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VERBATIM RECORD OF THE PLENARY MEETINGS

SECOND MEETING

Held on Wednesday, May 4th, 1927, at 3 p.m.

CONTENTS :

2. GENERAL DISCUSSION.

Speeches by M. Cassel (Sweden), Count Bonin Longare (Italy), the Rt. Hon. Walter Runciman (International Chamber of Commerce) and M. Gliwie (Poland).

President : M. Georges THEUNIS.

2. — GENERAL DISCUSSION.

The President :

Translation : I call upon M. Cassel (Sweden) to address the Conference.

M. Cassel (Sweden) :

It is a great responsibility to open the discussions of this Conference. The Conference is called to analyse the economic causes of the present disturbed equilibrium in commerce and industry and to report on the possibilities of establishing better conditions. Thus, our first task must be to find out the essential character of the present situation as distinguished from the temporary depressions common before the war, and it is of no small importance that our judgment in that respect should be right and well balanced. The work of our Committees on the more technical sides of the subject cannot fail to be greatly influenced by the view which will prevail in the Conference regarding the fundamental nature of the present difficulties.

Such difficulties may always to a great extent be traced back to psychological factors. All economic action and all economic policy are ultimately determined by the people's ideas about economic connections and economic ends. False ideas may have, and certainly in the present case do have, the most pernicious influence on actual economic development, and it is obviously

necessary first of all to get a clear comprehension of the false ideas which are chiefly responsible for the present deplorable state of things.

First among these ideas stands no doubt the idea that it would be advantageous to suppress other countries and to destroy their trade in order to make room for the trade of one's own country. The revival of this old mercantilist fallacy has had the most detrimental influence on the world's affairs since the outbreak of the war. But our experiences of this policy of suppression have been the worst possible, and the policy has become entirely discredited. It has been realised that progress is possible only by the sincere collaboration of all nations working together for the great common purpose of securing for the world the best possible satisfaction of its needs. This sound view has, of course, not yet attained universal recognition, and doubtless much remains to be done in respect of its practical application. But the leading opinion of the world has changed, and the very existence of this Conference is a proof of the fact that the world has accepted the principle of solidarity as its highest economic principle.

We have, however, still to reckon with some false ideas of a specific post-war character, which have a great influence on public opinion and which, at the same time, form the most serious obstacle to a clear understanding of the situation.

Of these ideas I shall here only mention one, which will doubtless be shown to play a great part with regard to a series of questions which the Conference will have to discuss. This idea is that the general purchasing power of the world is too small for the world's actual production, and still more so for a continual development of that production. The consequence of this view is, of course, that production must be curtailed. There is hardly any branch of production or any country in which this device is not recommended as the sole way out of the difficulties. Were we to listen to the

counselors of all these curtailers of production we might very soon bring the world to a state of extreme poverty. At this moment, when we have come together in this Conference to bring about collaboration among all nations for the common welfare of the world, the fundamental question which we shall have to answer must necessarily be this: Shall collaboration be sought in agreements calculated to restrict output and reduce the world's real income, or shall we try to unite all nations in the aim of increasing the world's production, making the world richer and supplying its population more fully with all that it needs for raising its standard of living? The answer we give to this question will influence all our deliberations and will be of paramount importance for our decisions. Of course, there exists no such thing as a social purchasing power determined on its own grounds. The purchasing power of human society can never be anything else than the total produce of the society. If we believe that the total purchasing power of the present world is too small, there can be no other remedy than an increase in the world's total production. On the other hand, if we should choose deliberately to reduce the world's total production in order to bring it down to a level of an assumed purchasing power the result could only be that real purchasing power would be reduced in the same proportion and the world would be so much poorer.

When we say that total purchasing power is always sufficient to buy the whole production of society, this does not, of course, mean that the producer can find a buyer for any product he fancies to produce or at any price he thinks necessary to demand. Naturally, the producer has to accommodate himself to the needs of the market. If the price which the market is willing to pay is found to be too low, the producer has to reduce his costs of production, or, if that is not possible, he has to transfer his means of production to other occupations for which there is a better demand. If he fails to do that, he should not accuse the social purchasing power of being too small. In fact, these two remedies are the only ones compatible with the world's interest of being provided as richly as possible with the goods and services which it requires. If artificial hindrances are placed in the way of either of these two lateral remedies, the result must be that the productive power of society cannot be fully employed.

If we look on the present economic situation of Europe and ask what is the most characteristic feature of the situation, I think we shall all agree that this feature is precisely the very incomplete use made of Europe's productive powers and particularly the widespread and long-continued unemployment of its labour. In a certain sense, we may say that all the deliberations of this Conference are concerned ultimately with the question how to get rid of European unemployment. This is not only of internal European interest. If Europe cannot find full employment for its magnificent productive capacity, the rest of the world will be more scantily supplied with European goods and European services and at the same time will find European purchasing power inadequate.

The actual facts are these: The products of European industry are to a large extent too costly and therefore fail to find a sufficient market. On the other hand, the monopolistic forces prevailing in many countries prevent the productive powers from moving to better occupations, with the result that industry experiences a great

difficulty in keeping its works going and that labour suffers from an unemployment, which in some countries has taken on really alarming dimensions.

Monopolies may take very different forms, but in all their forms they are a hindrance to the free application of productive powers to the ends which at any moment would be most advantageous, and thus also a hindrance to the realisation of the highest economic good for the community. We shall have to deal in the Conference every day, and almost at every step of our deliberations, with forms and effects of monopolisation, and it is very important that we should recognise the common evil which is at the root of the present situation, even when its aspects vary.

The monopolies of great industrial concerns striving to raise prices above the market level is, in principle, the same thing as the monopolies of such trade unions as try to establish an artificially high level of wages which can only be attained by excluding other labour. Likewise, all Government efforts to prevent productive powers from being used in the most economic way are apt to create monopolistic situations. We should do well, in all cases, to try to see the essential thing, namely, the dislocation of productive powers and the hindrances to a natural division of labour.

As we all know, the post-war development of international trade relations has been very unsatisfactory. Tariffs have been raised and have been subjected to administrative alterations, and a general state of insecurity has been created. No doubt we have here the explanation of a very considerable part of the special difficulties which have hindered the restoration of the world economy to normal health. We cannot, of course, hope immediately to arrive at a state of complete freedom of trade. But we can abolish the worst misuses and the most serious hindrances to an international exchange of goods. If this Conference were to act on such lines, it could become a conference for economic disarmament, and this would represent a most important step towards a better future.

The free movement of productive powers has been hampered not only in the case of goods but also in the case of labour, which has been hindered in its internal movements as well as in its movements between different countries. It is difficult to describe adequately the great evils which have thereby been caused to the world's economy. But we can get an idea of what a freer mobility of productive forces means for the general economic welfare if we look upon the beneficent effects which have resulted from the comparatively free mobility of capital. In fact, the international mobility of capital has been by far the most important factor in the recovery which, in spite of all difficulties, has already taken place.

A profound investigation of the present disturbed equilibrium of the world's economy must, however, also take account of the developments of prices since pre-war time, and an endeavour must be made to find out whether this development shows any characteristic dislocations corresponding to the difficulties of finding a market. In studying the post-war price-index figures, we are immediately struck by the fact that the rise of prices since 1913 has been generally much greater for goods which are nearly ripe for consumption than for goods in the earlier stages of production. Take, for instance, the animal-food group. The Swedish index figures are for December 1926: for cattle 119, for manure 127, for fodder 130, for meat

142, and for dairy produce 154. We find here a strong tendency for prices to rise as goods move forward in the process of production. A still more marked difference appears in the leather industry, where "hides and skins" stand at 87, leather at 107 and footwear at 157.

I could quote a great variety of such figures to show that there has been a considerable rise of costs at the more advanced stages of production as compared with those at the earlier stages. This is not only a feature of production in a technical sense but is a fact which stands out even more clearly in regard to the distribution of goods, and particularly in regard to all kinds of personal services. The consequence is that the cost of living has risen since 1913 considerably more than the general wholesale prices. In fact, the index of the cost of living is 171, whereas wholesale prices stand at 150.

This general dislocation of prices is accompanied by a similar dislocation of wages. In those trades which have a distinct local market, and which are naturally protected from outside competition, trade unions have been able to raise their wages very much above the level prevalent in other and more competitive trades. Such a monopolistic situation is most easily created in the local building trades, in inland transport, in the works of local bodies, and, to a great extent, in the food-preparing industries. Action of this kind is always likely principally to affect the prices of highly manufactured goods, the cost of distribution to the consumers and personal services. Such movement of wages must therefore always have the result that the cost of living increases in comparison with the general level of wholesale prices. For example, the cost of building material in Stockholm shows for December 1926 an index figure of 186, which is already very much above the general index of wholesale prices, 150. The index for total building costs, however, is much higher, viz., 215, the explanation being that wages in building trades have reached an index of not less than 259.

In transport, a similar line of development is equally pronounced. In ocean shipping, where international competition is unlimited, freight rates have fallen very considerably; in fact, the index figure now usually stands in the neighbourhood of 100. On the other hand, the freight index figure for the Swedish State Railways is 240. Carriage by rail is just one of those locally protected trades in which it has been comparatively easy to push up prices. These tendencies are by no means peculiar to Sweden. Substantially the same movements have taken place in most European countries with strong labour unions and with a stabilised currency.

In the case of Germany, the price-index figures give a clear prominence to the tendency of prices to rise when products advance in the process of production. In agriculture, the tendency can be seen in the index figures of manure, cattle, fodder, vegetable food and animal food, which are for November 1926, 81, 121, 141, 153 and 157 respectively. In other countries the tendency is similar. The difference between cost of living and wholesale prices which I noted for Sweden seems to be very general and is affirmed by the index figures of a whole series of countries.

Enough has been said to place it beyond all doubt that the development after 1913 has resulted in a rise of the prices of consumers' goods in comparison with those of goods at earlier stages of production, and that this dislocation of prices is essentially a consequence of the particular increase in the costs of production in certain trades which has resulted from the monopolistic influences

of tariffs, of trusts and cartels and of locally protected trade unions.

This dislocation of prices has inevitably been to the disadvantage of certain classes of producers, who have had to pay for advantages secured by other classes. It is clear enough that agriculture and, to a great extent, production of raw materials are among the chief sufferers. For their produce they get in exchange less of manufactured goods and immediate services.

A similar alteration has taken place in the conditions for the exchange of goods between Europe and the colonial world. The main trend of development is a fall in the prices of colonial products as compared with those of the manufactured goods which Europe has to offer in exchange. Many examples can be quoted of the low prices now fetched by colonial products. For a mass of these products the absolute prices are now about as low as, and in some cases even considerably lower than, they were before the war. On the other hand the products which the colonial world has to import have usually risen to levels very much above the general level of wholesale prices, that is to say, much above 150.

The actual figures, which it would be inconvenient to quote here but which will be found in the magnificent statistical investigations which the Economic Section of the Secretariat of the League of Nations has supplied, leave no room for doubt. From 1913, a very serious dislocation of relative prices has taken place in the exchange of goods between Europe and the colonial world, which now gets considerably less in exchange for its goods than it did before the war. On the other hand, Europe has difficulty in selling its produce, and suffers both from a congested market and from unemployment. In fact, Europe is like a manufacturer who keeps his prices too high and who is therefore obliged to store a part of his products. What Europe is storing is, however, speaking broadly, not goods but unemployed labour. The wisdom of this policy is open to very serious doubts. The cost of storing labour is very considerable. First, unemployment does have to be paid in some form or other and will always be a charge upon the products of those labourers who are actually producing. But, further, the storing of labour which is now going on in Europe involves another and very much more serious cost, namely, the degradation of human beings prevented from finding a useful occupation for their forces and prevented from earning their own livelihood. An immense wrong has been done in post-war times to the youth which is continually growing up and which finds itself practically ruled out from entrance into any trade. Let us not look upon this matter as a question of taking up a position for or against organised labour. What we have to deal with here is the disparity of relative wages between different occupations and an artificial and most disastrous line of demarcation drawn between labourers who are allowed to work and labourers who are not.

The excessive cost of European products hampers the development of agriculture and of the colonial world, whose capacity of supplying European industry with raw material and food does not come up to the level which would be possible if Europe could fully employ all its productive powers.

The development of agriculture and of the colonial world is, however, also hampered by the reduction which has taken place in European savings and in Europe's capacity of putting fresh capital at the disposal of agriculture and of the colonial world. Before the war, the colonial world regularly received the fresh capital it needed for its further

development in the form of loans from Europe. This continual supply of fresh capital was an indispensable condition for the ability of the colonial world to buy the capital goods, such as machinery, rails, building materials and implements, which the colonial world wanted for continually opening up new districts for cultivation and for supplying itself more fully with the capital goods required for making its production more effective. Since the war, the stream of capital from Europe to the colonial world has considerably diminished, and the great lending power of the United States has not been able to make up for this deficiency. The result has been a general slowing down of colonial development. In this way the colonial world is suffering.

But Europe is also suffering. First, Europe does not get the increased supply of colonial products of which it is in such great need for its increasing population. Secondly — and this is a point which deserves our most particular attention — when the colonial world cannot borrow money, those European industries which produce capital goods find their colonial markets restrained. As a matter of fact, we now have this inevitable consequence before our very eyes. It is by no means mere chance that the depression in Europe has made itself most strongly felt in the capital-producing industries, especially the iron and steel and the engineering industries, or that those countries which used to stand in the first rank as exporters of capital goods to the colonial world, namely, England and Germany, are now those to suffer most seriously.

We have now before us the main lines of the world's economic situation such as it presents itself in the light of a scientific analysis of the facts. It is easy to see what an unfortunate role monopolism in its various forms has played in the development of this deplorable situation. The serious and widespread dislocation of prices and wages which has taken place since the war and which has given rise to entirely abnormal unemployment is the great tangible result of the monopolistic tendencies of our day. However, the responsibility for this unfortunate development may be divided: a situation in which Europe, by aid of unemployment doles, is storing up industrial labour which is not allowed to perform useful work in the service of the world's economy, while at the same time agriculture and colonial production suffer from an insufficient and too highly priced supply of industrial products, must be looked upon as the most emphatic expression of the fundamental fallacy of monopolism.

The President :

Translation : His Excellency Count Bonin Longare, member of the Italian delegation, will address the Conference.

Count Bonin Longare (Italy) :

Translation : Mr. President, ladies and gentlemen — One passage in particular in the eloquent speech delivered by our eminent President at the close of the Preparatory Committee's proceedings has remained in my mind as summarising very aptly the objects that our Conference should have in view. He said that the political work of pacification undertaken by the League of Nations would not be comprehensible without simultaneous work in the economic field.

These words of wisdom contain a great truth which I venture to supplement and amplify. In my view, the work of pacification undertaken by the League, the noble work in which every nation without exception is interested, would probably

be sterile were it not directed, first and foremost, towards economic questions.

The most ingenious devices for the reduction of armaments, commissions of arbitration, organs of conciliation, all this vast machinery, may in an emergency prove quite inadequate unless we can create, in this world so cruelly tried by war, an atmosphere of peace.

This atmosphere can only be established in an international society in which every nation is able, through its trade and industry, to acquire a standard of well-being commensurate with its standard of civilisation.

Many causes of conflict which in the past deluged the world with blood have now disappeared from history, thanks to the rise in our political standards.

No nation is prepared now to fight in order to defend the rights of succession of some princely family or to satisfy the ambition of a conqueror. Nowadays, economic disputes and rivalry are always at the basis of international conflicts.

We hope and believe that the day will come when all civilised nations will have an opportunity of working and producing in accordance with their natural aptitudes and in proportion to their needs; then perhaps the last cause of conflict will disappear in its turn.

This should be one of the League's most cherished ambitions, and its success in this field will be the best gauge of its prestige and of its salutary influence over the fate of nations. To us has fallen the signal honour of pioneering this great undertaking. A vast field lies open before us, a field which covers all the many spheres of human industry; and the programme so sagaciously and so competently drawn up by the Preparatory Committee constitutes the best indication of the task which lies before us.

It would be a great mistake to imagine that we shall complete this task at this session. We shall, however, have achieved one great result: we shall have done sterling service to the cause of peace if we succeed in smoothing, at all events to some extent, the stony path which lies before us, if we can clear it of the mass of prejudices and preoccupations which always serve to retard even the most urgent and necessary reforms.

It is for us in any case to map out the first stages of an enterprise the utility of which, once it is begun, is too obvious for there to be any thought of turning back. Subsequent conferences may, if necessary, be convened to continue, conclude and consolidate our work.

We must not, however, allow ourselves to be disheartened by the amplitude or multiplicity of the problems that we shall encounter on our way. No matter how serious, no matter how numerous they may be, we shall succeed in the end if we approach them in a spirit of mutual confidence and good will. Our progress will necessarily be somewhat slow, but there can be no question of failure unless we depart from that spirit of international fraternity which forms the very foundation of the League and allow individual interests to loom too large, forgetting that, in the long run, petty egoism serves neither nations nor individuals. The economic prosperity of every nation has much to gain and nothing to lose by the prosperity of its neighbours.

At no time has the truth of this principle been more apparent than it is to-day. It should make a particular appeal to the sagacity of Governments now, after the war, when the world is doubly impoverished by the limitation of production and the scarcity of markets.

A nation's wealth, its productive power, will never be assessed at its full value, will never bear its full fruits, unless the general conditions of

international exchanges enable that nation to dispose easily of its products and to obtain with equal facility other products which it requires but cannot itself supply.

As the world's population increases and the general standard of living improves, the solidarity of interests and economic interdependence of the nations grow more marked; it is becoming increasingly evident that it is to the advantage of States not to thwart one another's industrial and commercial activities, that they should, on the contrary, co-ordinate their efforts and legislations so that as far as possible no nation need be obstructed by another when in pursuit of its legitimate ambition to further its prosperity by means of pacific occupations.

It has been my privilege to lay before you a brief statement of the views of the Italian delegation and the general principles which will determine its attitude throughout our work. The Italian delegation will make every effort to ensure the success of that work, which, it confidently hopes, will serve its country's cause.

If, as we believe, the main object of this Conference is to draw up a statement of the productive resources of the individual countries, to determine the causes which stand in the way of their economic development and, as far as possible, to eliminate such of those causes as depend on human endeavour alone, no country could be more interested than Italy in its success.

Italy, which suffers from a shortage of raw materials, and whose main asset is to be found in her workers — who, we may fairly claim, have always proved their sterling qualities — Italy, under the compelling influence of constructive energy, now demands as a counterpart for her labour the restoration of her national economy and the reintegration of her national capital for the maintenance of her increasing population, since, unlike other more fortunate nations, she has no heritage from past generations.

If, however, Italian labour is to bear its full fruit — in the pacific interests not only of Italy but of the whole human race, which with the progress of civilisation is every day being more closely knit by economic bonds — the other nations must realise the difficulties which stand in her way and must beware of any measures which might tend, even indirectly, to increase those difficulties.

We shall not ask any country to neglect its interests for ours, but we do ask every nation to consider its interests from a higher point of view and to realise that it is to the advantage of all, as a matter of common prudence, to co-ordinate their efforts in the economic sphere, and to direct them in a spirit of co-operation towards the well-being and general progress of humanity.

It is with this profound conviction that the Italian delegation has come to co-operate in the programme now before you.

The President :

Translation : I call upon the Rt. Hon. Walter Runciman (International Chamber of Commerce) to address the Conference.

The Rt. Hon. Walter Runciman (International Chamber of Commerce) :

Mr. President, ladies and gentlemen — The International Chamber of Commerce, which I have the honour to represent, is gratified and honoured by the invitation of the League of Nations to attend this Conference in recognition of its position as representative of the business organisations of the world. I shall state as briefly as I can the objects which have brought us together and have justified our inclusion in this Conference. All

the nations of the world are represented in the International Chamber of Commerce. Twenty-two national committees and forty-three of the trading countries of the world are represented in our membership. We are all bound together by one principal object, namely, to secure the greater mobility of persons and of things. In preparing for this Conference, however, our main consideration has been the study of Europe, for, whereas the growth of commerce in the rest of the world appears to have been as great as we might have expected during the last twelve years, the growth in European trade has been distinctly impeded by one cause or another.

The International Chamber has been studying these various questions, and, through its Committee on Trade Barriers, has presented to this Conference a report which contains concrete and, as we hope, practical proposals upon those subjects which business men regard as fundamental. They include the treatment of foreigners, obstructions to transportation, prohibition of importation and of exportation, international industry *ententes*, the financial difficulties which have impeded and to some extent still impede active trade and, finally, but by no means the least simple, Customs tariffs.

The report that we have laid before the Conference has one considerable advantage which I venture to plead, namely, that it has received the unanimous approval of all our twenty-two national committees. Two reservations, both of them of a minor character, have been included in the report, but, on the whole and with those two small exceptions, twenty-two national committees have adhered to the report which we lay before you.

We are not blind to the causes which have led to the present state of European trade in particular. The destruction of the war period has now passed away, and, just as the destruction of material has very nearly been repaired, it is equally true to say that economic dislocation still exists. For, although the productive capacity of Europe appears to have increased since the war, the actual trade figure is on a ninety-per-cent basis as compared with 1913, that is to say the nations of Europe have become rather more self-sufficing and they have not traded with each other to the same extent as in former years.

During the war, this economic dislocation amounted to the almost complete prohibition of imports and exports in most of the countries of Europe, and, compared with this total prohibition, the high tariffs of to-day seem almost intolerable. At all events, we have, as the result of our experience in the last fifteen or sixteen years, lost to some extent our sense of proportion. The other outstanding characteristic of the post-war period has been the violently fluctuating exchanges, which we, as business men, have had to regard as amongst the most dangerous influences affecting our prosperity.

Now, the period of rapidly fluctuating exchanges between wide limits appears to have come almost to an end, and no doubt, if one may take a short historical view of the growth of tariffs in Europe, the tariffs which have reached their present high level are largely the result of the influence exerted upon the minds of business men and on Finance Ministers and Ministers of Commerce by these fluctuating exchanges, and fluctuating exchanges have affected the capacity of exporting countries and the prices at which goods can be sent into our several countries from abroad. Indeed, the rapidity with which the exchanges varied and the almost equal rapidity with which the tariffs attempted to keep pace with them were, so far as we were concerned, a kind of forked lightning flashing out of a thunder-cloud and hitting whom it would. We all suffered without discrimination,

and a man was not only wise but very fortunate if, during that bad period, his own business was not one of the victims. This combination of exchange fluctuation and rapidly rising tariffs interfered with one of the most beneficent functions which can be performed by commercial men.

There is no single symptom of modern business which has brought more benefit to everybody concerned than long contracts, contracts made for large quantities of goods the production and delivery of which extended over a long period. It is of great advantage to work on a long-contract system if you are a producer: it is of equal advantage to the consumer, and, last but by no means least, it gives stability of employment to the worker. Now, long contracts during this fluctuating period became almost impossible, and I hope I shall not be saying anything indiscreet to-day if I add that, if the existing tariffs in Europe are to be raised any higher, they will still further impede the system of long contracts.

It is because we of the International Chamber of Commerce believe that that post-war period has now passed that we come to this Conference with a full degree of hope that, if there is at least no other outcome from the Conference, it will check the tendency to raise tariffs. On that we are agreed in every one of our national committees. May I be allowed to say that such a result fills one with an amount of hope which would have been scarcely within the possibility of the commercial world three or four years ago?

We have had the advantage, in the International Chamber of Commerce, of having the assistance not only of our European neighbours but also of representatives from the United States of America. I know it would certainly not be the desire of any American here present that we should assume that they were attempting to pass judgment upon old Europe, but we have reason to be grateful to them for having formed very clear views on some of the economic ills from which we are suffering, and, if you will allow me, I will quote one single sentence from our American Committee which, being the judgment of shrewd observers from outside, we may well take to heart. It says: "It is generally recognised that the absence of trade barriers throughout our whole area (that is to say, the area of the United States of America, nearly as large as Europe itself) renders unnecessary in the United States many of the steps desirable in Europe. Instructed by our own experience, the American Committee feels that substantially similar freedom of commerce and trade in Europe would inevitably result in great benefit to the European peoples". That is the sober judgment of observers who have the enormous advantage of living three thousand miles away from Europe, but it also has the justification of being based upon practical experience.

May I, with equal brevity, refer in passing to one or two of the achievements in economic collaboration which have been the result of our efforts in the last few years. Shipping is undoubtedly one of the most competitive industries in the world, and yet, within the range of shipping, where the difficulties of common agreement and the elimination of competition might be thought to be almost impossible, under the influence of the League of Nations we secured the Maritime Ports Convention, to which nearly all of the great seafaring nations of the world have given their adherence, that is to say, they have signed the Convention and four of them have ratified it. We express the hope in our report that the remainder of the nations which, having signed, have not yet ratified it should do so at the earliest possible moment.

We have also to record the fact that flag-discrimination has well-nigh disappeared. There are, of course, qualifications to that statement, but flag discrimination is now, by common agreement, believed to be an unhealthy state of things for the merchant shipping of the world. We are also agreed that the subsidising of merchant shipping is a practice which is undesirable, as introducing an uneconomic element into business and disturbing markets. Finally, we have gone a long way towards securing uniform regulations for our merchant shipping, regarding which still more may well be done.

We offer no judgment on the troubles of the heavy industries. Invaluable documents have been presented to the Conference on the subject of the coal trade, the iron and steel trades, the manufacture of chemicals, on shipbuilding and engineering, and the Conference will be well advised to devote close and even detailed attention to the conditions of these heavy industries, for in nearly every country in the world it is within the list of these industries that there is the largest number of financial impediments and the largest volume of unemployment. Even in the textile trades the troubles are by no means local, and still less are they parochial. The textile industries of nearly every country are suffering from the same ills which beset our own.

In every one of these cases there is one common barrier, to which we devoted great attention. As you can well believe, we were not able to go the whole way with the theorist who can see commercial policy quite clearly without any qualifications. We are well aware of the fact that the Customs-house officer is the friend of some and the enemy of others; and I fear that, human nature being what it is, there are large numbers of people who would like to see the Customs-house officer well within the range of their official friendship. Let us not close our eyes, however, to one clear fact, namely, that, both for the financial convenience of many countries and because public opinion is not ripe for a change, the total abolition of Customs tariffs is beyond the immediate hope of mankind — by which I mean, of course, beyond the hope of mankind in our lifetime.

Surely, however, something can be done by this Conference to bring home, not only to the trading communities themselves but to the Governments, which, in the long run, must accept their orders from the democracy, the fact that, unless we can restore to Europe far more than its pre-war volume of trade, suffering will be brought not only on those who are directly engaged in business but on the great masses of the population whose very livelihood depends upon it.

If we cannot get rid of tariffs altogether, at least we can go as far as the report of the Chamber suggests, namely, that there should be limitation. We suggest that there should be an extension of Customs Conventions and that it would be wise for us to extend our system of commercial treaties. No commercial treaty is worth having which is not based on the fact that both sides recognise that a bargain cannot be single: it must be dual, and if any good thing is to come out of exchange it must be on a basis whereby the benefits are conferred on both sides. A return to an active drafting and conclusion of commercial treaties may do much to minimise the impediments to trade brought about by rising tariffs.

We also put in a plea for the stabilisation of tariffs. The effect on tariffs of rapidly fluctuating exchanges has been that a shorter period has been imposed on a tariff than was customary before the war. A tariff which lasts only twelve months and may

then be subject to revision is an obvious obstacle to long contracts, for which I have pleaded already. A twelve-months tariff is an incalculable thing. It means that no business man, whether manufacturer or merchant, can know where he stands twelve or even six months hence. If tariffs are to remain, let them be imposed, I suggest, on a more stable basis.

A good deal might be done, I imagine, to clear up the confusing nomenclature of tariffs. Two systems are in operation in the world, and they are confusing and extraordinarily difficult, even for the most intelligent of us, to understand. The least we can hope is that the tariff nations of the world will base their nomenclature on a common system. Let the same principle be applied throughout, and I cannot believe it is beyond the wit of the commercial ministries of our great countries to put their heads together and achieve this good object.

I say nothing whatever about subsidies or discriminations of a more subtle and hidden character. We all know something about them in the practical experience of our everyday life. We can at least say that the more the whole commercial system of the trading nations is thrown open to the gaze of mankind the better it will be for financial and commercial security and the more we shall cultivate the common interests of those who live upon trade.

My final word is this. Those who are concerned to maintain business prosperity in all countries are convinced that a mutual understanding in international economic and business problems is the surest guarantee for a growing volume of trade and for the maintenance of the higher standards of life and comfort which are the legitimate aspirations of modern democracy.

The President :

Translation : M. Gliwie (Poland) will address the Conference.

M. Gliwie (Poland) :

Translation : Mr. President, ladies and gentlemen — The pre-war economic order, which afforded a passably serviceable safeguard for world equilibrium, was overthrown by the war, and its ruin was completed in the period that followed. In the war, a whole generation perished, and the fruits of the labour of preceding generations were destroyed. But that was war-time. The peace so ardently longed for did not bring better times; on the contrary, the situation went from bad to worse. It became urgently necessary in Europe, and particularly in Continental Europe, to satisfy the economic needs which could not be met during the war. But the available capital had been spent or had passed into other hands, into the hands of a nation, great, brave and valiant indeed, but which required this capital for itself and only accepted with great reluctance the role of the world's banker which was perforce imposed upon it.

In Europe, and above all — as I have already said — in Continental Europe, there was only one means left of satisfying these needs. It was the worst means: it consisted in accelerating the production of paper money. Almost all European countries have suffered from inflation, even hyper-inflation, the most noxious, deadly and accursed of all economic ills. In countries attacked by this terrible disease, internal credit disappeared and was succeeded by a new phenomenon, harmful alike to producers and consumers, to buyers and sellers. I refer to credit-dumping. The scourge of inflation may have ceased to ravage our Continent, but the wounds it has caused have not yet healed.

The whole of Europe was faced with dire poverty, and the peoples of Europe showed an increasing tendency to emigrate. But this very natural tendency was thwarted by an impassable barrier raised by the immigration countries, who feared invasion by these famished hordes. The vicious circle widened. It became necessary not only to protect old-established long-standing industries but to create new industries with the sole object of absorbing superfluous labour. In many cases it was decided to introduce unpopular restrictions and regulations. A system of rationing, a practice previously unknown, was established; the famous quota system was introduced.

It is true that gradually the necessary capital was obtained from overseas to build new workshops on the ruins of enterprises which had been destroyed, and to equip and strengthen languishing industry. Unfortunately, this capital was often frittered away owing to the unsatisfactory methods of allocating it. It was used in many cases to revive the productive power of certain countries or undertakings without at the same time increasing the purchasing power of others. The universal impoverishment was felt with especial keenness through the very fact that there was a widespread desire to raise the standard of living, whereas the means of doing so had practically disappeared.

These symptoms of economic disorder are so striking, so deplorable, so universal, that all who observe them are necessarily and inevitably led to adopt the same conclusions. There is one idea that has now come to be universally accepted. I refer to the general conviction that no nation can attain lasting prosperity so long as any other is afflicted by poverty and misfortune. That is the fundamental principle, the guiding principle, that has brought us together to-day.

The problem of economic settlement on international lines is one which calls for urgent consideration. What is wanted is increased production and production organised on scientific lines. With this, however, is indissolubly linked a further desideratum which is perhaps even more important and is much more difficult of attainment — the increased demand and the democratisation of needs in the widest sense, that is, increased purchasing power not merely in individuals but in whole nations.

It would be useless to increase production unless the goods manufactured could be disposed of. The solution would be simplified if we had to deal only with two types of countries, namely, industrialised countries and purely agricultural countries. All that would then be necessary would be to remove the hindrances to market development and more especially — this is essential — to revive the purchasing power of agricultural countries by providing them with all the capital they can absorb. Unfortunately, however, save in a few exceptional cases, we never find such types of economic structure in actual practice. On the contrary, the majority of the countries of Continental Europe possess an economic structure of a mixed type, and to class them as purely agricultural countries would not be in the interest of the highly industrialised countries.

Statistics show that industry finds its principal markets not in agricultural but in industrial countries. The figures for the import and export trade of Germany, the United Kingdom, Belgium, France and the United States prove unmistakably that in 1913 — the last normal year — Germany placed in the other four countries 35 per cent of her total exports, the United Kingdom 25 per cent, Belgium 78 per cent, France 56 per cent and the United States 47 per cent. Even now that conditions have changed, these figures do

not greatly differ from the pre-war ones. They are as follows: Germany 22 per cent, Belgium 55 per cent, France 52 per cent, United States 39 per cent, United Kingdom 26 per cent, a figure which is even somewhat higher than the pre-war figure.

It is clear, then, that any theory that industries should not exist in non-industrial countries, any theory that runs counter to the expansion of such industries, calls for very careful revision. The mere application of such a theory might have the effect of reducing consumption in certain markets instead of increasing it.

As regards the less highly industrialised countries, that is, consuming countries, we must not lose sight of the main problem, namely, the exchange. The question at issue is not merely the reduction of their import capacity: it is something more. Such countries do not hesitate to resort to the most unsound means in order to protect and maintain their trade balance. The absolute necessity of stabilising the exchange in all countries belonging to the world economic commonwealth has become the most generally accepted postulate of post-war world economic policy.

Then there is another urgent problem: how to exploit all the available natural sources of raw material. For this purpose, some means must be found of obtaining the necessary capital.

The rational distribution of material is the most effective means of eliminating the causes of the present crisis. In this distribution of material, however, we must not forget countries which have a mixed economic structure and which require to have their capacity for consumption increased. Before capital can be drawn into an industry, that industry must be protected, and the principles of free trade, however attractive, cannot always be applied.

There is another question to which I would venture to draw your attention; and this, I hasten to assure you, is the last point of my speech. The problem of population is of primary importance in the economic life of the world. The supply and demand of labour give rise to continuous currents of migration, and these currents in their turn greatly influence the supply and demand of commodities. I quite realise — and I am

now addressing my American friends more particularly — that an immigration country has very weighty reasons for establishing a system of selection, but the urgent need of emigration countries to dispose of their surplus labour cannot be ignored. It is essential, then, that emigration countries should come to an understanding with immigration countries.

To sum up: what we have to realise is that world economic reconstruction and more particularly the reconstruction of Europe, and above all of Continental Europe — which, as I have said, has a mixed economic structure — constitutes a problem which is very complex, very extensive and very difficult. The solution lies in constant international co-operation, which we might organise on a permanent basis. Commercial treaties are still the principal means of regulating international economic relations, but they are not so equitable as was once the case.

Direct co-operation has been established between the international economic circles concerned. The economic and financial activities of this great organisation the League of Nations, the work of the International Labour Office, of the International Chamber of Commerce, of the Agricultural Institute in Rome, and other institutions — all these afford concrete evidence of this co-operation. There is an ever-growing movement in favour of closer co-operation between producers in the different countries. Perhaps in the near future we may witness an agreement between the central banks. International co-operation is advancing, and nothing can stop it. It is our hope that the International Economic Conference will constitute the first step in this direction.

I venture to express the hope that such co-operation may be brought about under the auspices of the League of Nations, either through the existing organs of the League or, it may be, by organs created for the purpose by this Conference.

It only remains, then, for me to express my heartfelt wish that our effort may be crowned with success, or, to quote the ancient words: "Quod felix faustum fortunatumque sit".

The Conference rose at 6 p.m.