monopoly, and the question he asks himself is, Are these organizations in industry, on a monopolistic basis, for price fixation, by which we understand rationalization, is that going to be of benefit solely to the profitmakers in that industry, or is it to be to the disadvantage of the consumers needing the produce of that industry, is part of that benefit going to be handed on to the workers in that industry? And, if trade, through efficiency may be increased, are the

proceeds of that efficiency going to be purely increased profits, or are they going to react to the advantage of the workers in the industry ?

And I should like to quarrel on another point with the opening remarks of Sir Arthur Balfour. No doubt it is to the advantage of a country that industry, or probably to the advantage of a country that a particular industry should be prosperous, but whether that should be in the nature of profits to individuals, capitalists or whether it should be distributed over all in the industry is a question we have to ask ourselves.

As to monopoly, there are several disadvantages in schemes of rationalization, whether in trusts or cartels. We have seen them in operation, particularly the difficulty of over-capitalization, which usually occurs with trusts in the United States of America ; of over-participation in cartels in Germany ; and the elimination of the inefficient producer is not so simple a matter as it seems at first sight. This is one of the great needs of cartels, the elimination of the inefficient producer. It is said that it is the aim of the price-fixing associations in the Coal Industry which are being promulgated to-day, but this elimination does not take place as cheaply as may appear at first sight. Once having been admitted to the circle of the cartels, the inefficient producer is not going to give up his quota in the participation unless he is adequately rewarded, and the cost of that elimination may be greater than the bankruptcy of the inefficient by which the elimination would eventually take place under the system of free competition.

Then again, price fixation : what price differentiation could help the export industry ? The ostensible aim of the rationalization process which is being set on foot with regard to the Coal Industry just now, is to fix prices and assure to the producers a steady profit, and I suggest that, if what the promoters say about the state of the industry is true, that can only mean a higher price, and high prices cannot help a great industry of export like coal. What it must mean is higher prices on the consumers in this country, to permit of lower, if not uneconomic, prices for

export. And we have to ask ourselves whether that increase in price is going to be on the whole to our advantage, and whether it is not going to lead not only to a rise in the cost of living, but also to organized effort in order to break the price differentiation between the two markets.

Nor does the formation of an individual large scale firm like Leverhulme's take place without loss on all sides. You have to set against the advantages of large scale production, you have to set the disadvantages of the smaller producer being thrown out of employment. I am not urging that on the whole this is not a good thing, but for the moment you have to consider the position of those who are being undermined by the greater power of large scale production, and particularly by price-cutting with different brands, such as is carried on in the United States.

Also, we have to consider the world position : whether the position of monopoly is not going to be abused in raising the prices, as is undoubtedly done by the Imperial Tobacco Company in this country. If we look at the associations which may be taken as representative of rationalization as it has taken place so far, like the Imperial Tobacco Company, Lever Brothers, Sir Alfred Mond's firms, and similar firms, doubts come to the mind as to whether the great efficiency is not purchased at too high a price, and whether it would not be advisable to set up some Board of Control, as has been done in Germany, with a view to checking any bad tendencies in this form of organization. The Board of Trade at present is not strong enough, it has not sufficient judicial power or sanction behind it. Since this formation of organization is increasing, we want an international organization, and, viewing the matter in that light, we ought to consider whether the League of Nations ought not to turn its attention to setting up some body for investigation on these lines.

MR. WATERHOUSE GIBBINS, speaking from the experience of the administrative side of business, strongly supported Major Urwick. One of the most important

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things for this country at the present time is that we should teach more administration and scientific management.

COUNCILLOR W. PRIDE (Chairman, Edmonton Urban District Council) held that post-war economic questions could only be resolved in co-operation with other nations. He appealed for re-opening of trade with Russia.

REV. J. L. CHOWN (Wolverhampton): Industry is based on credit. Credit is the life-blood in industry, and it has got to be international. Therefore, I am anxious that the League of Nations should have its own Bank and bring together the best bankers of every country.

MR. ISHERWOOD (Manchester Rotary Club), referring to Mr. Pugh's remarks on the middleman, expressed his belief that we were moving quickly towards the elimination of intermediaries between the manufacturer and the consumer. But he would draw attention to the extent to which many businesses, especially in the North, were now controlled by financiers at a distance, who knew nothing about production or conditions. This he regarded as a very real danger.

## FIFTH SESSION

### AGRICULTURE

The fifth session opened at 10 a.m. on Thursday, December 15th, 1927, in the Guildhall, E.C.2, the subject under discussion being "Agriculture."

Sir Atul Chatterjee, K.C.I.E., was in the Chair.

### *THE CHAIRMAN'S ADDRESS*

THE CHAIRMAN said: When the organizers of these meetings honoured me with an invitation to preside this morning it occurred to me that they must have been prompted by the immense importance of my country from the point of view of the discussions on agricultural subjects which would be the special feature of this morning's meeting. There are over 250 millions of people entirely dependent on agriculture in India—perhaps a larger aggregate than in any country in the world with the possible exception of China. It is true that industries are developing in India and that we can already claim to be among the chief industrial countries in the world recognized by the Council of the League of Nations. But even our industries are sustained by the product of our agriculture and only to a minor extent by the output of our mines. We are therefore intensely interested in the problems which would be discussed by the speakers this morning. For my own self I can claim no technical knowledge in agriculture. But it was my fortune to spend the best part of my working life in the very midst of our agricultural areas and in very close contact with the problems that arise in a country of peasant cultivators with ancient methods of cultivation and highly accentuated difficulties in regard to credit. For some years I had also a direct share in attempts to develop co-operative methods



for the benefit of agriculture in a populous and important Province in India. My interest in the subjects that will be discussed this morning will, therefore, be patent to you all, and in spite of my poor equipment in the technique of the subjects under consideration, I felt it impossible to refuse the invitation that was accorded to me.

It is only fitting that I should at the outset convey the congratulations of this meeting to the League of Nations Union for the happy thought of organizing this Conference in the heart of London. The International Economic Conference which assembled at Geneva in May last was perhaps the most important economic conference that has been held since the war, or indeed at any time in the world's history. The eminent authorities who composed that Conference have made very important pronouncements in regard to the causes of the economic ills from which the world is suffering at the moment, and they have made far-reaching recommendations for an improvement in these conditions. With the practical knowledge which distinguished the delegates they recognized that the reception and successful application of the principles laid down depend, to a very large extent, upon an informed and-supporting public opinion throughout the world, and for this purpose they expressed the view that efforts should be made by influential organizations for the information and enlightenment of the public. As the President of the Economic Conference, whom we are proud to have with us to-day, rightly observed in his closing speech, the work of the Conference could not prove effective unless the peoples of the world themselves gave the recommendations of the Conference the support of their interest and of their power. If the Conference were not supported by all those for whom they had been working, their endeavours would be unavailing. Public opinion as a whole must understand not only the intrinsic importance of the work of the Conference, but also, and above all, it must realize its strength, its utility, and the vital importance which it must have for its well-being. The distinguished speakers who have been enlightening the public in England on these questions during the last few days and the success

of these meetings constitute a very satisfactory feature of the present position. The ventilation of these questions in particular reference to the recommendations of the Geneva Conference cannot but lead to a happy solution of the problems which the Conference discussed—a solution which will not only promote the comfort and well-being of the citizens of all countries, but will conduce to the maintenance of peace throughout the world.

It is peculiarly appropriate that a discussion of international problems relating to agriculture should take place in the historic centre of the life of the City of London. For it is not merely in commerce and industry that the City of London constitutes the heart of the world—the pulse of agricultural life throughout the whole world can also be best felt in this City. Not only is London one of the largest marts for agricultural commodities, but the prices that rule in India, or Australia, or in Canada, or the Argentine, are mainly regulated from this City. The prosperity of London is linked up with the prosperity of the meanest ryot in India, and we, the producers of agricultural commodities in the distant countries of the world, are deeply grateful to the citizens of London for the interest that is being displayed at these meetings in our well-being.

The central conclusion of the Geneva Conference in regard to the world position in agriculture was expressed in a resolution which drew attention to the dis-equilibrium which has arisen between the prices of agricultural products and those of manufactured products. The Conference pointed out that as a result agriculturists in a great number of countries no longer receive a sufficient return for their labour and on their capital. The Conference has also proved how the diminution in the purchasing power of the agricultural population has reacted upon industrial production and is consequently one of the causes of unemployment, which in its turn reduces the outlets for agricultural products. This interdependence of agriculture, industry and commerce had never been so clearly and forcibly brought out on any previous occasion, and this result can only be ascribed to

the fact that at the International Conference in May last agriculture was placed on an equal footing with commerce and manufacturing industries. An attempt to diagnose the ills from which manufacturing industries and commerce have been suffering without a full and detailed investigation of the difficulties of agriculture would have been foredoomed to failure, and it is because these three branches of world economics were studied on parallel lines, and because their inter-relation was fully recognized that the recommendations of the International Conference reached their present value and authority. We in India have for some time been fully aware of this dis-equilibrium and of the resultant evils from which both the agricultural and the industrial population of our country have been suffering. In spite of the larger volume of production in agricultural commodities, the returns which the peasants in India have been receiving in the shape of manufactured goods which are necessary for their subsistence and comfort are much less in quantity than before the war. The decrease in the purchasing power of the millions of our Agricultural population has depressed not only our textile and other industries in India, but has seriously curtailed our imports of these classes of goods from countries like Great Britain. We are, therefore, intensely interested in any measures calculated to remove this striking maladjustment, and we confidently trust that the principles of the recommendations set forth in the resolutions of the Geneva Conference will be adopted and put into practical form in all the great countries of the world.

The remedial measures which have been suggested by the International Conference for the improvement of conditions in agriculture itself may be summed up in the one word—organization. The Conference rightly stressed the truth that the improvement of agriculture must in the first place be the work of the agriculturists themselves. They have drawn prominent attention to three branches of work in this respect. There must be technical and scientific improvements adapted to the needs of the agriculturists. This is an effort on which my distinguished

friend, Sir Daniel Hall, is an eminent authority, and will speak to you in the course of the morning. Then, again, there is the vista of improvements in conditions and in output which can be secured by co-operative efforts. The agriculturist can, with the aid of co-operation, secure credit, purchase the requisites for his operations, standardize his products, and develop his marketing. On the other hand, consumers also can organize in co-operation, and following the direction in which we have such a capable leader as Mr. Alexander who will also favour us with an address, the meeting this morning we can establish direct contact between producers and consumers. For myself, I have noted with the greatest satisfaction another important recommendation made by the International Economic Conference. The Conference declared that social laws insuring the welfare and security of workers were as important for agriculturists as for industrial workers. It will, of course, be understood that these laws must be adapted to the special requirements of agriculture and to the special living and working conditions of rural populations. The Conference has also drawn attention to the very important question of the education and technical training of agriculturists all over the world.

For some time past we in India have realized the urgent necessity of improving the conditions of our agricultural population and the methods and organization of our agriculture. During the last twenty years much attention has been given in our country both to the question of technical improvements and to the adoption of co-operative methods, more particularly the co-operative provision of agricultural credit. Also, as you are aware, primary education amongst millions of the agricultural population in India is extremely backward, and we realize that it is impossible to secure improvements, either in technical matters or in co-operation, without a very much larger percentage of literacy amongst our population. In view of recent difficulties we have felt that a more comprehensive enquiry and more intensive efforts were needed for the betterment of our agriculture. A

Royal Commission was, therefore, appointed to enquire into the whole subject, and has been at work for over a year under the able chairmanship of the Marquis of Linlithgow. We are all looking forward in India to a great impetus to our agriculture as the result of the work of that Commission. At the same time we realize that there are international problems connected with agriculture as well as our own national problems, and we therefore welcome discussions such as we are having this morning which will benefit producers and consumers of agricultural produce all over the world.

#### *SIR DANIEL HALL'S SPEECH*

SIR DANIEL HALL, K.C.B., F.R.S., LL.D., said : The depressed state of agriculture, of British agriculture, at the present time, has been made very patent to all readers of the public press, and though townfolk who feel secure of an abundance of foreign supplies and conscious of the high prices they have to pay may be a little inclined to pooh-pooh the woes of the farmer, I would ask you to realize that the state of agriculture to-day is very bad indeed. The situation is grave and serious ; my memory of farming and farmers carries me back to what were regarded as the blackest days, those of the late eighteenthies and early nineties. I do not think at that time the farmers were so divided as they are to-day. Let us agree that the depression is a real one. It is equally real for a large portion of the world : many of the continental countries, notably Germany, are in an equally depressed state as regards agriculture. The case of the United States of America is perhaps worse than our own. And in some of our Dominions we hear of the same complaints. This depression is, in fact, a world-wide phenomenon.

Now the Economic Conference at Geneva took this situation into very careful consideration, and it is very interesting to mark that the representatives of farming from the various countries for once in a way were able to come to a unanimous conclusion. First of all, that there was this very general depression in agriculture throughout

the world; that it was caused by low prices for agricultural produce, or, as they put it, "the disequilibrium which has arisen between the prices of agricultural products and those of manufactured products." That was the primary cause, and they put that down further to the insufficient demand for the farmers' produce that came from the industrial population. They pointed out the inferior purchasing power of the population, the workaday population, the industrial population, reacted upon the prices which the agriculturist got, and that inferior purchasing power of the industrial population, due to the various crises in industry, they said had to be remedied first before the farmers in their turn would get adequate returns. The Conference in its conclusion pointed to the extent of unemployment upon the Continent of Europe. In Europe generally there are something like 10,000,000 people unemployed, and it is the diminished demand for foodstuffs which this unemployment and the restrictions on trade caused by the tariff barriers, to which the Conference attributed the distressed state of agriculture.

I propose to examine this. Low prices are the trouble that affects the farmer. Low prices of course may be due to over-production. World over-production may be either what we call a real over-production, that is clearly the turning out of more material than the normal population can consume—or it may be, as the Conference suggested, a relative over-production, owing to the fact that the population, the consumer, cannot exercise his normal demand. Now, what evidence have we in this particular case as to a real or a relative over-production. Of course, there are no absolute figures; the sole measure is the consuming power of the population. We can only make comparisons between pre-war and the present-time, and if we trace the growth of population since 1914 and compare that with the growth of production, we shall arrive at some idea whether we are dealing with real or relative over-production. Now we may estimate the increase in the world's population since 1913 as 109,000,000 people, an increase of 6 per cent. As we are dealing with

the international market and prices, it will be as well to leave out of account Asia and tropical Africa, because these countries which send to the European market but very little in the matter of foodstuffs. When we are dealing with the other countries of the world, we find that the population concerned in the international markets has risen since 1913 by something like 7½ per cent. How much has production increased? As far as one can make out from statistics, there has been an increase in the acreage of land under agriculture by 36,000,000 hectares. The population increased by 50,000,000. Now, under the usual cultivation, followed under Western conditions of agriculture, it takes about one hectare of cultivated land to provide food and raw material for one unit of population. That is a mere fact of observation, of calculation from the pre-war amount of cultivated land and the pre-war number of people maintained by it. If we take that figure of the increase of population by 50,000,000, and the increase in cultivated land of 36,000,000 hectares, it would seem to show that the growth of production has not kept pace with the growth of population.

Other lines of reasoning support that. We find, in a comparison of the wheat production between the five years 1909-1913 against 1921-1925, there was an actual decline in the acreage under wheat and in the production of wheat. But I think those figures are unduly pessimistic, because they do not take account of the very rapid rise of land under wheat which has been going on in Russia, both in Europe and Asia during the last few years. Taking out the figures for 1913 and contrasting them with 1926, there would seem to be an increase of wheat by about 10 per cent. However, a good deal of that increase has been purchased at the expense of other breadstuffs, as the cultivation of rye, barley and maize has given place to the production of wheat in Europe, and taking all the bread stuffs we find that the increase in area of 1926 over 1913 is about 4 per cent., and an increase in production of about 5 per cent. So again, from that line of reasoning we may be assured that there has not

been a real over-production in the world since 1913. The production of agricultural food and raw materials has hardly kept pace with the growing population. Therefore we are again brought to the conclusion of the Conference, that it has been the insufficient demand on the part of the existing population, that it cannot exercise its normal consuming power, which has caused the apparent surplus and the fall in prices.

There is another probable cause, to which the Conference did not devote any recommendation. We must remember that the break in prices occurred about the end of 1920 and early in 1921, at the time when some of the leading countries of the world embarked upon a policy of deflation, and it was the attempt to stabilize currencies, then the return to the gold standard, and the continued attempts on the part of other European countries also to stabilize, which at any rate put in motion the break in prices. It is not for me to attempt to discuss whether this deflation was the cause of the break in prices or only the detonator which has set in motion other economic forces. We must recognize that the fall in prices, and the continual fall in prices which has troubled the farmers, has been the accompaniment of this deflation policy.

Now, if we have to accept this relative over-production as the immediate cause of the low prices, we do immediately begin to ask ourselves why there has not been an adjustment of the production itself to the lessened demand. Here we have to take into account the special and peculiar position of the farmers as an industrial unit. First of all, he is a very weak marketing unit. He is an isolated individual, and he has not got anything like the same power of control over the disposition of his production that a large manufacturing industry has. More than that, we have to recognize that the greater proportion of the farming of the world is done on what we may call the peasant farm, that is to say, the single farm that is worked by a man and his family. Now the peasant farmer, although the same applies also to any farmer, but the peasant farmer more than any other farmer has to go on, he must go on whether prices are



high or low. The man cannot adjust his output to the demand of the market. The manufacturer waits for orders, and he has considerable power of holding down his production ; he can go on short time, and working to his orders in hand, and need not flood the market with unwanted goods. But the farmer, and particularly the peasant farmer, must go on. What he has to sell is only a portion of his output ; first of all, he has to live. The adjustment of agricultural production to the immediate demand is only a very slow one. It only comes into operation after a good many years. In the ordinary way the peasant farmer, in bad times buys less and manages to hang on, but he does still turn out his stuff. Only after many years, prices continuing to be bad, does he go out of farming, and that is the thing which is happening all over the world to-day. We see this displacement of the farmers in response to these continually falling prices ; we know in our own country, in the United States, in France, we find that the agricultural population is declining, and with it will come a fall in the output of food, and it is that fall that will be a great danger to the community.

Now I think perhaps you will allow me to leave the general conclusions of the Conference as applied to the world farming, though it is certainly very important to have them in mind, and to just consider a little bit the special case of the British farmer. British farming differs in one important respect from the general farming of the world. In the main ours is not peasant farming, but it is farming of small capitalists, employing labour. More than two-thirds of the cultivated land in England and Wales, if we just keep apart the number of very small allotments and holdings of, say, under five acres, two-thirds of the agricultural land above five acres is held in farms of over one hundred acres in extent. That is to say, the typical British farm is something between one to three hundred acres, and the density of employment is roughly three men to one hundred acres, so we may say the normal English farmer employs five to six labourers, and pays them. So that farming in this country is a business

which has to pay labour. Well, if there are difficulties attached to peasant farming at low prices, these difficulties are very much enhanced when the farmer has to pay labour. The great stability of the peasant farm is that the peasant farmer gives his labour, and is indifferent to the amount he gives, but here, as I say, our farming has to be done on labour that has to be paid for, and the labour bill is the largest single item in the expenditure upon the farm. Current British farming pays about one-quarter to one-third of the total outgoings for the farm to labour. Now here comes the special difficulty of our British farmers, the cost of labour has not fallen in proportion to the fall in the prices the farmer receives. If we take 1913 as our jumping off place, we find that agricultural wages to-day are 176, as compared with 100 in 1913; the hourly rate is about 200. That is to say, labour measured by the hourly rate costs twice as much as in 1913. Now agricultural produce in November was only 40 per cent. above 1913, that is, it stood at 140, when labour stood at 200, and commodities generally, representing a measure of what the farmer has otherwise to pay, stood at 167. Those figures explain the difficult position the British farmer is in; it is this discrepancy between the rise in prices of what he has to pay for with the prices that he obtains for his produce, and that is the great stumbling block he has to get over at the present time. I will ask you to keep those figures in mind.

We must spend a few minutes in considering what is the possible remedy. The Commission in its review of the situation pointed out that exactly the same thing is going on all over the world. Of course the question to a very large extent, the improving of the industrial demand, is one that is outside the competence of the farmer to deal with at all. Other suggestions deal with co-operative credit, co-operative marketing. These of course are valuable, indeed necessary improvements in the organization of farming, but we must not run away with the idea that the improvements we can effect by any form of combination in marketing would be sufficient to wipe

away this discrepancy, this large discrepancy we have been thinking of. There is not margin enough at the present time in the price-spread between the farmer and the wholesale market, and that is all he can hope to share by co-operation. We must make as large a co-operative effort as we can, but it is not going to solve the whole problem. Is there any other way out? The discrepancy we see arises out of the cost of labour. We cannot think of cutting wages down. The wages of the agricultural labourer average 31s. 8d. per week. The agricultural labourer as a class in full work, is still the worst paid class in the community, and therefore no solution can be obtained by looking for a decrease in wages. We have to look at it in other directions. Mere higher farming in the ordinary sense of the word, without change of method, will not do anything for us. We can see perfectly well that the farmer to-day is going to get out of this difficulty just as he got out of the falling prices in the eighties of last century, by reducing his expenditure, by reducing his standard. He is laying wheat land to grass. He is going in for every cheap method possible. He is cutting expenditure and reducing his labour bill. And if he goes on drifting just in that kind of automatic response to these low prices, we shall find England and a good deal of the south of Scotland gradually transforming itself into large grass ranches or very cheap corn farming for wide areas, such as is practiced in the Dominions, with, in the special districts, with good soil and where a man can practice the sheltered forms of the agricultural industry, potato and fruit growing, we shall see a certain amount of highly intensive farming business carried on. But in the main, the industry will go down in its effort to meet these falling prices.

Is, however, the situation so hopeless as that? There are two lines of attack worth consideration. First of all, while we see nearly everything the farmer has to buy has risen in price, there is one remarkable exception—the chief fertilizers are to-day costing only 77 per cent. of what they cost in 1913: nitrogenous fertilizers. Therefore it follows that an increase of crop which the farmer can

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obtain by using fertilizers is likely to be remunerative, and if I remind you that between 1840 and 1860 the production of English land was raised 40 per cent. by the introduction of fertilizers, we possibly are standing on the threshold of a similar advance. The illimitable possibilities of the cheap manufacture of synthetic nitrogen from the atmosphere is a direction from which we may hope for a real change.

But the real problem is labour, the most expensive item of the farmers' expenditure. The farmer has got to turn round and make a whole-hearted effort in order to make his labour more effective. Labour is the dear element upon the farm, and yet, throughout the great part of the farming country, labour is being employed to-day just as it was fifty years ago, when wages were 12s. per week. Now, all the operations of the farm have got to be thought out afresh, on the basis of dear wages instead of cheap wages. And that is the very special, technical task before the farmer to-day. On the one hand, the introduction of machinery, and on the other hand, organization of the work to reduce effort. Then again, a further task the farmer has got, still pursuing the same idea, is to arrive at a new and better understanding with his men. Whatever the excellencies of the agricultural labourer, and they are many and great, his effort and work is often dissipated because of bad method and insufficient preparation for the task he is engaged upon. There have been trials recently made which show how output, and of markedly better quality, can be increased, and his actual physical toil-lightened by careful consideration of his labour. Farming more than any other industry is dependent upon the willing co-operation of the labourer. The labourer is no minder of an automatic machine; he has to be a working co-operator. He cannot be supervised in gangs, you have to trust to his honour and sense. Therefore, it is fundamentally important that special effort should be made to render him as efficient and willing a co-operator as possible. We want rationalization in farming just as much as in industry, and farmers can do much, and perhaps all that is needed, to turn the

industry into a prosperous one, by a combined effort with the men to make labour more effective.

This is a general, large interest, not merely for the farmer, but everyone of us. Food production is already below the real needs of the world, and if we had such a revival of industries so that the existing population, still less the population which is growing, began to exercise its real demand for food, we should have a scarcity, we should find ourselves short of food. That shortage is not to be met now as it was as the increase in food during the last century, by extending to new land ; there is no new America, no new Middle West, to which the surplus population can turn. Such expansion has almost come to an end. The additional food must be obtained by higher farming. That means better work in the part of the people who are there, and we shall not get that better work until we get better prices. We want the stimulus first of all, of a better return for the farmer. It may be it will only come from the industrial revival, but with that stimulus we may be encouraged to secure increased production from the land.

#### *MR. A. V. ALEXANDER'S SPEECH*

MR. A. V. ALEXANDER, M.P., said : I appreciate very much the opportunity of speaking on this occasion, and I appreciate the effort of the League of Nations Union in this hall this morning to try and popularize the ideas expressed in the resolutions of the Economic Conference at Geneva.

With regard to agriculture, and from my own point of view especially in regard to co-operative buying and selling, I am a little unhappy at having to speak this morning on this question, at the very moment when I have been somewhat disappointed with efforts in that direction in this country. At the Southport Congress in 1925, the British Consumers' Co-operative Movement actually commenced an effort which we hoped would lead in that particular direction which is now desired by the Economic Conference at Geneva. The terms of the

resolution at Geneva were in harmony with the resolution of the International Co-operative Alliance at Ghent, in 1924, and had really precisely the same intent, spirit and common aim as our resolution at the Southport Congress. At the same time, I am hoping that in this country we shall not admit complete failure, with regard to the efforts of the consumers' co-operative movement, and some of us at any rate intend to go on with our efforts to reach the better understanding we desire between the consumers' and the agricultural co-operative movements.

The figures which Sir Daniel Hall has placed before you this morning with regard to the world areas and with regard to the population engaged in agriculture must make all of us very anxious that anything shall be done which is reasonable and profitable to meet the situation. The larger question of world peace cannot be separated from it. So long as you have any large section of any national population completely dissatisfied with its conditions, so long will you have danger in regard to peace. And we must bear that in mind when we are considering the problems of agriculture.

Sir Daniel Hall says that he appreciates what might be done in this country by co-operation, but he is anxious that we should not over-rate it. Far be it from me to over-rate it, but I must say that we cannot accept from our point of view that the greatest benefit which can accrue to agriculture is to be measured only by the price-spread between the agricultural producer and the wholesaler. If that were the case we should have far less real evidence in support of the efforts some of us have been making for the establishment of direct trade relations, complete association indeed, of the organized producer and the organized consumer. I would say on the other hand that because of the very problem which Sir Daniel Hall showed to us as one of the roots of the present depression, the decrease of the purchasing power of the great consuming population, if we are going by Geneva, while consumers' organization increases the purchasing power of the working consumer, we can provide a wider and

more stable demand in the market for the production of the agricultural producer. And while there may not be a very widespread difference at present between what the producer may get and what the wholesaler takes, there is on the evidence of other classes of the community, given in every country, I think I might say before every kind of Government enquiry, so great a spread between the real producer and the ultimate consumer that it ought not to be beyond the wit of man for the consumer and the producer to arrange the matter with goodwill to have a far more equal distribution between the producer and the ultimate consumer. That is what has really happened in Denmark, which has followed our aims from the consumers' side, in trying to get into closer and more direct touch with the producers in that country, and has also been with us in some other successful efforts in getting into touch with the organized producers of other countries. Having said that, let me look for a few minutes at the general question of organizing for selling. I say at once I do not profess to be an expert upon this, but I approach it as a co-operator, with a reasonable fund of common-sense, and one who has tried to observe the various methods which are practised not only in this country but in other countries as well. In the first place we can agree with the International Labour Office that the problem must be regarded both as local, regional, national and international, but at whichever part of that description I look, I cannot get away from the feeling that from the selling point of view the maximum benefit which can be obtained by co-operative producers will be on the line of commodity organization of marketing. We find from the consumers' point of view the greatest possible difficulty in getting direct touch of a satisfactory character with the producers in this country, because there is an insufficiency of any organization of commodity marketing, because, secondly, there is no guarantee of regular supply, regular delivery of standard grade, and of uniform packing and preparation for marketing. Until this is tackled in a much better way than it has yet been tackled, it will be extraordinarily difficult for the organized consumers to be able to do as

much as they would like to do with the producers of the country.

With regard to the international position, I think one of the extraordinary features of the problem of co-operation has been the growth in commodity marketing, and that growth carrying with it an improvement on all the lines that I have suggested. Let me take for example the criticism that used to be uttered with regard to some Empire dairy produce, when that produce was held up for comparison with Denmark, which has a much longer history in regard to producers' co-operation. Dr. Earl Page, in Australia, when introducing the Rural Credits Bill of 1925, quoted many opinions of that kind, and yet in Australia, we find to-day, and I saw it when over there myself last year, that by promoting efficient commodity marketing, with the help of the Government (which I think ought to be given in this country) with regard to credit, and in regard to the Government granting, individuals and organizations had been enabled to overtake very largely the countries which had had much longer experience in co-operative commodity marketing, and the very great difference there used to be in the price of Australian butter, for example, compared with butter from other countries, has been very largely ironed out. The first thing I would, therefore, say is that we very much need a better organization of co-operative commodity marketing. We have a certain amount in this country at the present time, but some of the promoters of those concerns I am sure will agree with me when I say that the individual farmer needs a good deal of education before even the commodity marketing can be successful. We have had, for example, overtures made to us with regard to one item of produce, bacon. Sometimes we have been asked if the consumers' organization would take over this or that co-operative bacon factory. And we find on examination that one of the first things we would require to make a factory of that kind successful would be a reasonably adequate supply of the right grade of standard of pig. We have had to turn down proposals of that kind because the farmer himself, either from lack of education



or from other causes, would not do what was required. Certainly the history of such factories shows that the farmers supply nothing like the required percentage of the standard pig for that industry. So that there is a tremendous need for the education of the farmer in that direction. When we come to talk to agriculturists about this we find an amount of suspicion which sometimes surprises me. There is a great fear in the minds of many farmers of the organized consumer, and indeed in some of the conferences I have attended we have had those who are not only farmers but interested in specific co-operative organizations who have openly voiced the opinion that the interests of the organized agricultural producers are diametrically opposed to the interests of the organized consumer. Now, I cannot for one moment accept that point of view, and if we were to accept it in this country where would we be to-day? It would not do much for the development of the League of Nations ideal. I am afraid it would have a very serious effect upon the development in other countries as well. As a matter of fact I think it can hardly be disproved, that if the producer of food cannot get a fair price from the organized consumer in the community, then he is hardly likely to get a fair price from anybody else. If you take the record of markets, and alongside that of the consumers' movement, whilst I am certainly not going to try to appear on their behalf in a white sheet, it is quite certain that the prices obtained by direct contact with the consumers' movement are always as good, and sometimes better, not always better, but sometimes better, than in other cases, and that in many instances we have been able to save intermediate expenses by direct contact.

Further, with regard to the British side of the problem that we are often told that it would be quite easy to arrange for commodity marketing, and even for direct touch with large consumers' organization if we were at our end only in the export market. I think that this is a fallacy, as shown by an examination of the experience of certain other countries. Take the case of the United States of America: they have a very widespread producers'

commodity marketing movement. I think in 1922 the total turnover of their associations was well over 1,000 million dollars, and I understand it has increased even since. But a very large proportion indeed of the operations of those commodity marketing associations in America are for the American market, and are not actually for export, whereas in this country we have a very large internal market at our doors, a population of 44/45,000,000 of people within a comparatively small geographical space for whom surely it is possible to organize on commodity lines as efficiently as it is for the organization for export. I consider that if we could get our British farmers to organize in this way we should be able to demonstrate to them that we could increase their prosperity, and we could also be of advantage to the consumer, judged by the example of our present relationships in co-operative buying and selling with other countries.

I want to give one or two illustrations. If you have read the preliminary memorandum of the International Labour Office before the last enquiry into agriculture, you will have seen this before, but for nearly six years the wholesale consumers' organizations for Britain and Wales has been in direct touch with the Farmers' Creameries in New Zealand, and not merely in direct touch but in direct organization. There is a joint organization, with joint capital, half held by the producers and half held by the consumers, and through that organization has been marketed each year ever-increasing quantities of standardized and graded goods. The result has been satisfactory on the proved representations from both sides, New Zealand and this side, to both the producers' organizations and the consumers' organization. And it only needs an expansion of it to bring still further satisfactory results. Let me take another case, of a rather different character, and I think it will show the goodwill of the organized consumer to the producer. For the last three seasons we have been in direct touch with the wheatpools of South and West Australia, and have actually financed groups of the farmers in these wheatpools

from the resources of the organized consumer, in varying ways and to varying amounts in the three seasons. In one season we financed about eleven million bushels this last season I think it will be about £4,000,000. And from the conversations I had not only in London in 1924, before the first arrangement was made, but in Australia last year, it is quite clear that these organized producers were able to get better conditions from the organized consumer than they had been able to get from the Joint Stock Banks or from the State Commonwealth Bank of Australia.

Now, if we can produce examples of that kind, surely there is room for immediate research into the possibility of further development, there is room for the education of the producer along these lines. But I do not want to leave it just there, because I am also certain that the consumer needs education as to this organization. I am not at all sure that we are not at fault on certain things. We of course go into the market in order to buy the producers' goods at the lowest possible price, so that we can take the greatest benefit to the consumer. Well now, of course that would be the ruling thought in the mind of the buyer for the consumers' organization, but what is needed is education of the consumers' side as well as of the producers' side, so that we may eventually come to a proper understanding on which we could really share the benefits which are bound to arise from direct contact by the elimination of the middleman and the greater attention paid to financial association. There is room for expansion of the supply side in agriculture. In some countries you have had grow up large systems, partly of credit organizations. I believe myself in this country if you could extend the actual commodity selling society and the supply association, by having some credit organization attached to them, you would be able to gradually build up the confidence of the farmers entering the associations. I think, too, the credit itself would be managed probably with greater efficiency and benefit to the farmer himself because of the immediate local knowledge of the applicant for credit. If you have a

credit society for farming separately, much depends for its ultimate success on the intelligence of the Committee of Management and their knowledge of the members of the society, upon the knowledge of the committee of the individual applicants for credit. But in this country I can hardly see that we are likely to make much progress with separate credit societies. The need for credit in this country is perfectly plain, and I do think we could quite well extend the operation of the existing societies and some of the new ones to be formed, so that we might have credit departments of these supply and selling societies.

I have not had time to deal with one or two things I might have mentioned, but not perhaps within the scope of the subject I was given to speak upon, but I hope those of you who are interested in the problems of co-operative buying and selling in agriculture will not lose sight of the fact that every national government will sooner or later be faced with very great problems and which will produce complications until certain of the large exporting countries become fully developed, and it is essential from that point of view that in the meantime we should also try and get the organized consumer into direct touch with the rapidly growing organizations and pools of producers, in all combines, and avoid any misunderstandings which are likely to lead to international agitation and complication, which Geneva is striving to avoid.

### DISCUSSION

Mr. R. B. WALKER (General Secretary, National Agricultural Workers' Union) : In opening this discussion I should like to refer to a dangerous tendency which can be discerned in the observations of experts and others. It is that agriculture is apart from the rest of industry and subject to special economic laws.

Paragraph 2 of the Introduction to these resolutions reads as follows :

The agricultural population remains for humanity a reservoir of energy capable of preserving the nations from the rapid human wastage which may result from any excessive growth of industry.

and rather suggests this point of view. The tendency of Labour development in the future, however, must be towards a greater mobility, and this will result in the change from rural to urban occupations being made more easily by agricultural workers or their children as they grow up, than can be made by them now. The differences between the conditions of employment on the land and in factories are obvious to everyone acquainted with industry at the present time, but increasing mobility will gradually reduce the differences which at present exist. The aim, therefore, must be not to emphasize the differences between conditions on the land and in urban employments, but to overcome them as far as possible. Decentralization of industry will break down the herding of vast populations in towns, and as the workers on the land and the workers in urban occupations mix together in social life so will town and country occupations become more and more blended together. This should make for the stability of both rural and urban industry.

Introduction, paragraph 5, reads thus :

The economic depression in agriculture is characterized by the disequilibrium which has arisen between the prices of agricultural products and those of manufactured products ; as a result, agriculturists in a great number of countries no longer receive a sufficient return for their labour and on their capital. This depression is aggravated in many countries by the difficulty of obtaining credit on normal terms, and by the increase in fiscal charges ; while it has led to a decrease in the purchasing power of agriculturists, consumers have not in all cases benefited by a fall in the price of food stuffs.

There can be no question that the causes of agricultural crises are often outside the control of agriculturists—such as money manipulations. The farm-workers, the peasants the small holders, are the first to feel the pinch and the last to be relieved. Control of banking would appear to be an essential preliminary to steady trade in agricultural and industrial problems and what the world needs to-day most of all is not new markets so much as steadiness and confidence in international trade relationship. Given

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confidence in a comparative steadiness in prices, I am certain men of business aptitude would devote their energies with confidence to the scientific development of modern systems of farming, which should result in great benefit being derived from the industry of both employers and workers.

This point of view is suggested in the following quotation from the report (Introduction, paragraph 7) :

Technical means exist, however, for a considerable development of agricultural production. They must, therefore, be put into operation. Their general adoption would have the most beneficial consequences for the prosperity and economic peace of the world.

The time has come when the agriculture of the world must be regarded as one unit and gradually organized accordingly. It is commonsense and true economy that food should be produced where it can be grown cheapest in relation to its market, rising standards of living everywhere will raise foreign prices, but at the same time will increase the size of the home market, hence, more and more food will find its consumers near the place of production. The cheapening of production cost by science and machinery will assist that process. Hence, there is no reason to expect any great shifting of the present food producing centres. On the contrary the need for them will grow.

I do not think there is any reason why we should look for a diminution in the number of workers employed on farms, except in so far as improved mechanical and scientific methods will have their effect. On the other hand, it is a profound mistake to regard agriculture as an industry which can be used for absorbing the unemployed and unemployable persons from urban districts. There has always been more or less a balance between urban industry and agriculture. Of necessity this balance must continue as now with such adjustments as are required by the exigencies of circumstances as they arise from time to time. What will happen will be that all those engaged in agriculture whether as wage earners, or small producers, will demand what the large producers get now—namely, a

living wage, if they are wage earners, or if they are small producers a return on their capital equal to the average.

It is obvious that workers on the land will insist that their conditions shall bear comparison with those of the workers in the towns. The present tendency of governments to discriminate against farmworkers in social legislation must stop. Farmworkers must have their rights in the enjoyment of unemployment insurance, housing facilities, protection from industrial diseases, such as cattle ringworm, and other social legislation conceded to them, and the League of Nations and this conference can do no better service than by being emphatic on this point.

The circumstances of modern life are breaking down the barriers between the nations. Each country's agriculture is a problem peculiar to that country and we shall go seriously astray if we try to solve our own problems by adopting solutions only suitable to the conditions prevailing in another country. Nevertheless it will be for the good of the workers and for all engaged in agriculture, that the fullest information of each country's condition should be available.

English farmers have been and are slow to see the advantage and the necessity of full economic investigation as a preliminary to reducing their productive system to the bed-rock of efficiency. May I say as a representative of organized workers in agriculture in this country, that we have always favoured the fullest entirely impartial enquiry into the conditions under which the whole of the farming operations of this country and every other country are carried on. There must be fullest co-operation in this respect between those engaged in agriculture and their governments. Any attempts to reduce world agriculture to a complete statistical record would have the full support of organized Labour everywhere, because Labour realizes that in the long run it has everything to gain by such a close investigation.

Sir Daniel Hall has quite rightly dealt with the British problem as one to be considered on the basis of British conditions only. He sees the difficulties of the small

producer, and the prospect of him being squeezed out in a dwindling farming area in which big men are competing for a show. But he sees a way out in reorganization of British producing methods. Will that reorganization be confined to this country? Is it not rather a case of advance all the world over; and will not that advance in scientific production remove the dangers of food shortage, and at the same time provide adequate returns to all who get their living by the land. It is my belief that we may look for this with confidence, and that there is no need to speak of the future of world food production in a despondent mood.

MR. OWEN FLEMING (Political and Economic Club) pointed out that in an analysis of overdrafts made by the Chairman of Lloyds Bank it was found that additional overdrafts to the agricultural community for 1926 approached £2,000,000. It was reasonable to suppose that the increased overdrafts for the agriculturalists in all banks in 1926 exceeded £5,000,000. This revealed a serious situation. The French Government had shown one way out and that was "protection." He did not think that course possible for England and believed that attention must be given to the difference between the the agricultural index and the cost of living.

MR. RAYNER (London Co-operative Society) drew attention to the difference existing between the price received by the farmer for his produce and the retail selling price.

COMMANDER WILLIAMS said that the farmer was more heavily taxed than the townsman. He had to pay charges of Imperial taxation, local taxation and tithes in support of the national Church. In other European agricultural countries the burdern of taxation of the individual was relieved by the levying of duties on imported goods. Foreign goods were not taxed in this country.

Mr. W. R. LEICESTER (League for the Taxation of Land Values) said that farmers' prices were linked up with the demand for their produce. The wage level at present was too low to permit men and women a decent standard of



living. The cause of this low level was the high incidence of unemployment. The remedy was to throw open the land to labour. With land freely available he could not imagine such a thing as an unemployed man, and there would be no limit to which wages could not rise. The system of taxation of land values in Denmark showed the way out.

MR. LAWLEY said that quite frequently prices were deliberately kept up, as in tobacco and in wheat in the United States. There was also the large fluctuation of prices and the fact that the farmer could never be assured for any length of time of the price he could obtain for his commodity. The farmer would be greatly assisted by the stabilization of the prices of imported commodities. The question of transport rates was also of importance.

MRS. NORRIS and MR. HAWKES (Hemel Hempsted Branch, League of Nations Union) also took part in the discussion.

## PUBLIC MEETING

### ECONOMICS AND WORLD PEACE

The Conference concluded with a public meeting held in the Guildhall on Thursday, afternoon, December 15th.

The Rt. Hon. the Lord Mayor of London (Alderman Sir Charles Batho), was in the Chair.

### *THE CHAIRMAN'S ADDRESS*

THE LORD MAYOR said : This is the final session of the important Conference which has been held here in the Guildhall during the past three days to discuss the International Economic Situation and to endeavour to find a way out of the present difficulties of our own country as well as of other countries. The discussions have been of great value and should materially contribute to the solution of the problems which confront us. They have been valuable in themselves, but their usefulness has been greatly enhanced by the attention they have drawn to the conclusions of the World Economic Conference, conclusions which need to be most carefully studied both by the people of this country and by the people of all countries. This Conference has discussed the World's Economic Situation, Commerce, the Tariff Problem, Industry and Agriculture. The most important item on the agenda of the Conference has been left until this, the final, sitting. It is "Economics and World Peace." How far economic considerations were responsible for the Great War is a matter of discussion, but no one can deny that a condition of profound peace is essential to the solution of the grave economic problems which now confront us. Moreover, no one can deny that the maintenance of peace, both in the near and in the distant future, depends in no small degree upon the solution of these economic

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problems in a manner that will bring an ever increasing measure of prosperity to all nations.

The Assembly of the League of Nations in convening the World Economic Conference had two objects in view. It was concerned not only with the prosperity but with the peace of the world. No machinery for the settlement of international disputes can be relied upon to maintain peace if the economic policies of the world so develop as to create not only deep divergencies of economic interest between different masses of the world's population, but a sense of intolerable injury and injustice.

Thus peace is essential to economic well-being and economic well-being is essential to peace.

World prosperity and world peace are matters of vital moment to our citizens.

The vast population and wealth of London are the direct result of the wonderful improvement in the economic condition of the world in modern times, and the growing prosperity of the world has been in no small degree due to the increasing prosperity of London. In the century before the War the world's income and Great Britain's income both increased six-fold, owing to the same causes. Great Britain supplied capital for world development and encouraged world production by affording a great free market for everything the world produced. The two greatest forces making for world prosperity in the past century have been the provision of the means of communication within and between all countries and the supply of credit permitting the world's natural riches to be placed by means of these communications at the service of mankind. London has supplied both the communications and the credit, and in building up the world's prosperity has promoted her own well-being. Any injury to the world injures London, and any benefit to the world benefits London. The time has come when the policy which Great Britain has so consistently pursued of basing her own well-being upon the well-being of the entire world must now be adopted by all nations in order that economic prosperity may grow as never before and that an atmosphere of friendship may be created around

the nations which will for ever destroy the danger of war.

### *SIR HERBERT SAMUEL'S SPEECH*

THE RT. HON. SIR HERBERT SAMUEL, G.C.B., G.B.E., said: In these days of democracy, international movements like national movements depend upon public opinion; not the individual ideas of an Emperor Wilhelm or Nicholas, not even the personal ideas of statesmen here and there, but upon the broad opinions of the great mass of the populations, and it is right and necessary that on these great questions of international relations public opinion in this country should be thoroughly informed. That has been the purpose of the conference which has been held in this hall during the last few days, under the auspices of the League of Nations Union of Great Britain, the conference having been designed especially to draw attention to the remarkable work which was done at Geneva in the earlier months of this year, to which perhaps insufficient public attention has yet been given in any part of the world.

We all know that in Geneva there has been established a vast organization, that there is going on there much constructive thought for the preparation and accomplishment of joint action in many matters amongst the nations of the world, and we are glad that during these days our own League of Nations Union has concentrated its attention on the economic side.

We welcome here many foreign delegates who have been good enough to come over, not primarily, I believe, to enjoy our genial climate, but in order that they might impart to the meetings of the conference the standpoint of the countries they represent.

If a war or some conflict is threatening the whole world is on the alert, the newspapers are full of it, headlines stream across the pages, but if people are quietly at work avoiding war very little is heard of their efforts, and even a great conference like the Economic Conference of last May was relegated to the less important pages of the

newspapers. If an individual is suffering from fever, particularly if it is an illness which endangers his life, he receives every attention, and if he is a person of importance the newspapers publish daily bulletins. But we never hear of those white corpuscles which are always doing their work in our blood, fighting disease and keeping us well. The Councils, the Commissions, the Committees of the League of Nations and their members, they are the world's phagocytes, they are the white corpuscles always busy destroying the dangerous microbes as they appear.

The Economic Conference of last May did a most remarkable work. It arrived at unanimous conclusions. It contained representatives of about fifty States, 194 delegates, and yet it was unanimous; 157 experts attended it, and yet it was unanimous in its conclusions. Great credit, I think, was due to the President of the Conference, that distinguished, active and successful phagocyte, M. Theunis, lately the Prime Minister of Belgium, who has honoured us by attending our conference here.

It would have been easy for that Economic Conference to have arrived at unanimous decisions if it had been content merely to adopt a series of platitudes, simply expressions of general opinion, as conferences sometimes do, leaving anyone free to interpret them as they might wish; but I would point out that the Geneva Economic Conference adopted a series of unanimous resolutions containing a large number of specific and far-reaching recommendations. Many of them deal with a variety of minor restrictions which hinder trade as it passes between various countries—hindrances to transport, customs obligations, prohibitions of the import or export of particular articles, and many of these recommendations are already being put into force by the authorities of various countries concerned. But, in addition to that, it laid down clearly, in unmistakable language, certain fundamental principles which should underlie the economic action of those States, and those principles are summarized in two sentences in the Report of the Conference of last May. I will read them: "A return is demanded to a general policy of freer international commerce." And the

second is this : " The Conference declares that the time has come to put an end to the increase in tariffs and to move in the opposite direction."

They have been drawn, all these fifty nations, to these conclusions by the compelling force of facts. It must be confessed it is not by the exercise of wise foresight, nor by the formulation of sound economic theories, but simply by the result of the bitter experience of the adoption of an opposite policy. As Robert Burns says : " Facts are things which winna' ding, and daurna be disputed." I do not quite know what that means, but I think it is that you must conform your policy to facts, for facts will not conform themselves to you, and so it has been with international commerce in Europe during recent years, more particularly during the post-war period. We are all accustomed to marvel at the great prosperity of the United States of America. That is a federation of forty-eight separate States, each with its own governor, each with its own legislature. You will agree with me that if that great country had been divided into forty-eight separate economic units, each with its own tariffs, its own panoply of customs houses, the present prosperity of the United States would never have been possible. Germany, before 1820, was a country divided into a great number of petty kingdoms and principalities, each of which was a separate fiscal unit. The industrial progress, the economic prosperity of Germany dates from the day, and only from the day, when their customs union was established and all these fiscal units abolished. To-day, still, Europe, which is after all not such a very vast geographical area, apart from Russia, is divided into no less than twenty-seven States, and all the commerce from one to another has to get over or under or round the fiscal barriers which have been created. In the middle ages the baron in his castle used to levy toll on all the commerce that passed on the highway beneath ; that did not conduce to prosperity. The medieval baron is still there, though in a different form : he wears a uniform and cap, and asks you if you have anything to declare. If these hindrances to commerce were removed in Europe

and throughout the world it is easy to foresee that mankind would enjoy an era of material prosperity such as the world has never known, and the nearer we approach to that consummation the higher the level of general prosperity we are likely to reach.

But the present system is strongly entrenched. Not in Great Britain, which has long been essentially free trade, but in Europe it is strongly entrenched, and principally for two reasons. One is that from this system particular interests in each country derive direct and immediate profit. Their interest may be contrary to the general interest, to that of the community as a whole, but the particular interest is centralized, its power as concentrated, it will be able itself to join a large and immediate advantage: the general community is widespread, diffuse, and its immediate loss may be smaller. So that one by one the particular interests have been able to secure fiscal advantages for a particular individual industry, and once established they are hard indeed to abolish, on account of the disturbances it would occasion to the interests which have become vested interests. The second reason is one that touches very closely the subject of this conference: the second reason is that it is generally believed that there is a national interest involved that by hindering foreign countries from selling in your own country you gain an advantage to yourself. It is forgotten that it is a profound, a fundamental and eternal economic truth that you cannot sell to people unless you are willing to buy from them, and the more you refuse to buy the more you render yourself incapable of selling. But there is the belief that we should desire our own customers abroad to prosper, and our competitors abroad to fail. It happens, however, that what is one man's customer is another man's competitor. Foreign manufactures compete with our manufactures, but they are customers for our coal, they are customers for our machinery. The great populations to whom they give employment are customers for many of our own manufactures. There has been a belief that you may perhaps be able to devise a scientific tariff, which would

distinguish, would pick out those imports particularly injurious to us. Theoretically advantageous, in practice this distinction cannot be made. You may sit in your room and devise the most scientific tariff the economist can evolve, the commercial, the financial interests will brush aside your theories, political pressure is brought to bear, and all industries demand the same privileges as are granted to their neighbours. So that, either immediately or soon after a general tariff becomes inevitable, and that is injurious to the country as a whole.

This idea that one country can gain by the impoverishment of its neighbours is wrong, profoundly wrong, and has been disastrous to mankind. It was clearly stated by Sir Thomas Browne, the author of "Religio Medici": "All cannot be happy at once, because the glory of one State depends upon the ruin of another." We would hardly have expected that doctrine from a religious teacher, but one may have expected it from Voltaire, who stated it thus: "Such is the condition of human affairs that to wish for the greatness of one's own country is to wish for the harm of its neighbours." That is the doctrine which we of the League of Nations Union seek to kill, and to establish in the minds and consciences of the people the opposite doctrine, which is true, that each country prospers best in a prosperous world: that internationalism is not the opposite of nationalism, but the complement of it; that patriotism is good, but that patriotism can rest upon goodwill, and need not rest upon animosities; that he is the truest patriot who gains most friends for his country, and not he who makes the most enemies, and realizes that you cannot gain friends if you are continually seeking to undermine the prosperity of your neighbours. That is the spirit which underlies the resolutions of the Economic Conference at Geneva. They are important to the establishment of peace: they are a step towards the enthronement of peace. Directly, because in dealing with these economic matters in the relations between countries they will perhaps remove little causes of friction which if neglected, if allowed to accumulate, little though they may be in the long run,



work great mischief, and indirectly because they help to establish this great doctrine that the prosperity of all nations is a service to the prosperity of each. So, by these means, we hope in the course of time to change the general outlook upon human affairs. The peoples are hungering for peace throughout the world. They look to their statesmen, to their politicians to find the way to secure it. And if those who in all countries are labouring in this cause may set on foot this better movement, and succeed in the long run in establishing the permanent reign of peace, there will not be a peasant in his cottage, there will not be a labourer in the town, there will not be a mother watching her boy and wondering what life may have in store for him, but will bless their name.

#### *MR. TOM SHAW'S SPEECH*

RT. HON. TOM SHAW, C.B.E., M.P., said: I welcome the opportunity of saying a few words on what I consider to be one of the most vital subjects now before the world. It is an entirely wrong thing to assume that peace has always been broken because men have wanted more territory, because majestic personages have desired to add another title to their name, and because men and women are so constituted that they must periodically let blood in order to live. There is a school of thought, with which I do not fully agree myself, that relates all war to economic causes; I would not go so far as that, but when one takes into account the wars that one can remember best and seeks the underlying causes of those wars, it is quite evident that economics play if not a deciding part, at least one of the deciding parts. So that we cannot afford to neglect any opportunity of economic rapprochement, any more than we may afford to neglect a political way of coming together to discover a way of avoiding difficulties in the future. The war itself had a remarkable economic effect. I cannot develop my theme, but I think I can put before the audience exactly what I mean. At the outset, the war made an economic development possible, if not inevitable, that, without the war, may have taken a

century to achieve. The old idea of an individual firm competing for its own hand, and an individual nation fighting for its own hand in the world, is dead, as dead as the dodo. All over the world one sees that the old individual system of competition is giving way, and that centralization, amalgamation, rationalization if you like it, is taking the place of the old rule of thumb, individual, competitive system. In this state of things, what has Europe done? The blind forces, apparently blind forces, of economic development have been working in one way and the political forces have apparently been working the other. Those of us whose misfortune it was to travel pretty extensively in Europe immediately after the war know exactly what took place. Even in our own country the thing had gone so far that on landing here a man in uniform pushed under your nose a card that it would take you a quarter of an hour to read and said: "Have you got any of these to declare?" That was in our own country, whose proud boast has always been its freedom of trade. And, in travelling, you found that kind of development had been most intensive where there was least reason for it. I do not want to mention nations, but the smaller the nation the larger the barriers it put up, in order to prove that it was a free and independent nation. In fact, I think the one thing those of us who know our Europe at all felt was, that after the war the peoples were so keen on asserting their own nationality that they forgot that other nations lived, and they did the most foolish things in order to prove their independence of everybody else. They built up walls around themselves to prevent trade getting in, and then, when suffering in the prisons they themselves had made, wondered how it was they were suffering. They literally built themselves into prison, forgetting that the walls to keep other people out were walls that would keep themselves in. And it was in this state of affairs that this Conference first got together. And I think of all the things Sir Herbert Samuel said, the most extraordinary was that you had 157 experts all agreeing. I think it is the first time in the world that fifteen have ever agreed! But to have 157

of them all agreeing, there must have been a tremendous truth, or a tremendous error, at the bottom of the agreement. I think there is a tremendous truth at the bottom of the agreement of the experts. What did they say in effect? "An end to all these hindrances to free intercourse between peoples. It is not only harmful economically, it is dangerous politically." The soldier when he has fought a battle feels the other soldier who has been against him to be a brother. Is that quite true of the commercial world? I rather think that in the commercial world bitterness lasts longer than bitterness lasts and exists between professional soldiers, and if we can by international arrangements come to some international understanding to make the relations more free and easy between nations, then I think we shall have done good, and the work of the League of Nations will be laid on a sounder foundation, sounder than any political arrangement can ever be. Commerce is the life blood of nations. We cannot go back if we wished, and whoever else wishes, I do not want to go back to the old days, when our needs were so simple and so few that we could amply suffice for ourselves, without needing the assistance of anyone. We have a thousand and one needs now that were quite unknown to our forefathers, tea, sugar, tobacco, and such things, and these things have become absolute necessities to us. For instance, nearly all the clothes we wear were produced from raw material that comes from abroad; nearly all the fruits we consume can only come from foreign countries. Obviously, unless we buy things we are not likely to have customers for the things we have to send out, and in the same way unless we can sell things we cannot possibly buy the things for our modern life we need. I am not one of those in favour of making life simpler, but more varied, wider and wider, and in order to get that width and abundance in material things, and spiritual things, for these vital material things you have to have a world-wide production, and I think what you have to have to get that is a world-wide agreement. Europe had founded before the war roughly a series of economic entities:

countries that were accustomed one part to manufacture one thing, another part to manufacture another, and yet for each to manufacture that which it was best capable of manufacture. All, nearly all, that economy has been broken up. The only way to bring it back is friendship amongst the nations, and a clearer understanding of what is taking place.

One of the greatest pieces of work that can be done by the League of Nations is in the direction indicated so plainly in this Report, of finding what each nation has of the best and of applying it to every nation. That is the soundest idea, and the idea most likely to lead to future peace of any in the book. Think of what it will mean in the future, when men of goodwill meet together, in a central place, not to see how they can take advantage of each other, not to see how much they can hide and how much they can extract from other people, not to see how they can play their cards against each other, but when we have a group of men round the table, saying: "This is what we have found. If you have not tried it, we can explain what its effects are." Every nation will take that which is best, and reject that which is worst. That is the state that lies in this plan, a state that is likely to lead to great and good results, which will be of inestimable benefit to mankind. Because I believe that, and because I believe that the future lies along the lines of international co-operation rather than international rivalry, because I believe that the lines of scientific development can be developed by international conferences, because I believe these things, it has given me great pleasure to speak to you this afternoon, and say "God-speed" to the economic movement inside the League of Nations.

### *SIR EDWARD HILTON YOUNG'S SPEECH*

RT. HON. SIR EDWARD HILTON YOUNG, G.B.E., D.S.O., D.C.S., M.P.: It gives me the keenest possible satisfaction to be allowed this opportunity of addressing you this afternoon, in completion of the harmony of the proceedings and to fill in the third colour of the familiar

red, white and blue, of which I will not attempt to make a personal allocation, for fear my friend Mr. Shaw should think that I assigned to him a colour that does not become him. But I am sure you will consider it a striking instance of the unity of all instructed opinion in favour of the cause that you are here to advance.

It is to me a particular pleasure to have this second opportunity of advancing the ideas, of further building upon the foundations were were so well laid down by the Economic Conference, for I remind myself that it was not long ago that I was privileged, as a humble member of the British delegation to the Eighth Assembly of the League of Nations to give, on behalf of the delegation of the British Empire a warm, nay, an enthusiastic welcome to the work and recommendations of the Economic Conference. But this afternoon I am in a happier state, because I am privileged to lay down even the faintest shred of any responsibility, and to speak to you without any responsibility of any kind, and speaking to you as one who has followed the labours of that Conference with admiration and attention, I feel that what it is most useful to say this afternoon is this. We judge of the utility of the labours of that Conference by the results which it has already achieved, and when we see that the great advance that was made, in theory and in doctrine, upon that occasion has already achieved practical results, in executive agreements arrived at for the furtherance of trade union nations, we know that the work of the Conference was well done.

But are we content with what has been already achieved? Let me not be thought for one moment to belittle the utility of such agreements as that which has had the effect of so greatly removing unnecessary prohibitions upon imports, let me not be thought to belittle the good work which we hope will be done by that admirable technical conference for the simplification of nomenclature in tariffs. But are we content with that? Do we not pitch our aims higher still? I think we should pitch our aims higher. I think we should be forgetting the high hopes with which this movement was undertaken,

if we did not remind ourselves that what we hoped, and still hope, may be the outcome of the laying of the foundation in the first economic conference will be something more, and that is a direct plenipotentiary, executive conference between all the nations and powers of the League for the direct purpose of achieving a definite reduction in tariffs simultaneously and throughout the civilized world. I know to the mind that sees the difficulties, and I myself must admit something of that element, that may seem to be an ideal which is a little far ahead. Nevertheless, we know that that is the ideal which has been set before us in this movement which we hope ultimately to achieve. I know that in the deliberations which have taken place in connection with the working out of the resolutions of the original Conference, that remarkable stress has been laid upon the importance and the urgency of its work which has bulked a little less largely in the public mind, the rationalization of industry, and before this assembly closes it may perhaps be not impertinent to make a single observation, to call the attention of those who will have the work to carry on in future to the intimate relation which there is between the reduction of tariffs and the rationalization of industry. The two steps are really one. There is much prejudice against anything which you call a cartel. It is a foreign word to begin with, and that of course is always a source of prejudice to our good Anglo-Saxon minds. Nevertheless, just as there are good foreigners and bad ones, so there are good cartels and bad cartels, and I think that we should begin to see that cartels are only bad if they have for their central purpose the boosting of prices against the consumer, but that they may be good if they have for their purpose and result to reduce the cost of production and so to reduce the price. But the observation which I thought was of sufficient importance to lay before such a conference as this was, that we must not fail to realize that it is possible for cartels to be the strongest possible force for freer trade, for the reduction of tariffs may be equally achieved by reasonable agreements between the producing forces of the world by which there

will be a sensible allocation of the sphere of their activities instead of unnecessary competition. Thus we see, as we get deeper into our subject, how there is more than one road of advance towards that object which is our final one, of the organization of the productive forces of the world in the most reasonable, the most fruitful way for the benefit of the human race. I have seen this matter through the eyes of the Assembly of the League ; I have seen it through the atmosphere which you too are wont to breathe. The one central point of all these efforts is the promotion of peace, and I think I have seen, I have thought I have seen, and I believe you see it too, that such efforts as those which have been made by our experts at this great Conference are really perhaps more helpful, more useful for the advancement of the cause of peace than even the direct labours of a disarmament conference.

Philosophers tell us that in human society there is a constant war between the forces of the ego and the forces of the social instinct, and that society is the result of those two forces. Just so is it in international relations, that there is constant warfare between the forces of nationalism, which force nations apart, and a great force which brings them together, and that is the force of commerce and trade. When the force of nationalism gains too much headway, the result is war. And the greatest force for peace is that combining force, which counteracts the separating force of nationalism the force of trade and commerce. We may have more hopes, we may have the greatest hopes, of those who set to work to combine the separating force of nationalism directly, to draw that together by political ends, but that is a hard task. We are not sure but that the most helpful work that can be done for peace is the work which is done to strengthen, to increase that permanently counteracting force, that force which binds where nationalism separates, the force of international trade. And so it is that we may think upon such an occasion as this that great as is the utility of the frontal attack upon war conducted by the Disarmament Conference and so forth

of the League of Nations. that perhaps more certainly we are producing that state of affairs when war will be impossible by the flank attack which is being directed against war by the drawing together of the economic forces of the civilized world.

### *MONSIEUR ALBERT THOMAS' SPEECH*

MONSIEUR ALBERT THOMAS (Director, International Labour Office), who spoke in French, said : As Director of the International Labour Office, I have great pleasure in rising to speak after the representatives of the three great political parties of Great Britain. Their presence together, on a single platform, proves that this country at any rate is prepared to do its best to give practical effect to the resolutions of the International Economic Conference. I am all the more pleased to observe such unanimity because I have occasionally had the impression that British public opinion is a little suspicious in regard to the movement towards international organization in the economic sphere ; and especially because the work of the International Labour Office is intimately associated with this movement.

#### I

The first object of the Economic Conference was to re-establish and to develop the prosperity of the world. The Office depends upon such a development of the common prosperity of nations, more, perhaps, than upon anything else. It cannot, of course, entirely subordinate the task of securing social justice with which it has been entrusted to considerations of industrial progress. But progress in regard to social questions becomes increasingly difficult when production is low and the nations are struggling with poverty. The International Labour Office, and especially the workers' representatives concerned in its work, have therefore from the earliest days demanded that steps should be taken internationally for increasing production—take, for example, the resolution proposed



at Washington in 1919 by Baldesi, the demand for an enquiry into production in 1920, and Jouhaux' proposal for an international economic conference in 1924. With this end in view the workers whole-heartedly collaborated in the Economic Conference. Their expectations have certainly not been entirely disappointed; for the Conference's resolutions on commerce, on rationalization, and on the development of agricultural production indicate the manner in which increased prosperity, resulting from the new movement towards international co-operation, may contribute to social progress—for instance by reducing hours of work, by raising wages and by increasing purchasing power. An International Economic Organization is, in fact, the necessary complement of an International Labour Organization.

## II

Conversely, however, it is no less true that industrial prosperity cannot be solid and lasting unless it is based on social justice. Experience shows that the countries in which labour conditions are most advanced, and the industries in which the workers are best treated, have been the most successful in meeting foreign competition. The employers' representatives at the Conference clearly had this fact in mind when they welcomed the workers' representatives in a spirit of sympathy and readiness to collaborate. The same line of thought may be traced in the Resolutions on rationalization and industrial agreements. The pathway towards progress in the future is thus plainly indicated. As industry becomes modern and better organized, so the importance of the part played by the human factor increases. Goethe, the great German poet, said that he found injustice more tolerable than disorder. In the industrial sphere, order without justice cannot exist. The movement which is taking place in so many countries to-day towards the establishment of industrial relationships on a new basis, towards industrial peace, simply expresses this same necessary connection—in the U.S.A., Germany, England and Italy alike. It is laid down in the Peace Treaty that

universal peace must be based on social justice. This is particularly true as regards industrial peace.

### III

The second object of the Conference—to eliminate the causes of war which arise from the pursuit of divergent economic policies—can only be attained if we bear constantly in mind this inevitable and inseparable connection between economic organization and labour organization.

I have no desire to exaggerate the part played by economic factors in bringing about international conflicts. In 1914, the desire for national independence was a more potent factor than commercial rivalry. Nevertheless, social or economic difficulties may inflame national passions, in a manner and to an extent which it is not always easy to perceive. The German Foreign Minister, Dr. Stresemann, said recently that the best foreign policy consisted in maintaining good industrial and labour conditions in every country. If we can secure such conditions by the proper international means we shall achieve the Conference's second object, for we shall supply an economic basis for peace.

We shall not succeed, however, unless we keep our minds open and our hearts resolute, unless we are sufficiently intelligent to cast off antiquated prejudices and to meet new facts with new ideas. Possibly, for instance, the old quarrel between protectionists and free-traders belongs henceforward to the past. And whilst we may have to work out new theories, we must also show resolute determination, if we wish to establish peace. Peace can only come as the result of long, patient, and devoted efforts.

### CONCLUSION

PROFESSOR GILBERT MURRAY, LL.D., D.Litt. (Chairman, Executive Committee, League of Nations Union): I wish to move on behalf of the League of Nations Union a very special vote of thanks to the Lord Mayor, to the Town Clerk, Mr. Hull, to the City Lands Committee, and

to the whole Corporation of the City of London, for their generous and their patriotic action in letting us hold this remarkable conference in this magnificent, historic building. I feel it would be wrong to hold any conference on any ephemeral matter only of temporary importance in such a building, and therefore would ask that we should realize what a very remarkable occasion this is. Just think of the great facts about the League of Nations Economic Conference; that you had there some 150 delegates, that they were chosen by fifty odd different Governments, each Government chose people simply for their economic knowledge and experience, and power of thought, not because of their political parties, so that you had people of all political parties and of all these fifty different nations only united by an earnest desire to study the economic needs of the world and the dangers that were immediately threatening it, a desire to study those needs and to try and find out the truth. Well now, what prospect was there that such a conference should reach an agreed result? One hundred and fifty members, trained in different schools of thought, of technicians, thinkers of the world: absurd! And yet, the miracle has happened; they have agreed. The recommendations of the Conference are unanimous. Well now, that is an extraordinary thing. I think everybody on this platform would agree with me that political problems are generally affected too much by an atmosphere of strife and friction. When we do get the great problems faced by people of different parties and nations so that they come to one general line of agreement, surely it is our duty, the duty of the League of Nations Union, the duty of every man and woman here to try and get the knowledge of these resolutions spread widely over the world. The Conference, as you know, had no executive powers. These 150 experts met, and they have said, "This seems to us the truth; and that is as far as we can go." Can we get the Governments of the various countries to act in accordance with the truth? That is the problem for each nation of the League, and it is in the hope of working towards some fruitful result of that problem that we have held this conference

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during the last three days. I do not think you could have had either a more appropriate or a nobler object for meeting in the Guildhall of London.

Just one other word. I must thank not only those who gave us the Guildhall, and the Lord Mayor for attending, not only those who made the Conference possible, but also the speakers and particularly the speakers who have come from abroad. Some of us will have heard the very wise and instructive speeches of M. Theunis, Dr. Schuller, M. Stucki, Dr. Jacobsson, and we have all been charmed by the eloquence of our friend M. Albert Thomas, and I couple with these names those of all the other speakers.

One thing more. We are not allowed, and very properly not allowed, to hold a collection or ask for contributions. But if by any chance anybody present thinks that this is a useful sort of thing and that the League of Nations Union ought to be encouraged to do this kind of thing, it is quite open—I won't say more—it is quite open to them to send a small or a large contribution to the Secretary of the League of Nations Union, 15, Grosvenor Crescent.

CATALOGUE OF DOCUMENTS  
OF THE  
INTERNATIONAL ECONOMIC CONFERENCE

A NOTE BY SIR ARTHUR SALTER, K.C.B.  
(DIRECTOR, ECONOMIC AND FINANCIAL SECTION, LEAGUE OF NATIONS)

THE Economic Conference of May, 1927, was convened in pursuance of a resolution adopted by the Assembly of the League of Nations in September, 1925. In the following December, the Council appointed a Preparatory Committee to give its opinion as to the composition, agenda and date of the Conference, and to carry out the necessary documentary preparations, leaving to the Conference itself the discussion of the actual problems selected for study.

This Preparatory Committee, of which M. Theunis was Chairman, consisted of thirty-five experts with the highest qualifications, representing twenty-one different nationalities. It included manufacturers, traders, farmers, financiers, officials with experience in commercial policy, economists, and representatives of workers' and consumers' organizations.

Throughout the year 1926, the Committee directed the preparation of the documents by decisions taken at its sessions, and also through sub-committees sitting at other times, and through its own members, who had been assigned special duties.

As will be seen from the detailed list below, the documents were prepared jointly or severally by the Secretariat of the League, the International Labour Office, the International Institute of Agriculture, the International Chamber of Commerce; by various official departments in different countries; by the members of the Preparatory Committee themselves, by specialist experts and economists who undertook to study particular questions; and, lastly, by a great number of industrial organizations in different countries.

It is therefore fair to state that each one of these documents was drawn up by the persons or organizations best qualified to furnish the most accurate information and to deliver an authoritative opinion on the international situation in the different branches of economic life. It is no exaggeration to say that these documents form a collection unique of its kind and of the highest contemporary interest.

Several of them, such as Nos. C.E.I. 1, 2, 3, 19, 34 and 41, as also the *Monthly Bulletin of Statistics* and the *Statistical Yearbook*, are published periodically at regular intervals by the Economic and Financial

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Section of the Secretariat of the League, and are consequently always kept up to date.

In regard to the most interesting of the other documents, it is highly probable that further editions, revised and enlarged, and new publications on the same questions will be issued. These documents of the International Economic Conference will thus preserve their up-to-date character and will always afford a true conspectus of the situation and an idea of the progress of developments in the most important economic problems.

J. A. SALTER.

### I.—GENERAL

The Agenda. C.E.I.6. 9d.

A general programme for the Conference, together with a survey of the world economic position.

Guide to the Preparatory Documents of the Conference. C.E.I.40. 1s.

It will be useful to consult this pamphlet before taking a decision regarding the documents one wishes to choose on the list which follows. This pamphlet gives for each study concerned detailed indications of its content, pointing out the characteristics of each document. Those who wish to content themselves with a restricted choice will find in the three introductory chapters practical suggestions for a rapid study principally concerning the world economic situation.

Final Report of the Conference. C.E.I.44(1). 1s.

This document consists of: (a) a general view of the preparation and composition of the Economic Conference; (b) a general survey and summary by M. Thénis, Expert, made at the closing meeting of the Conference; (c) and the Report adopted by the Conference containing all resolutions. Annexes contain the Agenda of the Conference, a list of documents, the composition of the various Committees and a full list of members of the Conference.

### II.—ECONOMIC SITUATION OF THE WORLD

Memorandum on Balance of Payments and Foreign Trade Balances

1911-25. (Economic and Financial Section.) C.E.I.2.

Volume I, 5s.; Volume II, 20s.; 2 Volumes, 25s.

A periodical publication giving in Volume I, in addition to summary tables on world trade, estimates of the Balance of Payments in various countries and, in Volume II, detailed Trade Statistics.

Memorandum on Currency and Central Banks, 1913-25. (Economic and Financial Section.) C.E.I.1. Volume I, 4s.; Volume II,

8s.; 2 Volumes, 12s.

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