

LEAGUE OF NATIONS

INTERNATIONAL ECONOMIC CONFERENCE

VERBATIM RECORD OF THE PLENARY MEETINGS

TENTH MEETING

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21. — ECONOMIC TENDENCIES AFFECTING THE PEACE OF THE WORLD : ADOPTION OF A RESOLUTION PROPOSED BY MR. PUGH (BRITISH EMPIRE) AND SUBMITTED TO THE CONFERENCE BY THE CO-ORDINATION COMMITTEE.

The President :

Translation : The first item on the agenda is the discussion of Mr. Pugh's resolution concerning economic tendencies affecting the peace of the world. This resolution has been submitted to the plenary Conference by the Co-ordination Committee.

Mr. Pugh (British Empire) will address the Conference.

Mr. Pugh (British Empire) :

Mr. President, ladies and gentlemen — The resolution I have the honour to submit is designed

to direct the attention of the Conference and, through the Conference, the attention of the world at large to the fundamental significance of our efforts during the last three weeks in the direction of international peace. It is that which forms the basis of the memoranda presented by myself on behalf of the labour organisations of Great Britain in which we point out that, broadly speaking, the economic growth of the world has outstripped the growth of political and social institutions and that, unless economic activities and rivalries can be controlled and directed to the common interests of the peoples of the world, stable peace between nations will be impossible.

In this connection, I may be permitted to quote from the resolution adopted by the Assembly of the League in which it requested the Council of the League to take the necessary steps to convene an International Economic Conference. The Assembly said :

“ Firmly resolved to seek all possible means of establishing peace throughout the world ;
“ Convinced that economic peace will largely contribute to security among the nations ;
“ Persuaded of the necessity of investigating economic difficulties which stand in the way of the revival of general prosperity and of ascertaining the best means of overcoming these difficulties and of preventing disputes ”.

I desire further, Mr. President, to strengthen my argument by referring to a significant statement in your closing speech at the end of the work of the Preparatory Committee in which you say :

“ The political work of pacification undertaken by the League of Nations would not be comprehensible without simultaneous work in the economic field — a field which is closely connected with it.

“ Too many people still think that the political field and the economic field are entirely

different. This is a profound and dangerous error, for every important economic question is by that very fact a political question. The work of political peace and disarmament should go hand in hand with economic peace and disarmament."

When this Conference closes, and all its members have returned to their homes and resumed their day-to-day activities, it will be a measure of our sincerity that we shall, in our several capacities, keep alive and develop those ideals of mutual co-operation, of toleration in a great endeavour, which in no small degree has been shown to be possible by this Conference.

The question which the Conference must now prepare to meet, as it approaches the end of its work, is this: What progress has been made towards the ideal set forth in the initial declarations I have quoted? Is there reason for believing that firm foundations have been laid for the development of better industrial relations between different countries, and are there grounds for the conviction that progress has been made already, in consequence of this first step, towards the attainment of an enduring peace?

In order to have an assured reply upon these fundamental issues, it is necessary for us mentally to rise above the details of the work which, for the past three weeks, have commanded all our attention, until a plane is reached from which the contribution of this Conference can be seen in true perspective and in its just relation to the stream of human history and progress.

Viewing the efforts of the Conference from that standpoint, we must consider what it may have added to the swelling tide of forces which direct the destinies of peoples away from war, discord and distraction towards the evolution of a constructive social unity. When we regard our task from this broader philosophical point of view, we realise at once that our work has only just begun. From active practical experience in the construction of a solid basis of peace in our domestic industrial relations, many of us are well aware that this basis is not to be secured without arduous effort and continuous striving. When the interests of large groups of men are seriously opposed, their conciliation involves a strain both of intelligence and will.

What is needed, first, is a clear system of the agreed principles of settlement — standards which can be accepted by all parties as just and reasonable for indicating how the solution may be reached in any given dispute. Then, when the principles have been established, there still remains the most exacting and persistent problem of maintaining the true spirit of co-operation between the parties, and a ready willingness to stand by the adopted principles of settlement. This, we know, is not easy in the separate domain of industry, and there is no reason to believe that the same process will be easy when the interests of all nations of producers and consumers are at issue.

In its rôle of mediator, and in a sense legislator, in the sphere of international economic differences, this Conference can at least claim a measure of success in the first half of its task — the laying down of principles of settlement. Before the Conference met, those who framed the agenda had in mind two major categories of disputes. The first of these is that in which the producing and consuming countries may injure one another through the imposition of restrictions and prohibitions on the exchange of goods. The second is that in which international combinations of producers might prejudice the interests of all consumers throughout the world. For these two outstanding cases,

potentially capable of giving rise to international friction, the Conference has elaborated for the guidance of all countries certain principles which, if loyally applied, would go far to banish enmity between the nations.

But this, as already stated, is not enough. We must not allow ourselves the delusion, in the enthusiasm of our work, that our task has been accomplished when these principles have been established. The testing-ground of the success of the present conference is not here in this hall but in the separate national Legislative Assemblies throughout the world. That being so, it would be fatal for the delegations to return each to their native hearth under the impression that the task is finished. In reality, it is just beginning.

The essential trial-ground of the success of the present Conference lies in the national fields. The trial itself is one between political leadership and public opinion in each separate State. If Governments are unable to command adequate support from the people of their country in an endeavour to institute the necessary changes of policy, clearly nothing substantial can come of the recommendations of this Conference, for, in the last resort, it is public opinion which determines how much progress can be made.

Finally, therefore, we have to ask ourselves: What has this Conference achieved towards the education of opinion? What has it contributed towards the better comprehension of the problems raised, towards the growth of international understanding and towards the development of good-will amongst the peoples of the world?

These questions are, by their nature, impossible to answer with precision. But there are certain features of this Conference which at least give great encouragement. In the first place, it is more representative of social, industrial, commercial and financial interests and of geographical divisions than any previous Conference. In the second place, the Conference proceedings have been marked, despite the controversial character of the problems and vital interests they affect, by considerable evidence of concord. Extreme left opinion has been working in conjunction with extreme right, and even opposing systems have had representatives sitting side by side and endeavouring to conciliate their points of view.

Perhaps, therefore, the most valuable immediate result of our work has been to strike a further blow at that potent factor of war, suspicion. One of the worst of the obsessions from which the world still suffers is its "suspicion complex". We still imagine enemies lurking in the various national corners. We still carry about unwholesome and ungrounded fears of other nationalities. And why? Merely because we do not know each other. The fear of the unknown is invariably the greatest fear, and, because we are afraid, we build up armaments, protect our key industries for war and try to make ourselves industrially self-sufficient. In so doing, we only justify our neighbours' worst suspicion, so that they in turn double and redouble their defence.

Where, then, lies the power to break this vicious circle of suspicion and military preparation? Only, it seems, in coming to close quarters with each other, in rubbing shoulders, in uniting towards the solution of common difficulties, and thus ultimately realising that we are members of the same human race, with the same needs, the same essential problems, and the same just aspirations. This feeling we have realised to a material degree, I think, at the present Conference; and, although the result of this may appear to be the least tangible of all, it probably yields a greater contribution than any other towards the spread of mutual understanding among the nations represented.

• As a fundamental consideration, therefore, in connection with the practical end we have in view, the high purpose of this Conference must be kept steadily in mind, namely, to develop an enlightened policy of international co-operation and good-will between nations as the means whereby human welfare may be benefited and the foundations laid for permanent world peace.

I therefore beg to move the adoption of the following resolution :

The Conference,

Recognising that the maintenance of world peace depends largely upon the principles on which the economic policies of nations are framed and executed,

Recommends that the Governments and peoples of the countries here represented should together give continuous attention to this aspect of the economic problem, and looks forward to the establishment of recognised principles designed to eliminate those economic difficulties which cause friction and misunderstanding in a world which has everything to gain from peaceful and harmonious progress.

The President :

Translation : You have heard Mr. Pugh's speech in support of his resolution which he has just read, and which I now put to the vote.

Mr. Pugh's resolution was unanimously adopted.

The President :

Translation : M. Varga (U.S.S.R.) will address the Conference.

M. Varga (U.S.S.R.) :

Translation : The Soviet delegation voted in favour of Mr. Pugh's proposal, being of the opinion that a close and constant study of the problem of economic relations between the different countries and the Soviet Union and the establishment of principles for the co-existence of the two economic systems may greatly assist in bringing about an improvement in the general economic situation.

The President :

Translation : M. Caloghirou (Greece) will address the Conference.

M. Caloghirou (Greece) :

Translation : Mr. President, ladies and gentlemen — The time has come to pay a tribute to the work of the Conference, which is nearing its conclusion. I had hoped, however, for a direct reply to the resolution passed by the Assembly of the League at its sixth ordinary session. We have examined the various phenomena of the present economic situation, but we have not yet found the principle underlying those phenomena. We have been dealing with the consequences rather than the causes of the world economic situation. Now, at the close of this session, I should like to submit a few brief observations on the situation.

The International Economic Conference is the outcome of the fact that every one either suspects or knows that the world edifice is in danger of collapse. Among the majority of mankind, a majority which is daily increasing, poverty is assuming alarming proportions. The precariousness of our existence is everywhere manifest and is being demonstrated every day.

Economic causes are at the root of the whole trouble. If we are to cope with the economic difficulties which stand in the way of general prosperity and may even lead to new and terrible

conflicts, we must consider not the details of the present economic situation but the principles upon which it depends. Minor economic reforms will never make any real difference in social conditions.

There is no such thing as a system of world economy, nor can we establish one; or at all events there is no such system in the ordinary sense of the word, that is, as a further stage of development following on private and national economy. The present economic system is, of course, a world system from the point of view of the elements concerned in it, but not from the point of view of the idea underlying it or the conflicting interests represented in it. A regular system of world economy is out of the question, for we are still far from the "world-conscious" mentality which it connotes and which mankind would find it very difficult to acquire. World economy is not a unitary but a collective concept.

National economy, on the other hand, is an established fact. It exists now as a universal system and ideal, whether in the form of capitalism or communism. Both policies depend upon the same system, the same essential idea, the same mistaken conception. The general and fundamental error which of itself inevitably complicates social life and leads to disaster is this very attempt to employ authority for the purposes of economic administration. It is the application of bureaucracy to economic life. It represents a claim to manage the property and hence to control the fate of others. It means that the State interferes in trade, and places its formidable political and military equipment at the disposal of the private interests of one party to engage in desperate combat with another. It involves the principle so completely — and so lightly — accepted by most countries, particularly at the present time and under the influence of war conditions, the principle that those at the head of the State are also entitled to administer the property of their nationals, that is, to control our living conditions and subject us at a day's notice to a rise or fall in prices to meet the temporary necessities of the national economic policy.

All this is inconsistent with true economy and with personal dignity. It is, in my opinion, the economic cause of the universal ills of the present day.

A national economic system, in the sense of a series of State-controlled economic units, obviously does not leave the individual free to act according to his instincts or according to the dictates of economic necessity. Under such a system, producers cannot introduce the improvements essential for the maintenance of permanent equilibrium between production as a whole and purchasing-power.

The individual, relying upon State assistance, offers only a minimum of resistance — *minoris resistentiae* — and ignores all the lessons that may be learned from purely economic facts.

Thus disorder reigns in the economic world, the balance between production and consumption is destroyed and inextricable confusion ensues in regard to labour conditions and migration. Absurdly complicated Customs systems are established for ridiculously short periods, and a whole host of evils is brought upon society.

Hence, in matters of economy, individualism is in perfect harmony with collectivism, and is in no way inconsistent with it; it is the opposite contention which is disproved.

State-controlled economy makes a struggle between different countries inevitable — a life-and-death struggle to turn the balance in favour of one party at the expense of the rest. It

therefore tends to promote a general policy of aggression. It means *bellum omnium contra omnes*. Such a state of affairs gives birth to a desire for general solidarity, a desire as ardent as it is unfortunately impossible of attainment.

When a State claims for its subjects in another country rights exceeding those of the nationals of that country; when it makes representations to another State in the economic interests of individuals; when it takes measures designed to influence the economic life of another country, or to promote the interests of its own subjects at the expense of nationals of the other country — such acts should be regarded, and denounced, as the acts of barbarians and not of a civilised country, except, of course, when a state of war has been declared.

In peace-time the mission of a civilised State should be to suppress evil and promote distributive justice. We are entitled to expect from the public authorities "good judges, the punishment of monopolistic activities, equal protection for all citizens, a stabilised currency, roads, and waterways".

Old as it is, this postulate of the Marquis d'Argenson is still absolutely sound. We are in the throes of a world-war now — even though military hostilities have ceased — a war which is rapidly destroying every virtue and every principle of justice that is recognised as essential in any normal scheme of existence worthy of mankind.

If latterly there has been a marked slackening in the observance of the principles of justice and morality, and a weakening of the influence exercised by the institutions derived therefrom, if confidence in justice is beginning to waver, it is because public opinion is influenced not only by the unjust behaviour of the different States in their international relations but by the no less reprehensible attitude of the modern State towards its own nationals.

Undoubtedly the State, as an economic entity, ought in principle to be indifferent to the distribution of the national wealth among its subjects. It may, of course, have a vital interest in favouring producers at the expense of consumers, who, regarded in that capacity alone, must constitute a heavy burden.

Further, it must be admitted that, in the long run the wealthy, by their accumulation of capital increase the nation's wealth to a greater extent than the poor by their labour.

All these considerations make the State to-day but little fitted to devise or carry out efficacious social measures, which are so enormously facilitated by technical progress, and the necessity for which is now so urgent.

The great war did not change things. The only difference between the economic system to-day and before the war is that its developments have been accelerated and intensified. That is why unemployment, migration, insecurity of living conditions and all other kinds of economic-social evils develop nowadays more rapidly and to a more noticeable degree than before; and this process will tend to become more rapid still.

The State no longer presides over our destinies; but as an economic influence it affects every phase of them, and its influence varies from day to day. Our living conditions depend upon the day-to-day measures taken by the State, or even by the uncontrolled super-State forces that have come into being under the existing regime — capitalism and communism.

There is no difference between these forces in their way of handling economic matters through the authorities, or as regards their disastrous

effects on living conditions, liberty and security. Both represent an attempt to replace individual economic instinct, which is infallible and allows us perfect liberty, by the human intellect, which is a prey to all kinds of error and to inordinate egoism. In either case the outcome is the worst form of despotism — economic despotism.

The State, as an altruistic institution, cannot engage in trade, which is a purely egoistic activity. Solidarity and world peace are materially impossible in a world where so many States are engaged in commerce. It is in my view essential to destroy this idea of "national" economy, and to replace so artificial a system by an individualistic system.

Under the system of private economy, men suffered from the effects of other factors which doubtless were not entirely without material influence. But in order to combat and destroy these factors, in order to save themselves, they never found it necessary, as we do to-day, to resort to economic measures.

In the future, even under a system of individualistic economy, subjects will certainly have to defend themselves, *vis-à-vis* their Governments, against various forms of injustice and oppression. But there will be no further need to consider economic measures to deal with crises arising out of the natural egoism of Governments. We shall have finished once and for all with the employment of economic measures as a means of salvation. This would benefit mankind as a whole, because any other measures for the improvement of social conditions are comparatively easy to devise and apply, whereas economic matters, being essentially contradictory in themselves and *inter se*, can never become, as it were, articles of faith with the masses — a condition which is essential for success in social campaigns.

The vicious circle of ills ensuing from economic measures is fortunately broken directly the right measures are taken. The only way to ensure uniformity is to give the individual economic instinct full scope.

Professor Cassel realised the importance of individualistic economy when he declared that "the purchasing-power of human society can never be anything else than the total produce of society." He adds that artificial obstacles would inevitably prevent full use being made of the producing power of society.

Hence, owing to the fact that they are sometimes of a contradictory character, economic questions should be settled by reference to some higher principle and without troubling about details. This higher principle, this remedy, if I may so describe it, can only be found by having recourse to a normal and natural authority — that is, to individual private economy — which is free from administrative or State influence.

Thus we must restore to the economic system the harmony inherent in it, and allow human life to develop freely and in accordance with its natural propensities.

In this connection we must not lose sight of the disastrous results which would ensue from a sudden transition from one system to another, or the inequalities which would result if latent forces could be developed unchecked; measures of a social character would certainly become necessary.

Society has gradually adapted itself to this artificial structure, originally based upon an erroneous conception and propped up for years by a series of illusions. Its precarious balance has somehow been maintained. But if this crumbling edifice were suddenly demolished, what would happen, and what would then be the basis of our economic life?

We must proceed slowly and systematically with this work of demolition. It should be entrusted to some central organ consisting of representatives of all the countries whose duty it would be to re-establish the reign of individualistic economy. After having given publicity to the principle, this organ would draw up a complete scheme designed ultimately to establish a system of economy free from external control — in other words a system based on liberty.

The process will obviously be a lengthy one; but we must hope that the standard of living, which at present varies so widely in the different countries, will then become practically uniform, and thus facilitate a return to individualistic economy.

Lastly, it is most important to bring out the difference between fiscal or social measures properly so called and measures of an economic character. I am convinced, however, that, when we have achieved this, the human mind, gradually regaining its natural liberty, will acquire a freshness, a moral sense and a spirit of solidarity which cannot but lead to further progress.

Mankind will then become more humane, and we shall be able to consider the question of war debts on its merits; whereas now many States, having to pay in their budgets for the follies of the past, are thus prevented from fulfilling their elementary duties.

In conclusion, gentlemen, it is my firm conviction that modern society will find a means of demolishing its economic structure before that structure collapses of itself. Its collapse would be a dire disaster, for we have not yet found any means of erecting another in its place.

22. — EDUCATION AND PUBLICITY: ADOPTION OF A RESOLUTION PROPOSED BY PROFESSOR CASSEL (SWEDEN) AND SUBMITTED TO THE CONFERENCE BY THE CO-ORDINATION COMMITTEE.

The President :

Translation : The next item on the agenda is the discussion of a resolution on education and publicity proposed by Professor Cassel and submitted to the plenary Conference by the Co-ordination Committee.

Professor Cassel (Sweden) will address the Conference.

Professor Cassel (Sweden) :

Mr. President, ladies and gentlemen — This Conference has made a series of excellent recommendations. If all nations adopt them wholeheartedly, and without paying too much attention to the limitations and exceptions which the Conference has been obliged to insert, immense progress is within reach. For this purpose, the co-operation of all leaders of public opinion and, first of all, the co-operation of the Press is required. Leaders must always remember that they are leaders and that they have to be a little in advance of current opinion. We cannot hope to persuade nations to act against their true interests. At the utmost we can hope that they may make mutual sacrifices for the common good. But there is plenty of room for improving people's ideas of their own true interests and, by eliminating pernicious economic fallacies, opening their eyes to the great and substantial advantages of an international division of labour and international economic co-operation.

Material of immense value has been collected for this Conference and has been a most important

basis for its work. But the Conference has not had time to digest it completely and has been unable to draw all the necessary conclusions from it. This material ought not to be laid aside on dusty shelves and forgotten. It must be used to make a more exhaustive and more profound analysis of the present economic situation of the world. For this work we look, in the first instance, to the magnificent economic staff of the Secretariat of the League of Nations. But the co-operation of theoretical and practical economists throughout the world is necessary to clear up the question. Further, all educational forces (here again, particularly the Press) have to give their best services in spreading this new knowledge to wider and wider circles.

I therefore venture to lay before the Conference the following resolution :

“The Conference recognises that the reception and successful application of the principles stated in the resolutions of the Conference depend not only upon the good-will of Governments and Administrations but upon an informed and supporting public opinion throughout the world, and for this purpose would welcome, in the economic as in other fields, the development of closer international co-operation by scientific and educational institutions, as well as the help of the Press and other agencies of importance, for the information and enlightenment of the public.”

The President :

Translation : As no one has asked to speak, I will put the resolution to the vote.

The resolution was adopted.

The President :

Translation : M. Varga (U.S.S.R.) will address the Conference.

M. Varga (U.S.S.R.) :

Translation : While unable to approve the statement of reasons contained in this resolution, as this statement gives an incorrect view of the conflicting interests of the various social classes and the differences in economic policy resulting therefrom, the Soviet Union supports the proposals contained in the second part of Professor Cassel's resolution.

23. — GENERAL STATEMENT BY M. DANAILOFF (Bulgaria).

The President :

Translation : M. Danailoff (Bulgaria) will address the Conference.

M. Danailoff (Bulgaria) :

Translation : Mr. President, ladies and gentlemen — I have asked to speak in order to fulfil a duty : I desire to thank the President and all the members of the International Economic Conference for their kind expressions of sympathy with our delegation in its grief at the loss of our colleague, M. Cyrille Popoff, whose great abilities were of inestimable value in the study of statistics both to our own country and to the whole world. Indeed, but for his innate modesty he would have been far better known. I need only remind you that it was he who organised the last census in Bulgaria on December 31st, 1926. This census was carried out on the American system and thus included a wealth of economic data, a point to which he attached particular importance. He was eminently

successful in this great task. Not only did he collect the fullest data, but he succeeded in the short space of thirty or forty days in producing a volume in Bulgarian and French showing the provisional census figures.

M. Popoff's death was a severe blow to our delegation and caused a great setback in its work. We were unable, at the general discussions of the Conference, to present the special statement which we had intended to make and which would undoubtedly have influenced the work of the Conference.

In view of these circumstances, the President of the Conference kindly offered to allow me to make my statement on Saturday afternoon. I saw, however, that if I made it then I might be interrupting the discussions on the reports of the different Committees, and accordingly requested the President to let me speak to-day. I trust that the Conference will see no objection to this course.

Mr. President, ladies and gentlemen — Our main purpose in coming to this Conference was to hear what nations older and more advanced than ourselves might have to say and to learn from the experience of the world as a whole lessons which would help us to solve the problems with which we have been faced since the war, owing to the extremely difficult conditions obtaining in our own little country.

Bulgaria is a small State, with a very special economic structure. Our production is mainly agricultural; our landed properties are small and uniform in character. The technical equipment in common use is somewhat primitive. We have therefore much to learn from the more advanced peoples who are represented here by so many different organisations, and who, though they complain of the severity of the present crisis, have nevertheless succeeded in making excellent use of their labour supply and of their scientific and technical achievements. But although ours is a small and economically almost undeveloped country, we are a European State and have played our part in European history and in European economy. The commodities we buy and sell are not without their importance in the economic scheme of Europe, and our experience — limited though it may be — of the complex mechanism of the European market may perhaps be worth considering and our particular point of view may be worth hearing in this effort to deal with the problems now before the Conference.

We also have our share in the trade of Europe, and in order to satisfy the conditions and meet the requirements of the European market we have adapted and specialised our agricultural products, which include attar of roses, vegetable and fruit seeds, corn, maize, flour and tens of millions of kilogrammes of tobacco.

To-day, however, we find that the situation in the European market has unexpectedly brought us very near to disaster. Three years ago, that market absorbed every scrap of our peasant-grown tobacco, but to-day stocks amounting to more than 20 million kilogrammes of well-cured leaf are thrown on our hands. Two years ago, our flour, the high quality of which is well known, was sought after in all the neighbouring markets of the Aegean Sea. We only managed to keep the minimum necessary to support our population by imposing high and indeed almost prohibitive Customs duties. To-day, even the flour we have exported, and on which we have paid freightage, has had to be sent back to us on account of Customs difficulties, and the exporters have been ruined.

These unhealthy economic symptoms are the outcome of the particular conditions obtaining in our own country; but they undoubtedly exist in

other countries as well, and it is for the eminent experts whose views we are anxious to hear at this Conference to explain their causes and suggest remedies for them. I have heard and read with great satisfaction the suggestions put forward by the distinguished representatives of the different economic schools and circles. I have analysed their proposals for myself. I have tried to see how they could be applied to the economic conditions in Bulgaria; and I have come to the conclusion that much still remains to be said and done if the common aims of this Conference are to be attained. Accordingly, my personal views and ideas will not perhaps be without their value, more especially as I shall venture to draw your attention to certain aspects of the questions before us upon which none of the previous speakers have touched. My country being small and primarily agricultural in character, my observations are necessarily limited in scope. I may add that, though I am an advocate of civil democracy, I am essentially a theorist and not a capitalist.

There are three questions to which I should like to draw the attention of the Conference. The first of these is:

The application of the economic institutions and methods of one country to other countries.

We have come here to organise and unify, and to recommend and promote the advancement of such institutions as show evidence of permanence and conduce to economic progress. Capitalism, first and foremost, with its special economic code, provides the opportunity and in some cases creates the necessity. Nevertheless, I think that we should be careful, particularly in our resolutions, to fix a definite limit for adaptation. I have known many cases of adaptation in my own country, but I only propose to give you two or three. Bulgaria was one of the first countries to adopt the eight-hour day after the Treaties of Peace. As a Professor of political economy I strove for years to bring about the introduction of the eight-hour day; but now that it has been put into practice I find it has given rise to innumerable difficulties. It presupposes — without going into further details — a relatively high technical standard of labour and a very great output capacity; yet this is not the case generally and it is not the case in Bulgaria.

Here is a further example: Bulgaria has adopted the International Labour Office draft Convention and has passed a law dealing with unemployment. The problem is not so grave as in Western Europe, but we have one special kind of unemployment which is much more serious. Many intellectual workers of both sexes in the towns and villages who have no definite profession are out of work, or are only occupied at home and have no opportunity of contributing to the economic activities of the nation as a whole.

Europe and European civilisation can learn much from our country as regards attempts to adapt foreign ways and methods. We are all talking of the prosperity of the United States, and it seems to be thought that, if we borrow the economic institutions which have been established in that country, the results will be equally successful in our own. But that does not always follow.

Europe has her own peculiar conditions; her evolution has been attended by difficulties connected with nationality, race, State frontiers and prejudices of all kinds. These difficulties still exist to-day, and indeed are so acute that in some places children are forbidden to study in their mother-tongue or to worship freely in their own churches. The United States, on the

other hand, have developed on liberal principles as regards social, religious, linguistic and other conditions. They have no national, racial or other frontiers; their development has been unattended by the prejudices that exist in Europe. Moreover, natural conditions in the north and south and in the east and west of their vast territory supplement each other, so that the whole forms a self-contained national economic unit. This is not the case in any European country, except perhaps in Russia. As Sir Max Muspratt explained so clearly, Europe has always been handicapped by the economic necessity of obtaining raw materials, on the one hand, and disposing of her industrial products, on the other. Thus iron is cheap in Germany but the price is going up in Bulgaria, while, as regards corn, flour and tobacco, the position is just the reverse.

I think therefore that, having come here to devise some scheme for the economic recovery, stability and progress of every country, we should beware of lightly suggesting the adoption by one country of institutions and customs obtaining in another. We should study questions from the broadest point of view and in every possible light. In other words, we must determine the economic laws governing the evolution of our chief institutions and leading to material progress; or, to speak more precisely, we must determine the laws on which the modern capitalist system is based.

This brings us to the second question:

What are the economic laws, the economic characteristics of capitalism?

In my view, they consist in:

- (a) Lack of proportion in the organisation of production; and
- (b) Lack of order and want of organisation in the exploitation of capitalist industries.

I will endeavour as briefly as possible to make these two points clear.

I might mention that the best definition of modern capitalism ever given is that of the pre-Revolution Russian economist, Tougan Baranovsky. Nowadays every individual capitalist concern is organised down to the smallest detail — is organised to perfection, in fact.

The position as regards human output and mechanical output, invested capital and floating capital, is checked by a perfect system of accountancy. Every individual enterprise offers to-day an example of human organisation which, in itself and as a separate unit, works with perfect smoothness and stability. But all these perfectly organised undertakings meet in the market — the basic institution of capitalism — and here troubles of a very special kind begin. None, or very few, of these perfectly organised undertakings can withstand the unexpected shocks on every side. These are always severe and sometimes fatal, for the peculiar characteristic of the capitalist market is its uncertainty. At one time it may be ready to absorb large quantities of goods and thus tempt the unwary producer to expand his business. At another time, its demands will be negligible as compared with the supply, and the effect upon these highly organised concerns will be precisely the opposite. In either case, the effect upon the capitalist concern is disastrous.

Many ways have been suggested of remedying this disparity between production and market needs, and many of them have been and are being tried, though with no great measure of success. There is at present only one rational means, however, and that is the organisation of the big

undertakings — indeed, of all undertakings. In this connection, America furnishes a very useful example to industrial Europe. There might be a concentration of all undertakings, either on a horizontal or on a vertical system, even to the extent of the fusion of all businesses into a single concern. This is the only means of eradicating the worst evil of capitalism — disproportionate production and the uncertainty of the market.

The task of the new capitalist Europe must be to enable production to regularise and control the market, so that the latter may hold no more terrors for those who create economic wealth and may no longer have power irrationally and aimlessly to destroy them. Consequently, it is the primary duty of every country, and more especially the countries of Europe, to organise capitalist concerns on broad general lines with reference to market requirements. We should not allow our attention to be diverted either by rationalisation, which exists everywhere in European industry, and particularly in Germany, or by standardisation which has been a feature of European technical organisation since the beginning of the nineteenth century, when England introduced mass production by machinery. The European economic system can save itself only by organisation, by greater, closer and more general organisation.

To continue: the second predominant characteristic of modern capitalism is lack of order and want of organisation in the different branches of production and transport. In every field, the creation of new enterprises is free from restriction of any kind; it is conditioned wholly by individual taste, by personal considerations. That is what keeps the capitalist order in a state of fear and uncertainty. The creation of new enterprises is becoming a social-economic disease which almost invariably ends in disaster to the whole scheme of national economy. It is a special kind of wastage of private capital, and is fatal to the national economy as a whole, because it leads to disorder and disorganisation everywhere.

To illustrate my view of this phenomenon, I will give two examples from my own country. The corn-milling industry in Bulgaria has had a very remarkable history. In 1904, there were about 12,000 small water-mills in a territory having an area of 96,000 square kilometers and a population of 3,310,000. A few machine-driven mills were installed at Sofia, Varna and Burgas. In 1904, the Varna Chamber of Commerce organised the first Congress of Corn-Millers, which decided upon the modernisation of the industry. The movement proved successful. Big mills were erected, capable of producing from ten to twenty-five wagon-loads of flour in twenty-four hours. It became a veritable craze, more especially after the war, and machine-driven mills began to spring up even in the villages. Many millions of the national savings were sunk in this industry, and now all these mills have been closed and are standing idle because their general output capacity is so much greater than the corn-growing capacity of the country.

Similarly, a number of foreign firms started business in Bulgaria in the tobacco trade after the war. Competition was keen; overhead expenses were enormous; the directors of some of these firms, once minor officials, received salaries higher than those in the King's civil list. Every competing firm sank large capital sums in the construction of enormous and palatial warehouses. In their struggle for supremacy, these firms increased the price of tobacco and aroused among tobacco-growers an unreasoning desire to extend the area under cultivation, regardless of the requirements of the European market. The result to-day is a disastrous artificial depression; millions of

kilogrammes of tobacco have been thrown on the producers' hands. This is an example of the lack of order and want of organisation in industrial exploitation, due to the peculiar characteristics of modern capitalism.

The evil is an avoidable one, but the only remedy for it is organisation. This can be effected by State intervention, which, however, is quite unnecessary if the capitalist undertakings will organise themselves. If the Bulgarian mills are organised, we may be spared further waste of Bulgarian capital. The organisation of the tobacco concerns might save ten million leva of capital, cut down general expenses and — most important of all — enable Bulgarian tobacco to compete in the European market. In this connection, I suggest that it should be possible to organise the sale of all tobacco grown in the Near East — Turkish, Greek, Bulgarian, Macedonian and the rest, and that, general expenses being thus reduced, it could be placed on the European market at a lower price.

The disorder and disorganisation of to-day must therefore be replaced by organised production. We shall thus avert the waste of national capital, the collapse of business concerns and the ruin of private individuals. We shall prevent, in fact, all that discourages or hinders national production. This can only be done by the universal organisation of capitalist undertakings. It matters little what name we use. We may term these enterprises trusts or cartels; we may find some new name for them; we may "Europeanise" them — that is immaterial.

I am well aware that many here and many in the circles represented here and in society in general will not entirely agree with me, and will perhaps quote the negative consequence of my proposal in confutation of my argument. But is it not true that the United States owe their economic success to the way in which they organise their capitalist concerns, without this in any way injuring the interests of consumers? We may therefore leave academic minds to argue the pros and cons of the matter. Meantime, life makes certain claims upon us. Life brings us face to face with stern necessity, and, if we fail to realise and observe economic laws, those laws themselves will compel us to obedience by the further sacrifice and suffering that they will bring upon mankind.

I hasten to add that the organisation of the modern capitalist system is not the only desideratum. There is another great current problem to which I should like to refer for a moment. This is my third point, and I would venture now to draw your attention to it.

I refer to the output capacity of labour itself, one of the most important questions calling for examination by a World Economic Conference such as this. The economic standard of a country should be gauged by the output capacity of its labour and not by the quantity of gold or land or forests which it possesses; for it is labour that converts these assets into tangible benefits conducive to the general well-being of society.

When I hear members of this Conference advocating the interests of the consumer and cheap production, I cannot help thinking how far we are from the real truth of the matter. The problem is not how to give the worker a commodity at a low price but how, by increasing output capacity, to raise the income of the manual or intellectual worker and thereby increase his share in the total national income, or in other words to ensure that he shall participate in the steadily increasing profits on capital. The following are the stages in the solution of this social and economic problem:— We must increase the individual output in industry;

the income of the community will then be increased; the worker will have a bigger share in the income of the community; purchasing-power will be increased; cultural needs will increase in every class of society and will be satisfied.

This third aim, however, can only be realised by a general and comprehensive scheme for the organisation of capitalist activities which would bring about international economic unity and do away with inequalities between the different nations.

Thus there is another aspect of the problem, and one which this Conference must bear in mind. There is a vast disparity between the economic level of civilisation in the different countries; in other words, the economically weaker nations are exploited by nations that have made greater strides in culture and technical progress. This exploitation is a very important factor.

The matter is so clear as to be self-evident. No one will deny that there are immense differences in output capacity as between different countries. The fact that a British or German worker can turn out in one hour what it would take a Bulgarian worker ten, fifteen or twenty hours to do — owing to the difference in methods — is clear evidence of an inequality, a disparity, which we cannot ignore, and which, in the Bulgarian delegation's opinion, calls for careful enquiry. In circumstances such as these there can be no such thing as economic equality or that solidarity between nations which is so highly desirable. Our decisions should therefore be directed towards the following end:

We must enable these weaker nations to intensify their workers' output, so that Bulgarian corn and Bulgarian tobacco, for instance, can be sold on the German market at the prices obtained for corn and tobacco of German origin.

Here, too, the principle to be aimed at is the general organisation of the separate units, as in the modern capitalist economic system.

I now come to my general conclusions.

The nations of Europe and mankind in general are passing through a great economic crisis, which was caused undoubtedly by the world war. Expert opinion was once unanimous in the belief that the crisis would soon pass and that pre-war prosperity would return. But that has not come to pass and will not happen now. It is for us to set in motion machinery which will transform the present world economic system and bring about a general revival of prosperity.

Europe experienced a similar period of suffering and disorganisation after the great Napoleonic wars. Then, however, a revival came relatively soon, thanks to British inventive genius, which devised new methods of mass production by machinery and applied steam power to land and sea transport, thereby increasing the output of labour.

To-day we cannot discern any difference in post-war methods which would effect the necessary change and bring about quick and radical economic reforms.

I agree that we are now witnessing certain changes in methods of production and transport which will undoubtedly make a difference, and there have been other readjustments and changes in the general economic structure of the world. But these isolated factors are much too unimportant to bring about any radical improvement in present conditions. In my opinion, there are only two factors that can really be brought to bear on the situation.

In the first place, it is essential to put an end to those conflicts between capital and labour which, since the war, have been sufficiently frequent to prove that capitalism and its institutions must remain the basis of world economy, because

capitalism possesses the innate power to transform itself and adapt itself to changing conditions. It is to this reconciliation between capital and labour — of which we see evidence in the present Conference, where trade-union leaders and representatives of capitalist organisations are sitting round the same table — to this reconciliation, I say, — which is most clearly marked in the International Labour Organisation — that we must look for the new creative force, the new post-war civilisation of Europe.

The Napoleonic wars were followed in almost every European country by revolutions based on class differences. To-day we are experiencing the moral after-effects of the great war. They are relatively less violent, and we are remedying the defects we find in social-economic institutions by evolutionary methods, by the mutual concession of rights and privileges. I feel sure that Marx himself, when he launched his campaign for the eight-hour day, never expected his dream to be realised so soon or by other than revolutionary methods. If such methods can be avoided, capitalism will gain strength and make further progress.

The second factor is the organisation of capitalist enterprises, of national and international institutions and, through the instrumentality of the latter, the transformation of national economic systems into an international system, and of individual national interests into general international interests. In September 1925, in this hall, I heard the representatives of the two great European democracies, France and England, propose a Protocol for security and peace. The Bulgarian representatives were actually among the first to sign that Protocol, for it was only when we had experienced the havoc wrought by war that we learned the true meaning of peace and the peaceful development of nations. Yet, I was still pessimistic because as an economist I realised that, even if political peace were an established fact and the nations were really disarmed, there could still be no peace for the world while economic rivalry remained. I thought then, as I think now, that the road to peace lies through economic *rapprochement* and the fusion of economic interests. That is why the action that the League is taking now should be given every support.

An international economic *rapprochement*, a general united effort to restore the output capacity of labour, the producing power of the individual in every land, a sound and comprehensive scheme for the organisation of capitalist enterprises, cutting across State frontiers and linking the nations one to another as parts of a single whole — mankind : these are the means whereby we shall prevent war ; for the only human power that can prevent war and bring us within measurable distance of peace is the close, intimate and indissoluble solidarity of capital interests.

The prime need of every nation is for lasting peace. This is particularly true of the smaller nations, and not least of Bulgaria.

24. — REVIEW OF THE WORK OF THE CONFERENCE.

The President :

Translation : M. Shidachi (Japan) will address the Conference.

M. Shidachi (Japan) :

Mr. President, ladies and gentlemen — I wish to say a word of congratulation upon the fact that the arduous work of this Conference has received such abundant recompense in the form of the remarkable resolutions and recommendations

which are before us, and a few more valuable ones yet to be anticipated. They are all the more remarkable when we consider that they represent divergent opinions and interests prevailing in different countries. They not only point out the common goal of humanity and pave the way to a new epoch in the world's economic relations but they eloquently and concretely demonstrate the co-operative and constructive spirit that has been manifest throughout these discussions and upon which spirit the peace of the future must be founded.

Many of the problems we have discussed are primarily European, but the findings on them have happily incorporated our desires and suggestions, a fact which only emphasises the solidarity of the world. These include, for instance, the reduction of protective duties, a broader interpretation of the most-favoured-nation clause, rational utilisation of natural resources, international standardisation of materials and commodities, education of small agriculturists and, not the least, the recognition of the importance of the world co-operation of producers and consumers. Commendable as these conclusions are, the study of the problems is by no means concluded.

While recognising the importance of these resolutions and recommendations, we cannot bring ourselves to believe that the world has attained the fullest measure of satisfaction until and unless we shall have solved the problem of its population so inequitably distributed both intra-nationally and internationally. The solution of this problem is one of the fundamental and final conditions of the world's peace and prosperity.

There is yet another problem still untouched which may be characterised in that all-inclusive word "freedom" : freedom of movement of capital, freedom not only of the movement of merchandise but also of persons ; freedom not only of overland trade but also of all inter-oceanic traffic. Nor have we dealt adequately with the question of the stabilisation of currency. However difficult the task may be, it still awaits our careful thought. We see no reason why this cannot be accomplished if we approach the problem in the same spirit of co-operation and conciliation, of live and let live.

The most vital question of immediate importance, however, is, of course, what is to be done with these resolutions and recommendations. In this connection it is well, I believe, to keep in mind two factors, that of utilising the existing organisations and, that of affording full opportunities to non-Members of the League for unrestricted participation. It is my ardent hope that these resolutions and recommendations will soon be put into speedy execution and that they will find concrete expression in our daily economic activities and transactions.

In this connection, I desire to state that we, the Japanese members, are agreed that we should do all in our power to popularise in our country the principles involved in the resolutions. Thus can we work in unison with our distinguished colleagues from different countries in this all-important campaign of education to create public opinion and thereby perpetuate the spirit of international co-operation, co-ordination and conciliation.

Finally, I wish to remember gratefully the part played by the economic organs of the League of Nations and other collaborators, without whose patient and wise assistance the success of the Conference would have been wellnigh impossible. Last, but not least, I would refer to our indebtedness to our esteemed President and other officers of this Conference, who have so successfully guided what is destined to be one of the greatest Conferences in the history of mankind.

The President :

Translation : Mr. O'Loary (United States of America) will address the Conference.

Mr. O'Leary (United States of America) :

The delegation of the United States of America has been glad to support the resolutions of the Conference on the rationalisation of industry. In the United States of America rationalisation has been a very important factor in both industrial progress and general prosperity.

As a result of our experiences, we feel it desirable to submit a suggestion, not brought out in the resolutions, and referring to the desirability of enterprises for development of new resources which are inadequately utilised. Much of the discussion before the Conference has emphasised the difficulty of finding markets for the products of European industry and the disparity between productive capacity and consumption. The difficulty and disparity appear to exist especially in the mining industry and the heavy manufacturing industries. The production and consumption of commodities intended for immediate use has in general reached, if not exceeded, pre-war proportions. The same is not true of the production and demand for capital goods.

This phrase "capital goods" refers to these products, largely derived from the mining and heavy manufacturing industries, which enter into the creation of permanent productive plant and equipment. If the production and use of capital goods could be materially augmented, much additional employment would result, and this would also increase the purchasing-power of the community for immediately consumable goods.

Before the war, a large part of the demand for capital goods lay in the development, not only in the principal industrial countries themselves but throughout the world, of new natural resources or resources only partly utilised, in the creation of new enterprises of transportation, public improvement, mining, forestry, agriculture and manufacturing. The development of such enterprises immediately before the war was proceeding at a pace which was almost if not quite unprecedented. The war almost entirely put a stop to new enterprises of this character and they have been resumed since on only a very greatly reduced scale.

The United States delegation believes that the time has come for the resumption to a larger extent of this work of opening up the world's resources. Such resumption would bring with it an increase in the demand for capital goods which would aid greatly in restoring the general activity of industry.

We are aware that there are difficulties in finding the capital necessary for such development. Public interest, however, which would be stimulated by creative enterprises of this character, enterprises which make a somewhat dramatic appeal to the mind, would tend to increase saving on the part of the people and thus provide more capital than would otherwise be available. Reckless and ill-considered enterprises must, of course, be avoided. For sound projects it is believed that co-operation is possible among the industrialists, bankers and investors of the several countries in such a way as to make available for enterprises of this sort in all parts of the world the relatively abundant capital of those countries which are most fortunate in this respect.

It would not be proper at this time to attempt to suggest more specific measures, but our delegation believes that this entire subject deserves careful consideration on the part of the Govern-

ments and business men and the general public of the various countries. Sound projects for the development of new or inadequately utilised resources have the double advantage of creating immediate demand for capital goods and of bringing about, when the enterprises are completed, new productive capacity and, consequently, new buying power for immediately consumable goods as well as for capital goods.

There exists in the world much wealth. Through development, this wealth will be available. The constructive forces of this Conference may well lend their effort to the prompt consideration of the developments suggested.

The President :

Translation : M. Tournakis (Greece) will address the Conference.

M. Tournakis (Greece) :

Translation : Having reached the conclusion of our joint work, we cannot but note the interest that has been excited among the general public by the Economic Conference. It has given rise to all kinds of hopes, to criticism and to fears as varied as they are numerous. Everyone is wondering whether it will be possible to arrive at really practical results or whether we shall have to confine ourselves, after a purely theoretical examination, to uttering Platonic hopes in the form of resolutions.

M. Jouhaux's scheme has attracted particular attention, and upon it, too, are concentrated the chief criticisms. The French delegate's plan means that lengthy study will be required in order to arrive at acceptable solutions in a matter as complex as the one under consideration. If mankind is to obtain any real improvement and find a remedy for its ills, a lengthy task lies before us. Serious investigation and persistent effort are essential.

I now propose, however, to consider whether it may not be possible even at this stage to advance a little way along the path of progress. We hesitate to raise certain questions and to propose premature solutions for *de facto* situations, for fear of injuring national interests. But if we set about finding the principal causes of the present unrest, with a view to their gradual and total elimination, we should no longer meet with the same obstacles. We should, on the contrary, be acting in the highest international interests.

Unfortunately, the Preparatory Committee excluded from the agenda all questions not of a purely economic character. In so doing, it failed to realise the interdependence of the different social factors. Economic questions form, together with cognate social questions, a complex whole, which does not admit of arbitrary division into separate parts to be dealt with independently. We must not forget, for example, that demographic conditions play an important part in economic life. The effects of over-population, which in certain States used to be obviated by means of emigration, are now becoming apparent. The closing of certain countries to immigrants and the restrictions recently introduced as regards the movement of populations, more particularly under the Migration Restrictive Act in the United States, have created new conditions to the detriment of countries which formerly succeeded in maintaining their national economic level only by exporting labour. In order to make up for this, these countries were obliged to erect Customs barriers so as to enable the national industry to absorb the surplus working population, to keep down unemployment and,

by means of artificial conditions, to defend themselves against foreign competition.

As a result, sickly industries arose, abnormal in origin and in development, and unable to give their workers proper wages. The crisis was further accentuated in countries that were suffering at the same time from currency inflation. We find the most marked protectionism in the Slav and Southern European countries, which, as you know, were worst hit by the American Act restricting immigration. The connection between these two phenomena is clear.

But if the United States have closed their doors to the Mediterranean and Slav labour contingents and thus succeeded in erecting high barriers to protect their workers against the lowering of wages by foreign workers, many untouched fields still provide openings for human activities, in Australia, in North and South America, in Asia and in Africa, countries that require foreign labour to exploit and develop their natural riches.

In these immigration countries, however, which are as yet little known to the working masses, colonisation conditions are unfavourable. The Government authorities there cannot supply definite information concerning the economic and social conditions applicable to immigrants.

Further, many Governments, instead of encouraging and directing emigration, are afraid to let their workers go and are endeavouring to industrialise the country, in order to maintain or even increase the population, this being in their view the only means of increasing their power. They are thus tending more and more towards imperialism.

The only way to remedy these drawbacks is to organise the labour supply and demand on the international market, and to create a vast information system, showing the possibilities of work in the different regions, in order to facilitate migration in both national and international interests.

It might thus be possible to reintroduce healthier conditions of production, for we should thus eliminate what is, to my mind, the most serious obstacle to freedom of movement in the matter of labour, namely, ignorance as to the possibilities as regards work and adaptation.

Accurate up-to-date information would make it possible to establish the pre-war current of migration, while safeguarding the nations from the dangers of badly organised emigration. Emigration countries might be relieved of their surplus labour, while the international "labour-capital" could move freely, and in such quantities as might be required, to the points where it was most needed.

An idea which I suggested two years ago to M. Albert Thomas, the eminent Director of the International Labour Office, and which I think it may be useful to explain further and to ask this Conference to study with a view to putting it into effect, is the establishment of an International Labour Exchange, whose principal duty it would be to assist in the distribution of workers according to the requirements and resources of the different nations.

Let us turn now to another question, a problem which to my mind calls for our very special attention: I mean Customs barriers.

Mr. Layton, referring to the post-war map of Europe, observed that Customs barriers, as the result more particularly of the disintegration of the old Austro-Hungarian Empire, have increased by 11,000 kilometers and that the seven small economic units which came into being on the conclusion of peace form, in the present world economic scheme, a veritable "anarchism" of individual organisms each persuaded that its prosperity depends upon the ruin of its neighbours. His observation is very sound.

The situation is even worse in the Balkan Peninsula. Although the small nations form together a single economic entity, each one of them maintains complete isolation. Thus there is no direct railway communication between Bulgaria and Greece, or between Albania and Serbia or Albania and Greece. Some idea of the isolation of these countries may be obtained by reference to their foreign trade statistics.

These show that Greece is the only State that has engaged in inter-Balkan trade. I am happy to inform you now that we are endeavouring to strengthen the economic and political bonds between our country and the rest of the Peninsula. As proof of our desire, we have founded a Balkan Rapprochement League, which numbers among its members statesmen and persons well known in the world of politics, economics, science, journalism, trade and industry.

This League is in close touch with persons of note in the Balkans and is working hard to bring about an inter-Balkan congress to study questions affecting the economic and social interests of the nations in the Peninsula. The entente might even be extended later so as to include other States, with the port of Salonika as headquarters, and similar ententes might be constituted to group together the peoples round the Danube, the Rhine, the port of Danzig, and elsewhere.

Small ententes such as these would in themselves lead to practical results. But they cannot be brought about by individuals or isolated nations: they would have to form part of an international scheme, and that is why I suggest to the Conference that it might be expedient to encourage and if I may say so, to "patronise" this movement and to promote the conclusion in economic matters — as in the case of peace — of special covenants between groups of nations.

In conclusion I would urge:

1. The institution of an International Economic Council in the form proposed by M. Jouhaux;
2. The creation of an International Labour Exchange to be attached to the International Labour Office;
3. The conclusion of economic covenants between groups of nations; and
4. The creation of an International Agricultural Credit Bank.

The Conference rose at 1.10 p.m.