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LEAGUE OF NATIONS

**ECONOMIC AND
FINANCIAL ORGANISATION**

**Information Section,
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NOTE

This pamphlet is one of a short series issued by the Information Section of the Secretariat of the League of Nations on various aspects of League work. It should not be regarded as an official statement engaging the responsibility of the League; for official purposes, reference should be made to the documents and proceedings of the League of Nations.

Other pamphlets deal with the general work and development of the League, its constitution and organisation, the Permanent Court of International Justice, political activities, financial administration, disarmament, health, mandates, transit, minorities, the administration of Danzig and the Saar, intellectual co-operation, and humanitarian activities.

January 1928.

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THE LEAGUE OF NATIONS

WORK OF THE FINANCIAL AND ECONOMIC ORGANISATION

INTRODUCTION

The Economic and Financial Organisation of the League was created in the first instance in order to give technical advice to the Council. It originally consisted of two Committees, the Financial Committee and the Economic Committee. Later, a consultative Committee was appointed, at the suggestion of the Economic Conference, to supervise the execution of the resolutions of that Conference. The composition of this body is modelled upon that of the Preparatory Committee of the Economic Conference and includes qualified experts on industry, commerce, agriculture, finance, labour and questions affecting consumers.

The Economic and the Financial Committee usually work independently, but they sometimes meet in plenary session in order to consider problems of common interest. Each Committee consists of 12 or 15 members—high officials from Treasuries or Ministries of Commerce, directors of great private banks, eminent economists or statisticians—not official representatives of Governments, but chosen by the Council for expert capacity and special knowledge of certain economic or financial matters. The nature and composition of these two Committees are important as an illu-

stration of the League method in the economic and financial sphere. Not being Government representatives they can come to the discussions with minds comparatively free from political influences or exclusive preoccupations with national interests. It is notable that their resolutions and recommendations, based on technical considerations, have almost always been unanimous.

The experience of the last years has abundantly proved that, when proposals are submitted to Governments, they come with additional force by reason of the fact that the authors are disinterested experts. On the other hand, the members are in touch both with the Governments of the countries from which they are drawn and with business and financial circles.

Their work is unhampered by any rigid rules or constitution. Their number is not permanently limited by any statute. They meet in practice three or four times a year, generally at Geneva, and usually sit for a week or ten days. But they meet oftener and longer if circumstances require; the session of the Financial Committee which was held in 1922 to discuss the reconstruction of Austria lasted four weeks, and some members of the Committee were in Vienna for another two months in order to set the scheme working.

They are free, subject to the Council's approval of general lines of policy and procedure, to conduct their enquiries as they think best and to adapt them to the circumstances of each case. They frequently appoint small sub-committees composed of some of their own members or of specialists drawn from any country in the world.

The secretarial work of these two Committees and their sub-committees is done by the Economic and Financial Section of the permanent Secretariat of the League at Geneva. This section includes an economic intelligence branch which prepares and keeps up to date a number of technical publications.

FUNCTIONS, POLICY AND PROCEDURE.

Functions. — With regard to the functions of the League in the sphere of economics and finance, the Covenant itself contains only one specific reference in Article 23 (e), which runs :

(“Subject to and in accordance with the provisions of international conventions existing or hereafter to be agreed upon, the Members of the League...)

“(e) Will make provision to secure and maintain freedom of communications and of transit and equitable treatment for the commerce of all Members of the League. In this connection the special necessities of the regions devastated during the War of 1914-1918 shall be borne in mind.”

But the economic and financial duties or the League *implied* by the Covenant are far wider than this, and arise in relation to the three main objects of the League, namely.

(a) The provision of a means of settlement of disputes and quarrels without resort to war.

It is clear that many disputes and quarrels arise directly or indirectly out of economic conditions, and the Council or Assembly, in forming their judgment upon such disputes, must have the requisite knowledge and advice. Moreover, the Covenant provides for the use of what has been called “the economic weapon of the League”, the boycott of any State which flouts certain of its obligations under the Covenant.

(b) The removal of whatever disturbs the good understanding between nations on which peace depends, that is, the removal of the causes of quarrels and disputes.

It is evident that the range of possibilities opened up in the economic sphere by this general duty is almost unlimited,

though it is equally evident that any efforts to eliminate the deep-seated economic causes of war have to be made with the greatest prudence and caution.

(c) The provision of machinery by which (quite apart from questions of peace and war) the nations of the world may mitigate suffering and promote progress by means of international co-operation.

Here again the opportunities which present themselves may be innumerable. The work of the League described in this pamphlet in connection with general post-war problems falls chiefly under this heading. For instance, the object of the Economic Committee in connection with the equitable treatment of commerce has in the first place been an improvement in the conditions under which foreign traders work. Similarly the enquiry by the Financial Committee into the evils of Double Taxation and Fiscal Evasion are really an attempt to seek to remove in the only way possible, *i.e.* by international action, a system which is unjust both to the individual taxpayer and to Governments.

Policy. — The policy of the Council and—under its direction—of the Economic and Financial Commission has for two reasons been cautious and tentative. The League is a composite association which must take into account the wishes and interests of all its members; its business is to discover and to explore such common ground as exists; it has no power to impose a collective will, but only opportunities to elicit general consent; in short it provides, not a form of government, but a method of co-operation; for while, on the one hand, it may not abandon the idea of progress in every sphere for which it was created, it has to take account of the prevailing tendencies of the Governments of which it is composed. Thus, for instance, in 1923 it was thought wise to exclude from the scope of a general conference recently held on Customs Formalities all questions and all discussions

relating to the tariff and commercial policy of States, not only because many Governments would have been hostile to discussion, but because it could have had no practical result, since international agreements are useless unless they are widely accepted and applied.

The second reason why the Council has pursued a cautious policy is that, many of the problems requiring solution are comparatively new, or present themselves under unprecedented general conditions. Thus, for instance, the nature and extent of double taxation had never been investigated and no attempt to deal with the question by international co-operation has ever been made. It has therefore been necessary to undertake the most careful enquiries before attempting to find a basis on which an international agreement could conceivably be built.

Procedure. — A procedure has therefore been adopted which provides a number of safeguards. Four stages may be distinguished in it.

(1) The Economic and Financial Commission examines any particular subject which is suggested, e.g. by the Brussels Conference, as suitable for the League to pursue, and decides whether, and to what extent, it would be in harmony with general opinion, whether it is likely to find acceptance among Governments and is likely to lead to a practical result.

(2) If, after this examination, a problem seems to present chances of action, it is then often submitted to committees of specialised experts which elucidate this or that aspect, and which, by reason of their composition, are often intended to provide a kind of test of the opinion in the countries most nearly concerned. The directions in which real progress is possible in the near future are thus explored.

(3) The Economic and Financial Committees, or one of their sub-committees, then proceeds—always under the general

direction of the Council—to prepare a programme which is carefully confined within the limits previously determined.

(4) The Council is then recommended to summon a general Conference with the object of drawing up on the basis of the programme submitted to it an international convention.

Governments are, of course, free to sign and to ratify such conventions or not, as they wish; but the fact that nationals from many of the participating countries have in one way or another been associated in its preparation generally results in a large number of signatures and ratifications.

Even if these four stages are carried to a conclusion, the work of the League is not done; for most of the international conventions concluded under the auspices of the League contain some provisions : (1) that cases of dispute arising out of the convention shall be submitted in the first instance with a view to amicable settlement to a technical body of the League for an advisory opinion and (2) that information shall be sent by the Contracting States to the Secretariat at regular intervals as to the way in which the Convention is being executed. Of course, at one or other of the stages described above, several questions, such as the scheme of international credits, have proved to be impracticable, or, like the treatment of foreign branches of banks raised in 1921, unripe for international treatment; it has been found necessary to suspend work upon them, merely making recommendations to the various States to adopt certain principles or suggestions; others—double taxation for instance—have not advanced beyond the early stages. It does not follow that the action of the League in such cases has proved fruitless. Progress has not yet gone far beyond preliminary attempts at international collaboration; experimental work is not only necessary to meet the needs of each case; it is also of indirect assistance in preparing the way for future success.

It is not possible to indicate the methods of procedure which have been followed by the Council in dealing with

special problems, as they vary according to circumstances. But three examples may be given in order to illustrate their variety.

In preparing the scheme for the *reconstruction of Austria*, each of the two Committees contributed a part of the work, in collaboration with other Sections of the League, and under the general direction of a special sub-committee of the Council. The object aimed at was a comprehensive settlement which would have political, financial, economic and legal aspects. The paramount pre-occupation was to restore Austrian credit. From this it followed that there would have to be a control of Austrian finances in order to ensure that a general programme of reforms, resulting in a permanent settlement, would be carried out, and also some form of special guarantee for the potential lenders. On the other hand it was essential that the control should be such as the Austrian Government could reasonably be expected to accept. A careful distribution of powers was therefore necessary. Finally it was decided to institute for the purposes of control a single Commissioner-General, appointed by and responsible to the Council alone, and, in order to ensure his freedom from political influences and from the bias of special interests, not chosen from any of the principal guaranteeing countries, or from countries bordering on Austria. The need for a special guarantee was, on the other hand, met by the creation of a special "Committee of Control of the Guaranteeing Governments" which were backing the reconstruction loan, with powers carefully limited and adapted to the purpose of the Committee, *i.e.* the safeguarding of assets assigned for the service of the loan. A somewhat similar framework has been prepared in the scheme for Hungary.

The *Greek Refugee Problem* was of a different kind. Here it was a question not of reconstructing a whole country but of starting a definite piece of productive work, which should

ultimately pay its own way, in order to find employment for refugees by a system of land settlement.

There existed no institution capable of raising the initial credits. This kind of administrative and financial work was not such that the Council could assume immediate responsibility for it. It was decided therefore that, under a protocol signed by the Greek Government, prepared under the auspices of the League and approved by all the members of the Council, a settlement commission should be constituted, consisting of two Greek members, a *representative*—not like the Commissioner-General in the Austrian case, an executive official—of the Council and a fourth member who was to be chairman and have a casting vote, and who, although the appointment was also made by the Council, was to be representative of the relief organisations which had been working on the spot. This Commission is not an executive organ of the Council; it is a separate body with legal personality and it will elaborate and carry out the settlement scheme and will endeavour to raise the foreign credits by the issue of a loan secured upon assets placed at its disposal by the Greek Government. Here is a case where the League has lent the assistance of its technical organisations for the construction of a plan and where political questions involved have been settled in the Council. But once the scheme is set up, the work of the Council consists chiefly of the consideration of periodical reports from its representatives.

An example of a third method for dealing with special cases was the appointment of a *financial adviser to the Albanian Government*. Certain States, for various reasons, do not possess financial, administrative and economic experts with the required experience to enable them to set up an Organisation adequate to cope with the needs of the abnormal period through which the world is now passing. The Council of the League of Nations therefore stated that it was prepared

to consider any request addressed to it by States requiring competent technical advisers, and the Council undertook, with the assistance of the Economic and Financial Organisation, to discover the technical experts who might best be placed at their disposal. This principle was first applied in the case of Albania. The Adviser is not an official and not even a representative of the League, and his powers are not defined in the form of a protocol or other international instrument, but are fixed by the Government whose service he enters. But having been chosen through the League he is naturally in touch with its technical organisations and can count upon their collaboration.

PART I

FINANCIAL WORK

I. INTERNATIONAL FINANCIAL CONFERENCE OF BRUSSELS, 1920.

It was particularly in the financial sphere that the problems created by the war imposed on the League a series of tasks which fall under the general heading of reconstruction.

The first and most obvious requirement was to obtain some general outline of the facts of the situation. An International Financial Conference was accordingly held at Brussels in 1920. It was attended, as technical experts but not as spokesmen of official policy, by representatives of thirty-nine States, including for the first time enemies and neutrals in the late war.

The delegates submitted written memoranda on the financial position of their respective countries, supplemented by oral statements. Discussions took place on such subjects as budgetary principles and capital expenditure, external and internal borrowing, monetary policy and inflation, the rôle

of central banking, the instability of exchanges, trade barriers and various forms of export credits. The report of the Conference, covering almost every branch of public finance, was unanimous.

The Brussels resolutions were at first attacked, or neglected as doctrinaire. But, gradually, as one Finance Minister after another set himself more or less successfully to put his house in order, their practical value came to be recognised. For the report not only gave for the first time something like a complete view of the financial condition of the world after the war; it reasserted a body of financial doctrine—once orthodox—which had been abandoned and even forgotten in the exigencies of war.

Moreover, the principles laid down at Brussels were soon to be put to a practical test when applied to two specific cases of financial reconstruction which together constitute the earliest and also the most important part of the financial work effected through the League.

2. THE FINANCIAL RECONSTRUCTION OF AUSTRIA AND OF HUNGARY.

Both arose out of the dismemberment of the former Austro-Hungarian Empire. In 1922 Austria, and in 1923 Hungary, appealed to the Council for assistance in obtaining an external loan. Austria was faced by financial ruin, with all the consequent dangers of social-disorder and political complications; Hungary, with a sounder economic foundation, was also in serious financial difficulties, with a heavy deficit on her budget, a currency hopelessly depreciated and a demoralised exchange. Both countries were faced with a reparation debt which would in any event be considerable but the exact amount of which had not been fixed. In each case, after the appeal had been made to the League, negotiations with the object of settling political difficulties, and involving

in one case the postponement and in another the limitation of reparation payments, which had proved unsuccessful in other spheres, were resumed. Plans were drawn up by the Financial Committee of the League for financial and monetary reform, to be carried out within a definite period under the supervision of an impartial officer of the Council, and for the issue of loans based on the security of assigned revenues which were recommended to the investing public as adequate — and proved to be so. The necessary public loans—£26 million for Austria and £10 million for Hungary—were successfully issued in various blocks on European markets and in America — in the case of Austria with the help of guarantees given by ten European countries. Trustees were appointed by the Council. And the plans adopted by the Council and carried out by the Governments concerned attained the object in view, viz., to ensure the economic integrity and political independence of the two countries.

But it may be convenient to note, in summary form, some of the main features of these two great experiments in financial reconstruction and international action, and some of the tentative conclusions suggested by the experience of their working (1).

1. The schemes were, in the financial sphere, comprehensive and complete. To stop inflation, they did not merely remove its immediate cause (unrestricted governmental note-printing) by the transference of the monopoly of note issue to a National Bank independent of the Government and working under carefully drawn statutes; they dealt with the secondary and more important cause, the excess of State expenditure over revenue, and provided for budget equilibrium. The machinery for securing performance was equally com-

(1) The following summary is taken from the "Comments and Conclusions" in a General Survey by Sir Arthur Salter, Director of the Economic and Financial Section of the League of Nations, appearing in two volumes published by the League Secretariat on the Austrian and Hungarian reconstruction work.

plete and comprehensive. At the top was the Council of the League (with its Sub-Committees, the Austrian and Hungarian Committees) supervising the whole task, particularly in its political aspects; assisting the Council were its technical committees, financial and economic, meeting every three months, and its permanent officers, with legal and other qualifications; while in Austria and Hungary the schemes were supervised in each case by the resident Commissioner-General.

And these schemes, together with the mechanism for their execution, were prepared, adopted both by the Council and the countries represented on it and by the Austrian and Hungarian Legislatures, and published *to the world at once and as a whole*. There was no attempt to introduce reform piecemeal, with the danger that it would break down at its most difficult point. On the contrary, adoption of the more difficult features was made easier by the impossibility of picking and choosing, and the knowledge that the plan must go through as a whole or not at all; and confidence was inspired by knowledge of the complete plans and their adoption as a whole, as it could not have been had certain integral portions remained unknown or uncertain.

It should be added that the Protocols gave *pleins pouvoirs* to the Governments for the execution of the schemes.

2. Stabilisation of the currency, while simultaneous with a plan of budget reform, preceded its accomplishment. The resolutions of the Brussels Conference of September 1920 suggested that the way to currency stabilisation was through budget equilibrium. But in 1920 European currencies, though depreciated, were not demoralised; and budgets, though in deficit, were not in chaos. In August 1922 and May 1924, with the Austrian and Hungarian crowns reduced to about 1/15,000 part of their gold value, and budget deficits, mainly as a consequence of the currency instability, incapable of calculation, no such order of events was possible. It was impossible to reform the budget while the currency was falling,

for an estimate made one day was wildly wrong the next. Most of the costs of government follow quickly the changes in the purchasing value of the currency; changes in the receipts from revenue follow much more slowly. It was essential, therefore, to stop the uncovered inflationary issues at once. Budget equilibrium followed; it did not precede.

3. The cessation of unrestricted note issuing did not mean that the Austrian and Hungarian currencies were limited to their previous figures. It meant that further issues were only legally permissible on the basis of the maintenance of a statutory proportion of gold and foreign exchange; the possibilities of increase were therefore dependent upon the inflow of foreign exchange. Within this limit the Banks of Issue were free legally to pursue their own policy. In fact, while maintaining the external value of the crown by the free sale of foreign exchange at a stable rate (in Austria, first in relation to the Swiss franc and then to the dollar; in Hungary to the pound sterling and then—as sterling came on a gold basis—to gold), the Banks also kept internal prices reasonably stable by their note-issue policy. The inflow of foreign exchange with renewed confidence was in fact such as to have made a much larger note issue legally permissible. It would have been impossible, and from every point of view unnecessary and undesirable, to restrict the notes issued to the number at the date of stabilisation, for this number would have been quite inadequate to the normal needs of the country. In fact, during the first two years since the stabilisation, the notes have increased in Hungary about three times and in Austria more than fourfold. But this has not been "inflation", in the sense in which that word denotes an undesirable process, for the increase was made in each case without affecting or endangering either the external value of the crown or raising internal prices. The fact is that, during the later stages of rapid depreciation, the fall in exchange value tends to outrun the increasing number of

notes; in other words, the gold value of the total currency tends to fall. This is partly due to the speculative anticipation of future inflation, partly due to an increased "velocity of circulation" (extension of credit payment, etc.), partly to a reduction of transactions, partly to the use of foreign currencies as a medium. The net result was that the currency in circulation when the League plans were started was quite inadequate to what were bound to be the normal needs of the two countries.

Unregulated issues went to an end in Austria on November 18th, 1922, but as there was a difficult time ahead and it was known that expanding needs would absorb and demand extra currency, a considerable number of notes was printed just before November 18th and kept in hand to be used in the succeeding months. This proved an invaluable resource, capable of employment without in any way depreciating either the external or internal value of the crown. It was a bold expedient fully justified by results. It is also interesting to note that the depreciation of the crown could be stopped, not with the decision in November to stop printing, but directly there was some hope of a real scheme at League reform—a full two months before.

The effect of the inflow of foreign exchange from the reconstruction loans and the homeward flight of Austrian and Hungarian capital with the return of confidence were both relied upon in the currency provisions. They proved much more than sufficient, and, had new notes been issued up to the maximum proportion allowed by the Statutes in relation to foreign exchange cover, the currency must have become excessive, internal prices would have risen and a fall in exchange value would only have been stopped after a drain on the exchange cover and much disturbance. But without those two sources of inflowing foreign exchange, the statutory provisions limiting note issue would have starved the countries of currency.

4. These indirect results of the loans—in evoking confidence, in stimulating the homeward flight of capital—proved of greater importance than their primary purpose of meeting budget deficits during the period of budget reform. For equilibrium between ordinary expenditure and receipts was attained at a very early date. Taking the whole period of reform in each case, the ordinary receipts from revenue considerably exceeded ordinary expenditure (even including in the latter the service of the loan itself). The loans were therefore in effect available partly for clearing off capital burdens and partly for capital investments designed to increase the productive capacity of the two countries.

5. This remarkable result was reached in each case not by a reduction in expenditure but by the rapid expansion of revenue as soon as the economy of the country had a sound currency basis and the taxing authorities had a stable medium of assessment. It was never contemplated that an actual reduction in the total expenditure would be practicable or indeed desirable. Economies were indeed made, but they were offset by increased—and much-needed—expenditure in other directions.

In this respect the two schemes, as worked out, show a marked difference from the schemes as outlined in the original reports. The standard budgets contemplated when the two schemes were started were considerably lower than those agreed to before the control of the two Commissioners was terminated. The original levels taken were, however, intentionally very conservative. Probably no one thought that they could be exactly adhered to; but it was necessary to have a severe standard by which to test and enforce the programme of reforms. In the supervision of the schemes by the Financial Committee and the decisions as to when financial stability could be considered as assured, the most difficult problem was that of the level at which the budget could be regarded as safely balanced. Admittedly it was much higher than

the figure originally fixed in each case; but it was by no means certain that the high levels reached by the revenues during the reconstruction periods were not so high as to impose too great a strain on the taxable capacities of the two countries. It was to this point that the special enquiry in Austria of the Financial Committee in August 1924 was mainly directed.

6. The economic reconstruction of Austria and Hungary was no part of the direct task undertaken by the League. The object of the League schemes was to provide a sound basis on which these countries would themselves build up the best economic structure possible in the circumstances.

The possibility of League help for Austria in certain portions of this task was not excluded, but it was no part of the original task, and in fact it has not so far proved effective. It is sufficient to say here that the economic distress of adjustment was considerable in Austria, though much less than was originally contemplated. Trade depression, as indicated in particular by the unemployment figures, remains serious. It is notable that, as in some other cases, the effect of post-stabilisation unemployment was experienced not in the year immediately following on the stabilisation but a full year and more later.

In Austria the inevitable, and necessary, economic adjustments were indeed both retarded and disguised by the boom resulting from the burst of confidence with which the scheme was launched and the sudden inflow of foreign money both from the loan and the recall of money previously sent abroad.

7. The restoration of the Austrian currency was the first instance of a successful effort to restore one of the currencies which after the war went completely to pieces—fell to less than one-ten thousandth part of their value. Of the others which fell into this category—the German, the Hungarian, the Polish and the Russian—the Hungarian was restored by a

similar League scheme, and the German in conjunction with an international action which in many of its most important features was based on the experience in Austria (1).

(1) In assessing the place of the Austrian and Hungarian schemes in the post-war financial history of Europe, it is important to study their relation to the German scheme drawn up by the "Committee of Experts" and subsequently adopted at the London Conference in 1924. Attention may be drawn to the following points of resemblance, influence or relevant experience.

(a) The demonstration of the recuperative capacity of a country disorganised by complete currency depreciation which was given by the sudden prosperity of Austria in 1923 was useful in assisting the Committee in its primary work of fixing upon reparation payments which would at once be acceptable to the creditors and regarded as practicable by those on whom the financial recovery of Germany depended.

(b) The technical principles — the transfer of the monopoly of note issue to an independent Bank of Issue, stabilisation in relation to gold, budget equilibrium — were the easier of adoption because of the proved experience in Austria.

(c) The protracted difference of opinion as to whether the "total obligation" of Germany should be fixed at once and for all time or whether this question should be postponed till war debts could be discussed as a whole, and experience of the capacity of a restored Germany as a whole had been obtained, was settled by a practical compromise. The obligations were fixed not "for all time" but "for a considerable period", which was defined as the "period which lenders and investors will have in mind". Experience had shown in Austria that certainty for such a period was a sufficient basis for confidence and financial recovery. The analogy of Hungary, where definite reparation payments were fixed for twenty years, in the scheme which was negotiated a few months before the German one, is even closer.

(d) The main system of "control" was different. In both Austria and Hungary the whole budget was under the control of a Commissioner-General. In Germany, for obvious reasons, no such control was considered necessary or practicable. Yet there was one feature of the League control system which proved a useful precedent for the German scheme. There had been a serious difference of opinion as to whether the reparation obligation, when fixed, should be secured by the control of assigned revenues or not. It had been urged on the one side that the creditor would not be assured without such control, and on the other that control would mean wasteful interference and friction. In Austria and Hungary, the League had had the same problem in securing the service of the "reconstruction loans". The solution had been to assign revenues whose normal yield would largely exceed the obligation they secured, any balance being at once returned to the Government. So long as the yield gave a safe margin (which in normal circumstances would be always), it was possible to limit the "control" to little more than a statistical observation of the results, without any interference in the management. The Committee of Experts on the German reparation problem took full evidence as to the working of this system in Austria and incorporated the main principles in their own arrangements for the control of the State revenues which were (with certain other securities) designed to assure the reparation payments.

(e) Lastly, the principle of a "transfer" safeguard was invented for and included in the Hungarian scheme, which was approved and published shortly before the Committee of Experts began their examination of the German problem. There

8. It may be well to comment upon some features of the League "control" on which there has been some misunderstanding. It has sometimes been stated that the League, or the States which constitute its executive authority, have seized the occasion of a country's need to institute a foreign tyranny, to destroy the sovereignty of the assisted State, to replace a native by an external Government. Nothing could be further from the facts. The greatest care was taken to create a system at once elastic and, so far as possible, invisible; a system which gives just so much control as, at any moment, is essential to secure the desired object and no more; a method which automatically means less interference as the need is less. The application of this principle to the control of the assigned revenues is shown in the preceding paragraph. The same is true as to the practical working of the control of the budget. If and when the progress made by either Government in executing the agreed reform programme was at any moment inadequate, the Commissioner-General's intervention at once became more active; just so far as the Government proved able to carry through the

had long been a difference of opinion as to the basis upon which Germany's capacity to pay should be assessed. It was urged on the one side that the natural basis was "taxable capacity". What was the burden on the German taxpayer in comparison with the burden in Allied countries? How much could it reasonably be increased? The answer would give the measure of capacity to pay reparation. It was urged on the other side that taxable capacity only indicated Germany's capacity to pay in German marks, and that reparation involved essentially payments in foreign exchange. The question should therefore be: "How much foreign exchange can Germany obtain?" or, in other words, "What is her potential surplus of exports (visible and invisible) over imports?" The difficulty of this criterion, however correct in theory, was that it involved an impossible calculation which in fact could be little more than guess-work. An exactly similar problem, though on a much smaller scale, had confronted the League in constructing the Hungarian scheme. The solution there found by the Financial Committee (and adopted by the Reparation Commission on the proposal of the League) was to fix the reparation obligation in the first instance in terms of the national currency and to provide for conversion into foreign exchange only so far as the financial position of the country should in fact be able to bear the strain without threatening the stability of the currency. This principle of a "transfer" safeguard was adopted in the German scheme, with some difference of method, and it constitutes what is perhaps technically the most interesting feature of that scheme.

reforms satisfactorily, it became nominal. In the Hungarian Protocol, indeed, drafted after experience in Austria, this principle is exactly defined :

“The Commissioner-General will not, so long as the progress of the reform scheme is up to or in advance of the programme, . . . object to particular items of expense or require modifications of the taxation system, except on the ground that the particular expense or feature of the taxation system is such (*e.g.*, by involving serious later commitments) as in his opinion to compromise the later progress of the scheme; but if the progress of reform is at any time behind what is prescribed . . . he . . . may object to any item of expense and may also, or alternatively, require the Hungarian Government to increase the yield of existing taxation or to impose new taxes.”

As Hungary in fact attained budget equilibrium within a few months, the practical effect of this provision was that, through almost the whole of his term of office, the Commissioner-General did not formally and of right control the Hungarian budget, though its personal confidence in him resulted in the Government constantly asking his opinion as a friendly adviser. So, too, the Protocols in each case provided for the termination of the office of Commissioner-General as soon as financial stability was assured—a provision executed by decisions taking effect in both cases on June 30th, 1926.

The same desire to avoid unnecessary foreign interference is evident in the third element in the “control”, the appointment of Bank Advisers. These officers have, both in Hungary and in Austria, served as officers of the National Banks and not of the League. Their advice was the more successful for being at once tactful, invisible and derived from an internal authority.

If, however, control was never more than was essential in the interests of the reconstruction itself, precautions were taken that it should be sufficient. If financial stability should be again endangered—that is if, but only if, either Government should prove unable to maintain the stability now attained on a sound basis—the office of Commissioner-General could be re-established. In the meantime, the mere existence of such a provision might well prove an element of support to a Government struggling, in a difficult period, to keep its expenditure within its resources.

One other misunderstanding needs removing. The similarity in the two principal pieces of financial work undertaken by the League has sometimes suggested that the particular system of control adopted in Austria and in Hungary is the "League system", necessarily applicable in all cases in which League assistance is asked. This is an unwarranted conclusion from two instances. The particular system then applied was chosen because it was considered appropriate to the particular conditions of these two problems. In fact, however, the League has associated its credit with a loan for economic development of a constructive character for Danzig on conditions which secure only the expenditure of the money upon the agreed objects, with the possibility of an accounting control of the securities of the loan. The Greek and Bulgarian refugee loans, again, are associated with a control of expenditure and of assigned revenues without any control of the general State finances. The conditions must necessarily vary with the character and circumstances of the particular problem. The methods hitherto adopted constitute only the guiding experience, not a binding precedent, for any new case that may present itself.



The financial reconstruction of Austria and Hungary has thus not only restored these two countries ; it formed a

valuable precedent and example for the financial reconstruction of other countries, including both those which have restored, or are restoring, their finances by a national effort and those to which an international scheme has been applied. It has also tested and proved, and in some respects corrected or supplemented, the principles laid down at the Conferences of Brussels in 1920 and Genoa in 1922. It occupies, therefore, a position of great importance both in the theory and the practice of financial restoration.

3. SETTLEMENT OF GREEK REFUGEES.

The Austrian and Hungarian schemes had already been launched when a new problem presented itself. The late Greco-Turkish war involved a considerable displacement of population. The Treaty of Lausanne had required members of the Greek Orthodox Church established in Turkey to emigrate to Greece and Moslems established in Greece to emigrate to Turkey. This provision of the Treaty had, however, been anticipated by the flight of a large proportion of the persons concerned. During the retreat of the Greek Army and the capture of Smyrna and the rest of Asia Minor by the Turkish troops in the latter part of 1922, hundreds of thousands of inhabitants of these regions left their homes and fled to the coast, some with the assistance of Dr. Nansen, acting on behalf of the League.

As stated by the President of the Settlement Commission, Mr. Howland, it was obvious that the problem presented by the influx of 1,400,000 refugees into a country small in extent, whose population numbered approximately 5,000,000, involved for the Greek Government and for the League of Nations two elements. On the humanitarian side imagination cannot compass the event. Only those can make the effort of understanding who have seen destitution, misery, disease and

death in all their possible forms; and the scale of this disaster was so unprecedented as to demand even from such persons a new vision.

It required an equal effort of the imagination to picture the possible political consequences of such a catastrophe — consequences to the nation itself, to its neighbours, and from them to the world at large. Habits of order and respect for law disappear when a man sees his wife and children dying of want, and men become anarchists. There were not lacking those who fish in such waters, and who use for that purpose the poacher's apparatus of dynamite. Relief of despair on such a scale is as much a political necessity as a humane responsibility.

In the first months emergency assistance was improvised by American and British charitable societies. Such organisations could not provide the sums necessary for the definite settlement of all suitable refugees in productive work. And the Greek Government, which itself could not hope to accomplish such an immense task without the assistance of an external loan, asked the Council in February 1923 for the moral support and technical help of the League. Such a loan, however, presented great difficulties, for the financial credit of the Government in the money markets of the world had been necessarily weakened by the recent war.

As with Austria and Hungary, the problem was a complex one, with political, technical, financial and legal aspects, and the Council used all the appropriate parts of its organisation to solve it. After preliminary investigations in Greece, the Financial Committee reported in June 1923 on the whole problem, and, after considering their report, the Council approved the main lines of a scheme to be financed by a loan and administered by an independent Settlement Commission.

It proved impracticable, however, to issue a long-term loan immediately, particularly because political conditions in Greece had not become sufficiently stable. The work of settlement was enabled to proceed, however, by advances by the Bank of England in conjunction with the Bank of Greece, on condition that an independent settlement commission should be established on the lines approved by the League.

The functions and composition of the Settlement Commission were laid down in Statutes annexed to the Protocol adopted by the Council in 1923 on the report of the Financial Committee, and signed on behalf of Greece on September 29th, 1923. It consists of four members; the Council of the League appoints two members, including the Chairman, who is always a national of the United States; the two other members are appointed by the Hellenic Government with the approval of the Council. The function of the Commission is "to promote the establishment of refugees in productive work, either upon the land or otherwise in Greece". It is expressly stipulated that the funds of the Commission may not be spent on the relief of distress or for charitable purposes, as distinct from settlement in productive work. All assistance is given on terms involving ultimate repayment.

This first settlement loan was successfully issued in December 1924 in London, New York and Athens. In the meantime, work had been proceeding with the help of provisional advances, which were repaid out of the loan, *i. e.*, £1,500,000 advanced by the Bank of England, £500,000 by the National Bank of Greece, and £1 million by the Hellenic Government.

The proceeds of this loan amounted to £9,707,000. The following was the expenditure on the main groups :

	To December 31st, 1926		To June 30th, 1927	
	£	%	£	%
Agricultural settlement.	7,541,324	97.6	7,911,023	87.2
Urban settlement.	973,082	11.3	1,051,174	11.6
Central administration	95,242	1.1	113,658	1.2
Total	8,609,648	100	9,075,855	100

The sum of £7,541,324 expended on the *settlement of agricultural refugees* was used for the settlement of 147,211 families, an average sum £51 per family.

£973,082 (at 300 drachmæ to the £) were spent on *urban settlement*.

The total number of urban houses erected is 16,756, which gives an average of 22,087 drachmæ, or £73 12s. 6d. per house. These houses are inhabited by some 24,000 families.

Thus by the end of 1926 the back of the problem had been broken. It is impossible to give anything like exact figures of the number of refugees, urban and agricultural, who had by then been definitely settled, as no exact census could be made, the Statistical Services of the State having been temporarily suppressed for reasons of economy. But it is probable that the number of persons who had received assistance was considerably more than 700,000.

No mere figures, however, can measure the wider significance of the settlement work. Its beneficent effects have been felt in the sphere of politics, in achieving, for the first time in history, an almost homogeneous population in this troubled corner of Europe. Economically, the establishment of the refugees in productive work has not only removed a social danger and an economic burden, but has positively endowed

the country with a new source of wealth and prosperity. This is indeed the most remarkable conclusion to be drawn from the experience of the last three years. The refugees have proved to be admirable material; almost everywhere they have made good, whenever even the most slender assistance and encouragement could be given; and it is not too much to say that their final absorption into the social and economic life of the country will leave Greece far stronger and far more prosperous than she could have hoped to become if the influx of refugees had not taken place.

History of the New Loan Scheme.

In March 1927, the Refugee Settlement Commission informed the Financial Committee that the work of establishment could not be satisfactorily completed without an additional loan. At the time when the original scheme was drawn up, the settlement loan had been fixed at a net yield of £10 million in order that Greece might not exceed her borrowing capacity at that time. The Financial Committee estimated that an amount of £3 million would be required in order to complete the work during the next two years.

In April 1927, on the occasion of a visit to the Balkans of M. Avenol, the Deputy Secretary-General of the League, the Hellenic Government requested him to collect such information as might be necessary to throw light on the financial and budgetary situation.

It then addressed a request to the Council to approve in principle the issue of a new loan and to authorise the Financial Committee to give its assistance to Greece with a view to drawing up a complete plan of monetary and banking reorganisation.

The Hellenic Government and the National Bank further informed the Committee of their intention to stabilise the

drachma on a gold-exchange basis. The Committee stated its opinion that, if the functions of the Bank were revised so as to bring them into closer conformity with modern principles of central banking, and if some £3 millions were devoted to the reduction of the Government debt to the Bank, the latter would be sufficiently strengthened for its enhanced responsibilities, and the definite equilibrium of the budget and the stabilisation of the currency would be practicable in conjunction with a loan of £9 million.

The Council authorised the Financial Committee to continue its collaboration with the Government for the further elaboration of the scheme.

The main problem in evolving a satisfactory scheme was the creation of a Bank of Issue which would fulfil the limited functions of a modern central bank. It was necessary for the economic system of the country to maintain the National Bank of Greece as an ordinary commercial bank and that it seemed therefore preferable to transfer to a new bank its privilege of note issue and those of its other activities which are usually carried on by a Central Bank. On this principle were based the draft statutes for the new Bank and the draft agreement between the Government and the National Bank for the creation of the new institution.

A Protocol in which the various obligations of the Greek Government were precisely defined was signed by the Hellenic Minister of Finance, M. Caphandaris, on September 15th, 1927.

Summary of the Scheme.

The *Protocol* lays down, first of all, the *conditions to which the new loan must conform* in order that it may be issued under the auspices of the League. Its net yield, for instance, may not exceed £9 million. The conditions of the loan as to issue price, rate of interest, etc., must be at least

as favourable to the Hellenic Government as the Refugee Loan of 1924. The period of amortisation must not be less than thirty years.

The service of the loan is to be assured by all the revenues which are under the control of the International Financial Commission in so far as they are not pledged for the service of earlier loans.

If during any six months the available surplus amounts to less than 150 per cent of what is required for the service of the loan during such period, the international Financial Commission shall require the Hellenic Government to assign other additional revenues sufficient to bring the yield again up to at least 150 per cent of the service of the loan.

The service of the loan is to be assured by all the revenues of the International Financial Commission, which has been established in Athens since 1898. Since the war it has consisted of three members representatives of the Governments of France, Great Britain and Italy respectively.

The Hellenic Government undertakes legally *to stabilise the national currency* in relation to gold as from the day on which the new Bank of Issue shall begin business. This Bank will be established within six months after the issue of the loan. £3 million from the yield of the loan will be used by the Government to pay off part of the State debt which the new Bank will take over from the National Bank.

The share capital of the new Bank, amounting to 400 million drachmæ will be taken over by the National Bank, which is obliged to offer it for public subscription at par in three issues, the first within two months after the opening of the new Bank and the second and third issues each with a year's interval. The Bank of Greece will have a reserve in gold and gold exchange of not less than 50 per cent of the total of the note circulation and its other demand liabilities. (The sta-

tutes lay down that the reserve shall at least be 40 per cent.) The gradual complete redemption of the State debt to the National Bank and the Bank of Greece after the first payment of £3 million from the new loan also provided for.

The *Statutes for the Bank of Greece* are in general based on the last statutes which had been elaborated under the auspices of the Financial Committee, namely, those for the Estonian Bank of issue, which in turn were based on the Austrian and Hungarian statutes. Certain ideas inserted have been taken from other recent statutes, those of the Reichsbank, the Reserve Bank of South Africa, the Bulgarian National Bank and the proposed Indian Statutes. Other provisions, such as, for instance, the careful definition of the gold reserve, may be claimed to be improvements upon what existed up till now in this domain.

The Hellenic Government undertakes "to make, and to persist in making every effort" to keep the budget during the next two financial years within the present limits "and to maintain thereafter a complete equilibrium between the current revenue and current expenses of the State".

Three million pounds from the proceeds of the new loan, together with some other available resources, will be used by the Government for paying off the *budget arrears*.

The Hellenic Government further undertakes to create a *new system of public accounting* based on the principle of the unity of the State budget, of cash accounting supplemented by liability accounting and of the centralisation at the Bank of Greece of all the receipts and payments of the State and the State enterprises. The Government will *publish* in future *monthly statements* showing the cash position of the Treasury, the receipts and expenditure on account of the budget, the position of Treasury liabilities and the position of the public debt. It also undertakes to issue no Treasury bills or create similar *floating debt* in excess of 800 million drachmæ (*i.e.*, less than one-tenth of the present budget).

£3 million from the yield of the loan will be employed for the refugees by the Refugees Settlement Commission for the purposes described in the Protocol of 1923, or for such other purposes as the Council may approve on the proposal of the Commission.

Conclusion.

In comparing this scheme with other loan schemes prepared by the League, it will be observed that it was possible to make use of machinery already existing. The service of the loan and the control of the revenues assigned for that service are placed in the hands of the International Financial Committee in Athens, which for nearly thirty years fulfilled similar functions for other Greek loans.

The part of the yield which was to be used for the establishment of refugees was to be employed through the intermediary of the Settlement Commission.

In other cases Governments in serious financial difficulties have appealed to the Council of the League and have recognised the necessity and indeed the desirability, of accepting an impartial external control, administered under the authority of the Council. No such necessity arose in this case. The currency was stabilised and the budget was in equilibrium and the foundations on which currency stabilisation and budget equilibrium are based merely required strengthening. The measures provided in the present scheme were therefore directed and confined to this end.

4. SETTLEMENT OF BULGARIAN REFUGEES

History of the Scheme.

During the almost continuous fighting from the outbreak of the Balkan war of 1912 to the end of 1918, and throughout the troubled post-war period of shifting populations in the

Balkans, considerable numbers of refugees entered Bulgaria from the neighbouring countries. In some cases they left their former homes as the result of international conventions to which Bulgaria was one of the parties; in others the departure was unorganised. The official Bulgarian statistics for the period from 1913 to 1925 recorded that 221,191 refugees of Bulgarian nationality had arrived and remained within the narrowed frontiers of the new Bulgaria. Many of them remained unsettled and continued in the greatest misery. Internally, they naturally formed the material ready to hand for any revolutionary and disruptive forces threatening the social order. As regards external relations, they were not less dangerous. They provided recruits for, and gave shelter to, the comitadjis, whose activities led to so many frontier incidents. Moreover, the presence of so many destitute and miserable refugees, with vivid memories of their expulsion or forced abandonment of their former lands across the frontier—sometimes scarcely out of sight—necessarily constituted a standing menace of more far-reaching and ambitious movements.

It has been obvious for some years, to those who watched the Balkan situation, that a settlement loan, with the aid of which these refugees could be securely settled in their new country, among those of their own race, would not only relieve an immense mass of human misery but would have a stabilising effect on the whole Bulgarian—indeed the whole Balkan—situation altogether out of proportion to the sum involved.

Till recently, however, the internal situation of Bulgaria, and some factors in its external relations, were not favourable to the successful undertaking of such a scheme through the League. The situation was followed carefully, but as an unsuccessful application for assistance or an abortive attempt to help would have done nothing but harm both to Bulgaria and to the credit of the League, on which ultimate success

would depend, no encouragement to make a formal demand was given in earlier years. By the spring of 1926, however, the conditions seemed favourable and the Bulgarian Government made formal application on May 3rd, 1926. The proposals put forward on the responsibility of the Government contemplated the settlement of 30,180 families on the land and the assistance of some 5,000 families in the towns. The standard sum for the full settlement of a family was fixed at 50,000 levas (or about £75) to cover the provision of a house, an ox or cow, a half use of a plough and cart and a fourth use of a harrow, minor implements, seed and subsistence for eight or nine months. This sum compares with the standard figure of about £100 in the Greek refugee settlement scheme, the difference resulting from variations in local conditions and standards. Only 36 per cent of the refugees, however, were believed to be entirely destitute; 20 per cent had the means of subsistence for a few months; 17 per cent had a house and 27 per cent had a house and implements. Allowing for this, it was calculated that about £1,625,000 would be required for settlement on the land (excluding the cost of preparation of land where suitable land was not available). In addition, it was calculated that, if the 5,000 urban families were to be assisted, £150,000 would be required.

The question of the land required for settlement presented a greater difficulty than in Greece, where the departure of the Turks had left recently cultivated land available and where it was possible to find land for practically all the refugees without reclamation work. In Bulgaria the position was different. The standard allowance per family, under the Bulgarian land law, is 5 hectares. Some 10 per cent of the refugees will, however, be settled in districts of intensive cultivation (vines, orchards, tobacco, silkworms), where only half this land will be required to support a family. The general average may therefore be taken at 4 hectares, or a total of 132,000 hectares.

The full plan of expenditure, presented by the Bulgarian Government comprised :

Country settlements	£1,625,000
Town settlements	150,000
Expropriation	75,000
Clearing.	125,000
Drainage	225,000
Communications	450,000
	<hr/>
	£2,650,000

This total was reduced by the Financial Committee to £2 1/4 millions, mainly by the omission of the less urgent railway line and the elimination of the estimate for town settlements.

Before the Council could be asked to associate the League, credit with a loan operation, some important negotiation needed to be undertaken. It was necessary that the Reparation Commission should agree to release from the general reparation charge the revenues on which it was desired to place a first charge in favour of the new loan, and to institute a system which would safeguard the Bulgarian currency (and consequently, the assigned revenues) from losing their value through reparation payments.

The Financial Committee met in special session in London from July 19th to 23rd, 1926, and was able to recommend the President of the Council to authorise the Bulgarian Government to begin negotiations for an advance of £400,000. This sum was obtained in the form of an advance from the Bank of England to the Bank of Bulgaria.

In the meantime, one of the other main obstacles to the issue of a loan had been overcome. Bulgaria owed considerable sums in respect of pre-war loans and, while some payments were being made in respect of these obligations, only short-term arrangements had been made, and the Committee

took the view that, unless a definite settlement were reached, the issue of a loan would be difficult or impossible. Early in September 1926 an agreement covering the major part of these debts was concluded, and the problem was so far reduced in dimensions as to present no obstacle to the final approval of the main scheme of settlement at the September session.

A Protocol, embodying the obligations undertaken by Bulgaria and the system of control was signed by the representative of Bulgaria on September 8th, 1926.

Summary of the Scheme.

The purpose of the scheme is the establishment on the land of refugees exclusively of Bulgarian nationality.

The refugees to be so dealt with have been estimated provisionally as comprising about 30,180 families (or 60,360 persons capable of work, or some 120,000 persons altogether, including children and other dependants).

The scheme is exclusively one of *land settlement*, and does not, like the Greek scheme, include provision for *urban workers*. It is contemplated that the Bulgarian Government will be able to assist, from its own resources, the relatively small number of urban workers requiring assistance.

Settlement will consist of the provision of land, of housing, of supplies in kind of agricultural implements, cattle, seed and in some cases subsistence for a limited period. In addition, expenditure will be allowed in certain cases for purposes of drainage, clearing and communications.

The total loan is to be devoted "as to about two-thirds to the provision of houses; initial equipment and advances, and as to one-third to the preparation of land, so as to make it suitable for settlement and communications". The latter category of expenditure includes some £125,000 for clearing, £225,000 for drainage and £225,000 for communications (mainly the Haskovo-Mastanly railway line).

The Bulgarian Government has undertaken, to provide not less than 132,000 hectares of land which is, or may be made, suitable for agricultural settlement (exclusive of pasture land). This land must be unencumbered property of the Bulgarian Government. It is contemplated that of the above total about 36,000 hectares may require some work of clearing and deforestation and some 21,000 hectares some work of drainage, for which provision has been made in the estimates of expenditure. The remainder will be land immediately available for cultivation without such preparatory work.

The loan was successfully issued in London and New York on December 21st, 1926.

The sterling block amounted nominally to £2,400,000, of which £1,750,000 were offered for public subscription on the London market, the rest being subscribed by financial undertakings in Italy, Switzerland and the Netherlands. The American block amounted nominally to 4,500,000 dollars. The net yield of the two blocks amounted to £2,873,091. Of this, £625,899 11s. 6d. was used to satisfy the claim of the holders of Bulgarian Treasury Bills issued in France in 1912 and 1923.

The loan was paid into a special account of the National Bank of Bulgaria, and placed under the control of the Commissioner of the League.

The loan is secured by a first charge upon :

- (a) The excise duty on salt;
- (b) The excise duty on alcohol;
- (c) The net receipts of the match monopoly;
- (d) All sums received after September 1st, 1928, in respect of rent or interest due from refugees (sums received from refugees in payment for the purchase

of land, buildings or material, or as repayment of advances, will be applied to amortisation);

(e) Other additional revenues to be specially assigned if the above revenues should at any time fall below 150 per cent of the annual sum required to meet the service of the loan.

The competent reparation authority (the Inter-Allied Commission at Sofia) has released the above revenues (a) to (d) and has undertaken to release the further revenues mentioned in (e) if required, and the Bulgarian Government has undertaken to give the necessary first charge; it has also undertaken that the assigned revenues shall not be used (i.e., even on the basis of a second charge) as a security for any new loan without the consent of the Trustees.

Trustees have been appointed by the Council of the League to represent the interests of the bondholders of the settlement loan.

The assigned revenues as they are collected are paid into a special account controlled solely by the Commissioner. After the termination of his office, this account will be controlled by the Trustees. The sums required for the service of the loan are retained and devoted to that purpose and the balance returned to the Bulgarian Government.

The terms of issue include provision for an amortisation fund and a reserve fund.

Apart from the specific securities of the loan, two precautions have been taken to safeguard the stability of the Bulgarian currency against a depreciation which might diminish the gold value of the assigned revenues.

The scheme is one of refugee settlement, as in Greece, and not of financial reconstruction as in Austria and Hungary, and direct responsibility with regard to the general finances of Bulgaria is not undertaken by the League. Nor

is such a responsibility required, for the Bulgarian budget has been balanced since 1922, and the leva has been stable for about the same period.

Nevertheless, the Financial Committee has taken the opportunity afforded by the settlement scheme to strengthen the position in two important respects.

In the first place, the powers of the National Bank have been carefully examined and new draft statutes, in harmony with the accepted principles of central banking, have been agreed by the Government.

The second new safeguard is of no less importance. The reparation payments of Bulgaria are prescribed in an agreement of March 1923. The payments last year amounted only to 8 million gold francs, but the annual obligation increases in later years till it reaches in 1924-35 a maximum of a little over 43 million gold francs. The Financial Committee considered that, unless provision was made to secure that demands for such considerable payments in foreign exchange were not pressed without due regard to the exchange position, the stability of the currency might be endangered. The Reparation Commission, has taken a decision under which payments of reparation will, if the need arises from the point of view of their effects on the exchange, be controlled by a Transfer Committee. The Bulgarian Government may request the suspension, "in whole or in part, in the interests of the stability of the exchange", of the purchase of foreign currency necessary for reparation payments. A Transfer Committee, consisting of three "experts on questions of exchange", will then be appointed: one of these members (the Chairman) being a citizen of the United States of America, or of a country which was neutral in the war, to be appointed by the unanimous vote of the Reparation Commission, or, failing unanimity, by the President of the Permanent Court of International Justice at The Hague; one by the Reparation Commission acting if necessary

by a majority; and a third by the Trustees of the settlement loan. This Transfer Committee will then be responsible for purchasing foreign exchange for [reparation payments "to the extent to which it considers that the stability of the Bulgarian currency allows".

The control of the execution of the scheme is in the hands of a Commissioner appointed by, and responsible to, the Council of the League. He resides in Sofia and reports at least every three months to the Council. He has authority to engage personnel, including inspectors, within a budget limit fixed by the Council. The proceeds of the settlement loan and of the advance of £400,000 are paid into an account controlled by him. He is responsible for taking all precautions to ensure that the money is expended only upon the specified purposes; for certifying the land prepared for settlement as suitable both in character and in position, and for controlling the assigned revenues account.

Normally every three months, and at other times should occasion require, the general progress of the scheme is examined by the Financial Committee, and by the Council on its advice. The Committee and Council have before them the reports of the Commissioner, who is normally present in person to give further information and explanations.

The Council has recognised that the three neighbour Member States are interested in certain aspects of the settlement work, in particular, the choice of land for settlement in the frontier zones. The land chosen must be at least 50 kilometres from the frontier, unless its geographical formation presents a sufficient natural barrier. It has recognised the right of these three States to form an advisory committee which may meet in Geneva or elsewhere, but not in Bulgaria. The three States, or any one of them, can ask for information from, or present observations to, either the

League or the Commissioner, and will receive copies of official documents submitted by the Commissioner to the Council on such questions as they claim to affect specially their interests. Any one, or all three, may (with or without prior consultation in the advisory committee) send a letter to the Council on a subject affecting its or their interests in the sense of Article 4 of the Covenant, and in that case the State or States concerned would be present at the Council as Members during the consideration of such a letter.

A considerable portion of the legislation required to carry out the settlement scheme was passed by the Bulgarian Parliament on September 30th, 1926. It provided for the ratification of the Protocol, the acceptance of an advance of £400,000 from the Bank of England in anticipation of the loan, and the assignment as security for this advance of certain specific revenues. Full powers were conferred on the Cabinet to take by decree all necessary measures for the employment of the advance and for the settlement of the refugees. Further legislation, relating to the new statutes of the National Bank, as approved by the Financial Committee, was passed in November 1926, and came into force on January 1st, 1927.

The Bulgarian Government, undertook to centralise all its services dealing with refugees under one authority. This organisation was set up by the Bulgarian Government under a law voted on December 9th, 1926, and promulgated on December 14th. A Director-General for the Settlement of the Refugees was appointed, with wide powers, and was made responsible for all work connected with the execution of the plan, either directly through his own staff or through certain Government departments.

The first duty of the General Directorate established by the Bulgarian Government was to draft the plan of settlement.

The plan included a census of the families in need of relief, a description of the relief to be granted to each family, particulars as to the amount of land available and the work to be done in preparing it, together with an approximate estimate of the cost of settlement under each of these items.

The total estimated expenditure for the scheme as thus provisionally planned was estimated at about 1,221 million levas, or £1,817,000. In that figure, however, certain expenses which could not at that early stage be estimated were not included.

The total area of land included in the plan and available for settlement was 175,000 hectares, which was in excess of the area required under the Protocol. Part of this total area, however, could not be used, either because its preparation would be too costly or because its situation rendered it unsuitable for settlement in view of certain decisions taken by the Council.

The Bulgarian authorities, working in co-operation with the Commissioner of the League, proceeded at once with the preliminary work of settlement without waiting for the general plan to be finally established. In the period between November 15th, 1926, and February 15th, 1927, 1,547,065 kilogrammes of seed were distributed to 4,110 families at a total cost of over 10 million levas. The General Directorate also prepared plans and estimates for the construction of dwellings, and issued instructions to the competent services to draw up plans for the draining of marshes or flooded areas, and the construction of the railway from Rakowsky to Mas-tala (1).

(1) The Bulgarian Government has since asked the League to study a plan for the financial reconstruction of Bulgaria. The plan which has been drawn up by the Financial Committee and approved by the Council is, generally speaking, similar to that adopted in Greece and provides for an international loan of £4 1/2 millions sterling.



These four definite pieces of reconstruction in Austria, Hungary, Greece and Bulgaria constitute the main financial work of the League during the past five years.

In each case the Government concerned took the initial step. Not only was no action taken without its consent but every device compatible with the smooth and sure execution of the scheme was used to eliminate the undue influence of interested parties and to respect the independence of the borrowing country. In each case there was a special problem of great magnitude, proved to be beyond the unaided resources of the country and to threaten its financial stability—situations so acute or menacing as to have grave political implications and to constitute matters of international concern.

The League itself could not, of course, provide the money. Its action was confined, in the first instance, to defining the objects in view, to preparing a scheme selecting adequate securities for a loan, giving its moral support by devising a mechanism whereby those securities might be safeguarded and the proceeds of the loan spent exclusively upon the objects selected. It was left entirely to the Governments concerned to negotiate the loans on the market of the world on the best terms they could obtain on the basis of the schemes prepared and the undertakings entered into at Geneva. Beyond this the Council assumed the further responsibility of appointing persons—commissioners and trustees—in various capacities and with varying degrees of responsibility.



In addition to these four main tasks the Financial Committee has given advice on many other matters.

5. ESTONIA

In September 1924, the Estonian Government requested the Financial Committee to advise it as to what financial policy it should pursue. An enquiry was made on the spot.

In the autumn of 1926, the Estonian Government asked for further advice, in view of the fact that it was considering important financial reforms. Upon the report of one of its members, M. Albert Janssen, who made a special visit to the country, and after hearing M. Sepp, the Minister of Finance, and Sir Walter Williamson, Financial Adviser to the Estonian Government, the Financial Committee on December 8th, 1926, submitted to the Council a report and a Protocol which was by the Estonian Government on December 10th, 1926.

The Protocol provided for the preparation of three laws by the Estonian Government in co-operation with the Financial Committee, viz. :

(a) A law for reforming the Bank of Issue and including the Statutes of the said Bank.

(b) A law for the transfer to the Bank of Issue of the State note issue.

(c) A currency law.

The text of the laws was adopted by the Estonian Legislature on April 29th, 1927. The principles on which they are based were as follows :

(1) The Bank must have the sole right of note issue.

The Government and local authorities must have no right to issue notes or to borrow from the Bank, except in the case of the Government, which may borrow in temporary anticipation of revenue and subject to prescribed conditions of repayment.

(2) The Bank must be a central bank, fulfilling the functions of a bankers' bank.

(3) The Bank should guide the monetary policy of the country and fix the bank rate.

Its duty is to keep the value of the monetary unit stable, neither attempting an appreciation nor allowing a depreciation.

It is proposed, that the gold exchange standard system of currency should be adopted in Estonia and that the Bank should be placed under a statutory obligation to redeem its notes in stable foreign exchange within two years after the enactment of its statutes and maintain the value of the currency within the gold points.

(4) The Bank should not allow interest on current accounts or accept fixed-time deposits.

(5) The main business of the Bank should be the discounting of commercial bills of a self-liquidating character, corresponding to real and normal transactions; these bills should bear the signature of at least two solvent persons and should not have a longer currency than 90 days, except in the case of agricultural and timber bills, for which a maximum currency of six and nine months respectively may be admitted.

In no case should the Bank make, or be entitled to make, unsecured loans or give long-term credit

(6) The Bank should act as cashier for the State.

6. DANZIG

Financial questions connected with the Free City of Danzig, which is placed under the special protection of the League of Nations, have occupied a great deal of the Committee's time.

During the last five years, always under the advice and on the basis of schemes approved by the Committee, Danzig has created a new currency based on the gold exchange standard, founded a new Bank of Issue, and raised two foreign loans, one in London in 1925 and the second in London and Amsterdam in 1927.

7. DOUBLE TAXATION AND FISCAL EVASION

The financial tasks which have been described so far resemble each other in that they all arose directly or indirectly out of the war, were confined to single countries and limited to a given period.

Two other pieces of work—double taxation and fiscal evasion and the suppression of counterfeiting currencies—have a wider scope.

The International Financial Conference held at Brussels recommended that the League of Nations should take up the question of double taxation. The Financial Committee, to which the question was referred towards the end of 1920 entrusted the theoretical study of double taxation to four economists (1), whose report was published in March 1923.

Meanwhile, the International Economic Conference, which met at Genoa in April 1922, recommended that the League should also examine the problem of the flight of capital.

In June 1922, the Financial Committee decided to have both questions, namely, double taxation and tax evasion, studied from an administrative and practical point of view. It entrusted this work to a group of high officials of the fiscal administrations of various countries.

Notwithstanding the great difficulties of the question, these experts, after holding several meetings, agreed upon

(1) M. Bruins, M. Einaudi, M. Seligman and Sir Josiah Stamp.

a series of resolutions, which they submitted, together with a general report, to the Financial Committee in February 1925. They suggested, that the Committee should be enlarged and requested to prepare preliminary draft conventions based upon the resolutions adopted up to that date.

A Committee composed of a dozen experts was constituted (1).

(1) This Committee consisted of the following members :

Argentina. — Dr. Salvador Oria, late Secretary of State in the Ministry of Finance, member of the Board of the National Mortgage Bank.

Replaced at the third Session by

M. Julian Enciso, Councillor of Legation, Geneva.

Belgium. — M. Ch. Clavier, Director-General of Direct Taxation and Land Survey in the Ministry of Finance.

Czechoslovakia. — Dr. Vladimir Valnicek, Chief of Section in the Ministry of Finance.

Replaced at the third Session by

H. E. Dr. Bohumil Vlasak, Minister Plenipotentiary, Head of Department in the Ministry of Finance.

France. — M. Borduge, Councillor of State, Director-General of Taxation and Registration, Ministry of Finance.

Germany. — Dr. Herbert Dorn, Director in the Ministry of Finance.

Great Britain. — Sir Percy Thompson, Vice-President, Board of Inland Revenue.

Italy. — Professor Pasquale d'Aroma, Vice-General Manager of the Bank of Italy.

Replaced by

Dr. Gino Bolaffi, Head of Section in the Ministry of Finance, Department of Taxation.

Japan. — Mr. Kengo Mori, Financial Commissioner of Japan.

Replaced by

Mr. Takashi Aoki, Financial Representative of the Bank of Japan.

Substitute

M. Yamaji, Japanese delegation to the Reparation Commission.

Netherlands. — Dr. J. H. R. Sinningsh Damste, Director-General of Taxation

For colonial questions :

Dr. I. J. van der Waals, Director in the Colonial Department.

Poland. — Professor Stefan Zaleski, professor of Political Economy in the Faculty of Law and Economics and Political Science at the University at Posen.

Assistant (for questions of succession duty) :

M. Edward Werner, Head of Department, Ministry of Finance.

Switzerland. — Dr. Hans Blau, Director of the Federal Taxation Department.

United States of America. — Professor Thomas S. Adams, President of the American Economic Association, former Economic Adviser to the U.S.A. Treasury Department, Professor at Yale University.

Assistants :

Mr. Mitchell B. Carroll, Chief, Tax Section, Department of Commerce.

The Committee held three sessions, at which a delegation from the International Chamber of Commerce was present in an advisory capacity.

It endeavoured to prepare draft conventions on the basis of the resolutions adopted in 1925. It was considered expedient to divide the subject-matter into four separate conventions. The question of double taxation was treated in two separate conventions :

(a) Draft Convention for the prevention of double taxation in the matter of direct taxation;

(b) Draft Convention for the prevention of double taxation in the matter of succession duties.

The question of tax evasion was also dealt with in two conventions :

(c) Draft Convention on administrative assistance in matters of taxation;

(d) Draft Convention on judicial assistance in the collection of taxes.

The following passages adopted from the Committee's report give a succinct account of its work :

A question discussed at great length by the Committee was, whether the Conventions should be *collective*, that is, signed by as many States as possible, or whether they should be merely *bilateral*.

It would certainly be desirable that the States should conclude collective conventions, or even a single convention

Miss Annabel Matthews, Attorney, attached to the Board of Inland Revenue, Treasury Department.

Venezuela. — Dr. Federico Alvarez Foo, Professor of Finance in the University of Caracas.

It should be mentioned that, although the members of the Committee were nominated by their respective Governments, they only spoke in their capacity as experts, *i.e.*, in their own name.

embodying all the others. Nevertheless, the Committee did not feel justified in recommending the adoption of this course. In the matter of double taxation in particular, the fiscal systems of the various countries are so fundamentally different that it seems at present practically impossible to draft a collective convention, unless it were worded in such general terms as to be of no practical value. In the matter of tax evasion also, although unanimity would not seem to be unattainable, there is no doubt that the accession of all countries to a single Convention could only be obtained as the result of prolonged and delicate negotiations, while there is no reason to delay the putting into force of bilateral conventions which would immediately satisfy the legitimate interests of the tax-payers as well as those of the Contracting States.

For this reason, the Committee preferred to draw up standard bilateral conventions. If these texts are used by Governments in concluding such conventions, a certain measure of uniformity will be introduced in international fiscal law and, at a later stage of the evolution of that law, a system of general conventions may be established which will make possible the unification and codification of the rules previously laid down.

Double taxation, which affects mainly undertakings and persons who exercise their trade or profession in several countries, or derive their income from countries other than the one in which they reside, imposes on such taxpayers burdens which, in many cases, seem truly excessive, if not intolerable. It tends to paralyse their activity and to discourage initiative and thus constitutes a serious obstacle to the development of international relations and world production.

At the same time, any excessive taxation, by its very burden, brings in its train tax evasion, the nature and grave consequences of which have been emphasised on earlier

occasions; the suppression of double taxation is therefore closely connected with the measures for the systematic prevention or checking of such evasion.

It is for this twofold purpose that efforts will have to be made to secure international co-operation, with a view to making it possible to put a stop to an evil which has become especially acute owing to the increase in the fiscal burdens consequent upon the war; the measures advocated by the experts could not fail to bring about a reduction in, and a better distribution of, such burdens.

A word of explanation should be added in regard to the methods used. The Committee endeavoured to reach complete agreement on all essential points. In view of the diversity of fiscal systems, of the different economic interests and the divergent conceptions, both in regard to theory and to practice, obtaining in the various countries, unanimous agreement could not be reached in regard to all the questions which had to be dealt with. Points on which complete understanding could not be arrived at have been left for negotiation and decision to any States when, in the future, they seek to conclude bilateral treaties. The Committee has striven earnestly to restrict to the utmost possible extent the number of questions thus left open.

In order to arrive at practical results with the least possible delay and at the same time not to exceed its instructions, the Committee refrained from examining in detail several co-related questions of international law, such as the doctrine of reciprocity, the treatment of foreign nationals, and the principle of the most-favoured nation, in their relation to the problem of double taxation.

The Committee is of opinion, however, that these problems should be submitted to a detailed examination from the financial, economic and legal points of view. It considers, moreover, that the fiscal laws throughout the world will

undergo a gradual evolution and that this will, in the future, make it possible to simplify the measures it has recommended and possibly even to unify fiscal legislation.

In order to make *systematic and continuous* international co-operation possible in this field, the Committee suggests that a body should be set up under the auspices of the League of Nations; the powers and duties of this body are explained in detail in the final part of its Report.

8. COUNTERFEITING CURRENCY

On June 5th, 1926, the French Government proposed that the League should undertake the framing of a draft convention for suppressing the crime of counterfeiting currency. This suggestion was approved by the Council on June 10th, 1926, and referred in the first place to the Financial Committee.

The Financial Committee desired to obtain the views of the various banks of issue and send to them a questionnaire. On the basis of the answers received, the Financial Committee, in December 1926, addressed certain provisional recommendations to the Council and suggested that the question should be referred to a special Mixed Committee (I) which

(1) The Committee is composed as follows :

Financial Committee. — Dr. Pospisil, Chairman of the Financial Committee.

Delegates from Banks of Issue :

Banque de France. — M. Collard-Hostingue, Inspector-General of the Banque de France.

Reichsbank. — Dr. Wilhelm Vocke, Financial Councillor, Reichsbank.

Swiss National Bank. — M. Chs. Schnyder de Wartensee, Vice-President of the Board of Management of the Swiss National Bank.

Deputy : M. Schwab, Secretary-General to the Board of Management of the Swiss National Bank.

Argentine National Bank. — M. Juan Carlos Cruz, Chief Advocate of the Argentine National Bank, member of the Directing Board of the University of Buenos Aires, Professor of Commercial Law in the Faculty of Law.

was immediately appointed and prepared a draft convention. This document, together with the commentary of the Committee, was published and submitted to the Governments for their observations with a view to summoning a Conference at which the Convention may be adopted.

The draft Convention consists of 11 Articles. The first article, which is subdivided into 16 paragraphs and, in fact, forms a special part of the Convention, embodies the rules which are recognised and adopted as efficient means to suppress the counterfeiting of money, meaning thereby current paper money, including bank notes, and specie. Paragraphs 1-11 of the Article contain what may be called the provisions of material penal law which the Contracting Parties are prepared to adopt, whilst paragraphs 12-16 contain rules of prosecution and of procedure. The rules of material law are governed by the principle that all actions aiming at the forbidden purpose shall be punished, irrespective of the country in which they are committed, and that no difference shall be made between national and foreign currencies. The rules of prosecution and of procedure provide for the creation of a Central Office in each country, for close collaboration between the various Central Offices and for a simplified transmission of rogatory Commissions.

Experts in Penal Law :

Belgium. — M. Servais, Minister of State, Attorney-General, Court of Appeal, Brussels.

Deputy : M. Cornil, King's Proctor, Professor of Penal Law at the University of Brussels.

Great Britain. — Sir John Fisher Williams, K.C., C.B.E.

Italy. — Commendatore Ugo Aloisi, Councillor to the Court of Appeal of Italy.

Roumania. — M. Vespasian Pella, University Professor.

Authorities responsible for Prosecutions :

Austria. — M. John Schober, Chief of Police, Vienna, former Federal Councillor.

Netherlands. — Baron A. A. van der Feltz, Doctor of Law, Attorney-General, Court of Appeal of Amsterdam, Head of the Netherlands Central Organisation for the Suppression of Counterfeiting.

Deputy : M. K. H. Broekhoff, Inspector-General of Police. Chief Commissioner of Police of the State.

Following the general principle established by the first part of Article 1, all infractions contemplated by the Convention are recognised as cases for extradition (Article 2).

The whole of the Convention is subject to the restriction that it cannot be interpreted as affecting the attitude of any Contracting Party to the general question of penal jurisdiction according to international law (Article 3).

PART II

ECONOMIC WORK

The principles of prudence and the endeavour to give practical value to its work which have guided the Financial Committee in everything it has undertaken have also governed the work of another advisory and technical organ of the Council, *i.e.*, the Economic Committee.

During the past five years this Committee has attempted in various ways to bring about a more equitable treatment of commerce, but before describing this part of the work it will be convenient to deal with the Economic Conference, held in 1927, which is far more important than any other piece of work done under the auspices of the League in the Economic field, and which is likely to give an entirely new direction to its activities.

International Economic Conference

The Conference met from May 4th to 23rd, 1927.

There can be no more adequate account of the Conference than this survey by the President, which is quoted in full.

General Survey and Summary

by M. THUNIS, President of the Conference

[Speech made at the closing meeting on May 23rd, 1927.]

The deliberations of this Conference have now come to an end, and it remains for me, in this concluding speech, to review the achievement of the last three weeks and attempt to indicate the stage we have reached in dealing with the vast and complex problems which we were asked to discuss. I say "the stage we have reached", for at the outset I think it well to recall, as the Preparatory Committee did in its report, that the "Economic Conference must be regarded not as an isolated event but as a stage in the continuous work of international collaboration in the economic sphere which had begun before the project of a general conference was launched and will continue when the Conference itself is over".

The Conference has met after a long and elaborate preparation extending over a year. It has had at its disposal a documentation which derives its value from the collaboration of distinguished experts and of both official and private organisations throughout the world, and is remarkable alike for its range, its fulness and its authority. I would mention for example the International Chamber of Commerce, whose written and personal contributions—based on previous consultations of national committees in many countries—have throughout been of the greatest assistance. We have also been fortunate in obtaining the help, in every stage of our work, of the International Labour Office, the International Institute of Agriculture and other bodies.

The Conference has been no less notable in its composition : 194 members, attended by 157 experts, drawn from

50 countries in all quarters of the globe, including not only countries which are Members of the League but non-Members, have agreed upon a body of far-reaching recommendations and resolutions.

You have been chosen, with few exceptions, by Governments, though you are not spokesmen of official policy, and your qualifications cover almost every sphere of human activity. The distinctive character of the Conference is thus that it is responsible though not official—expert but not academic. I cannot but believe that resolutions unanimously voted by a membership so widely representative both in qualifications and in nationality must profoundly influence the future economic policy of the world.

Our three weeks of assiduous study and full discussion are now over. We are answerable to our own conscience and to public opinion for the results. Have we accomplished the task assigned to us? I think, ladies and gentlemen, that I am entitled to say that you have achieved a real and a permanent result, and that it goes far beyond the hopes which were cherished when you began your labours.

All who have followed your work with interest throughout the world—and they are many—all those who have realised even imperfectly the serious difficulties and complications with which you were faced, will welcome the achievement and will congratulate you on the combined zeal and common sense to which it is due.

There was indeed a danger—and we can admit it now that we have reached the close of the first stage of our work—that the bold initiative of the League of Nations and the conception on which it was based might involve great difficulties.

It was necessary to clear a way through the thicket and chaos of the problems which hindered the nations of the world in their progress. It was necessary to bring into har-

mony the conflicting policies and desires of many interests and many great movements.

In spite of the efforts to be impartial and to be conciliatory which we are accustomed to expect from representatives meeting at Geneva, there was reason to fear that the diversity of origin and of qualifications might cause friction and opposition—possibly of a violent and unpleasant character.

The danger of confusion and of controversies, which many pessimists considered practically certain, has, thanks to the generous effort at *rapprochement*, not only been avoided but actually eliminated. And after the appeal for solidarity which I ventured to make to you a few weeks ago, I desire to thank you and congratulate you from the bottom of my heart.

Producers, employers and workers, farmers, traders, financiers, economists and consumers, you have, without neglecting the interests which you represent and which you have to defend, constantly borne in mind that we are all members of the same community, working, toiling, suffering together and directing our efforts to a common end.

Each of the three great Commissions—on Commerce, on Industry and on Agriculture—through which the Conference has worked has itself been a real international conference. All of them carried out a thorough examination of their various problems, and their conclusions, even taken separately, are of high value, determining, as they do, first the main causes of the evils from which the world is suffering and, secondly, indicating remedies which can be applied in practice.

By means of their public discussions, the reports submitted to them and the committees which they set up for special problems, the three main Commissions of the Conference have performed work of the highest importance, each part

of which will serve to throw light on the rest and facilitate its comprehension.

If I had to sum up in a few words the most striking feature of the Conference I could not do better than quote a sentence from the Report of the Commerce Commission : "In spite of the variety of the questions raised, the diversity of theories, and the legitimate national sentiments of all those who took part in the discussions, one important and extremely encouraging fact has emerged; and, having emerged, has become increasingly manifest as the work advanced. This fact is the unanimous desire of the members of the Conference to make sure that this Conference shall, in some way, mark the beginning of a new era, during which international commerce will successively overcome all obstacles in its path that unduly hamper it and resume that general upward movement which is at once a sign of the world's economic health and the necessary condition for the development of civilisation."

I would make one other prefatory remark before I turn to the resolutions.

The Conference, as a world conference composed of those who represent different interests and policies in every quarter of the globe, has considered economic problems in their international aspects and adopted an international point of view. It has recognised the importance, and in certain cases the decisive importance, of national considerations, some of which are political and social rather than economic in character; and it has recognised that it is not possible to secure the adoption of policies and systems determined in every feature by the sole criterion of what would give the maximum prosperity to the world as a whole. Some countries will decide to assure the manufacture in their own territory of certain articles whether or not the purely economic result, for the world as a whole or for the country in question, of

importation from abroad would have been preferable. But, as the starting point and angle of approach to the different problems, the Conference, as an international conference, has felt bound to assume that international trade is itself to be desired; that the exchange of products and services between persons either of the same country or of different countries is normally to the advantage of both parties; that the greater the range of exchange of different products between those who by their resources and capacities are best fitted to produce them, the greater is the general economic advantage; and that international exchange of products best and most economically produced in different countries should therefore be regarded as the normal rule.

There are practical limitations to the application of this principle in policy. But that international trade is normally and properly not a matter of victory and defeat, or profit of one at the expense of the other but of mutual benefit, has necessarily been the basis of this International Conference.



With this preface let me review our resolutions, following the order of the Agenda.

The first part covers a general review of the world economic position. We have first had written reports from twenty-four nations describing the principal features and problems as seen from the point of view of the respective countries; and these have been supplemented by further similar accounts in the speeches of the Conference. We have next, in the first chapter of our report, given a general picture of the present economic situation as it emerges from the documentation.

Lastly, on this part of the Agenda, we have passed an important resolution stating our unanimous conviction that the maintenance of world peace depends largely upon the

principles on which the economic policies of nations are formed and executed; that the Governments and peoples of all countries should constantly take counsel together as to this aspect of the economic problem; and that we should look forward to the establishment of a recognised body of principles designed to eliminate the economic difficulties which cause friction and misunderstanding. The object of the Conference, as the original Assembly resolution made clear, was a twofold one. It has been concerned not only with the prosperity but with the peace of the world. This has been not only a special item on the Agenda but a point of view which the Assembly wished should be borne in mind throughout the discussion of particular problems. Economic conflicts and divergence of economic interest are perhaps the most serious and the most permanent of all the dangers which are likely to threaten the peace of the world. No machinery for the settlement of international disputes can be relied upon to maintain peace if the economic policies of the world so develop as to create not only deep divergencies of economic interest between different masses of the world's population, but a sense of intolerable injury and injustice. No task is more urgent or more vital than that of securing agreement on certain principles of policy which are necessary in the interests of future peace. And there is perhaps no question which, in comparison with its intrinsic importance, has had so little careful and collective deliberation. No single conference can do more than make a first beginning in such a task, but the ultimate results are incalculable.

There follow several resolutions on subjects not falling under special chapters on the Agenda or dealt with by the three Commissions.

This Conference has again, as the Brussels Conference did in 1920, called attention to the heavy burden of armaments expenditure entailing heavy taxation which reacts upon the whole economic life of the different States and lowers

their standard of living; and expresses the earnest hope that the efforts, by agreements between States, to secure limitation and reduction of armaments will have successful results.

Next comes a resolution in which the Conference states that, while it refrains absolutely from infringing upon political questions, it regards "the participation of members of all the countries present, irrespective of differences in their economic systems, as a happy augury for a pacific commercial co-operation of all nations".

Lastly the Conference recognises that the successful application of the principles on which it has agreed depends "not only upon the good will of Governments and administrations but upon an informed and supporting public opinion throughout the world".



Let us come now to the second part of the Agenda, which was divided into three main chapters : "Commerce", "Industry", and "Agriculture", each of which has been dealt with by a special commission, whose reports and resolutions have been approved by the whole Conference.

COMMERCE

The fundamental idea on which the work of the Committee on Commerce was based, and which has appeared with increasing force in the course of the discussions, is the necessity of restoring greater freedom to a world hitherto hampered by many obstacles due to the war and its consequences and to erroneous economic ideas. At the same time there has been a recognition of the close interdependence of nations in this sphere and the importance of the reactions which

measures taken by the various countries exert on the policy of the other countries.

In the first chapter of "Commerce", the Conference first makes a number of recommendations, under the general heading "Liberty of Trading"—an expression not to be confounded with "Free Trade" but embracing all measures calculated to liberate international commerce from artificial restrictions and obstructions. The Conference expresses the hope that the diplomatic conference convened at Geneva for November next by the League of Nations will result in the real removal of import and export prohibitions and restrictions. It condemns the granting of special immunities and privileges to State-controlled undertakings which enable them to compete unfairly with private enterprises and, commends and encourages the action now being taken by the Economic Committee for the removal of many impediments to international trade. Lastly, the Conference recommends the preparation of a convention on economic and fiscal treatment of foreigners and foreign enterprises for which valuable information has been furnished by the report of the International Chamber of Commerce.

Customs : Simplification — Stability — Reduction.

The Committee then took up the question of Customs tariffs, distinguishing between their form and their substance, *i. e.*, the actual amount of the import duties. As regards the question of form, the Conference unanimously recognises the desirability of simplifying Customs tariffs as far as possible, creating a systematic Customs nomenclature the use of which would in due course be regularised by international conventions, stabilising Customs tariffs, thereby eliminating a disturbing factor especially harmful to industry and commerce, and finally ensuring the utmost fairness in the application of the duties.

The main object of the work of the Committee has naturally been the questions of Customs tariff levels, which is closely bound up with that of commercial treaties.

The essential conclusion which emerges from the discussion in this field is that the Conference declares that "*the time has come to put an end to the increase in tariffs and to move in the opposite direction*". To achieve this result it is recommended that action should be pursued along the three following lines : firstly, *individual* action by the various States with regard to their own tariffs; secondly, *bilateral* action through the conclusion of suitable commercial treaties; thirdly, *collective* action, by means of an enquiry undertaken by the Economic Organisation of the League of Nations, with a view to encouraging the extension of international trade on an equitable basis by removing or lowering the barriers to international exchange set up by excessive Customs tariffs.

A fact that may be taken as marking a considerable step in the evolution of ideas in Customs tariffs is that this question, notwithstanding its fundamental importance in the economy of each State, has now come to be considered as no longer being exclusively within the domain of national sovereignty but as falling within the scope of problems for which parallel or concerted action among the different nations is possible and desirable. Each nation will then know that the concession it is asked to make will be balanced by corresponding sacrifices on the part of the other nations. As the report of the Committee states, each country will then be able to give its attention to the proposed measures, not merely in view of its own individual position but also because it is interested in the success of the general plan laid down by the Conference.

Round the central idea of the diminution of Customs charges are grouped other questions which support it and tend to hasten its realisation and render it more complete.

Thus the Conference next condemns the practice of penalising imported goods by means of differential internal taxes, and declares that as the free movement of raw materials is essential for a healthy development of world trade, export taxes should be as low as fiscal requirements and exceptional and compelling circumstances permit, and should in any case not be discriminatory.

Finally, the Conference, having in mind the need of restoring the system of long-term commercial treaties, and recognising that any such system must be built up on the mutual grant of unconditional most-favoured-nation treatment, recommends that this important conception should be given the widest and most liberal interpretation.

The Economic Organisation of the League should examine the possibility of securing a standard form of commercial treaty and uniform principles as to the interpretation and scope of the most-favoured-nation clause.

Lastly, the Conference recommends States to consider the desirability of providing in their commercial treaties for the decision of disputed questions of interpretation or application by arbitration or by a reference to the Permanent Court of International Justice.

There are certain indirect means of protecting national trade and national navigation. Although they exercise a less immediate influence on the development of trade than the fundamental problems just described, questions such as the granting of subsidies, dumping and discrimination imposed under the transport regime merited the attention of the Conference. Certain principles were laid down which, without always indicating definite solutions—a very difficult matter owing to the wide variety of opinions held—should help to enlighten public opinion as to the true nature and inevitable consequences of the practices in question.

INDUSTRY

In the report dealing with "Industry" the Conference begins by a brief analysis of the causes of the difficulties with which the industries of principal international importance are at present faced in certain parts of the world.

The Conference took as its central problem the question of how costs could be reduced without injury to the consumer or the worker. With this object it considered : (1) "rationalisation" in its various aspects, and, in this connection, (2) international industrial agreements, and (3) the collection and exchange of information.

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

International Industrial Agreements. — The report then turns to the question of industrial agreements, which has recently attracted close attention and on which the discussions at the Conference revealed a certain conflict of views. The Conference has laid down no conclusion of principle on the subject, but recognises the growth of agreements as a development which may be either good or bad according to the spirit in which they are constituted and operated and the measure in which their directors are actuated by a sense of the general interest. Agreements cannot by themselves be regarded as the only remedy for the present causes of economic trouble; but, within limits, they may serve to improve the organisation and reduce the cost of produc-

tion. By checking uneconomic competition and diminishing industrial fluctuations they may make employment more stable while benefiting the consumer. Nevertheless, agreements may involve danger if they encourage monopolistic tendencies and unsound business methods.

The Conference therefore lays it down that agreements ought not to lead to an artificial rise of prices and that they should not restrict the supply to any particular country of raw materials or basic products or, without just cause, create unequal conditions between the finishing industries of consuming and producing countries or other countries similarly placed. Nor should they stereotype the present position of production or the distribution of industries.

No special system of supervision over agreements is recommended, and Governments which adopt measures regulating agreements within their country are advised not to place obstacles in the way of the benefits which such agreements might secure. While the divergencies between the national measures of supervision offer an obstacle to the establishment of an international system, the Conference considers that publicity is one of the most effective means of preventing the growth of abuses and recommends that the League of Nations should follow closely the operations and effects of international agreements and should collect and publish such relevant data as are of general interest.

Lastly the Conference lays special emphasis on the importance of the systematic collection of accurate information both from the point of view of the leaders of industry and of the public. Accurate statistics should be obtained both for the basic world industries and also for the chief industries of each country, so as to render possible the compilation of quantitative indices of industrial production.

The Economic Organisation of the League of Nations should endeavour to promote international agreements with

regard to the terms, methods and scope of industrial statistics employed, and should collate the information provided as to raw materials, production, etc., the International Labour Office dealing with wages, hours, employment, etc.

In addition, the Economic Organisation should arrange for the compilation of general reports, special studies and reviews bearing on industrial development, raw materials and changes in production and trade.

AGRICULTURE.

For the first time, at this Conference, agriculture has been represented side by side with commerce and industry in such a way that it can take its place in a general review of the economic situation of the world. From the documents available at the Conference, it is evident that the dislocation of the prices of agricultural in relation to those of manufactured products is causing a widespread depression in agriculture, which, if some improvement is not achieved, may result in a diminution in agricultural production.

Perhaps the most important outcome of the agricultural discussions is the realisation of the essential interdependence of agriculture, industry and commerce; that, in the words of the report, "it would be vain to hope that one could enjoy lasting prosperity independently of the others".

The Conference considers that the first measures for the improvement of agriculture must be taken by agriculturists themselves—by the general adoption of better technical methods, more scientific organisation, an extension of the international campaign against diseases of plants and animals, and by co-operation and the organisation of credit institutions. With regard to the co-operative movement, the Conference desires to emphasise the importance of direct relations between producer's and consumers' associations.

The credit difficulties in the way of agriculture, still so acutely felt in many countries, can only be surmounted by organising national credit institutions where they do not yet exist or developing already existing institutions, with or without the assistance of the public authorities. The study of the question whether an international organisation capable of increasing the resources available for agricultural credits is or is not a practical proposition is recommended.

In some of the measures mentioned above, private endeavour must be supplemented by Government action. With regard to legislative measures, the Conference recommends the extension of social legislation to the agricultural population, it being understood that special adaptation to the requirements of rural conditions would be necessary.

In agreement with the principles stated in the review of commercial conditions, the Conference lays stress on the desirability of removing hindrances to the free flow of agricultural products in so far as their removal does not endanger the vital interests of the various countries or their workers. Where a minimum of protection is maintained, care should be taken to maintain an equitable balance between industry and agriculture and not to stifle the one to the advantage of the other.

The Conference further recommends the development of agricultural statistics, particularly on the basis of an exact system of farm accounting and with regard to live-stock and animal products; also, that a general enquiry be made into the present situation and the possibilities of developing agriculture, particular attention being given to the development of agriculture among the indigenous populations in colonies.

A special study should be made of the resources and the exploitation of forests in relation to the need for obtaining the regular supplies essential to industry.

In view of the interdependence of agriculture on the one hand and industry and commerce on the other, the Conference requests the League of Nations to ensure that, in the organisations already existing or to be formed for the study of economic questions, agricultural interests shall be represented in proportion to their economic and social importance.

The Conference concluded with a resolution expressing its high appreciation of the work of the Economic Committee and the Secretariat of the League. With regard to the action to be taken on its recommendations, the Conference, while offering no suggestion as to a permanent organisation, thought that it could not do better than draw the Council's attention to the well-balanced composition of the Preparatory Committee, which has yielded excellent results in the preparatory work for the Conference.

CONCLUSIONS.

The eight years of post-war experience have demonstrated the outstanding fact that, except in the actual fields of conflict, the *dislocation* caused by the war was immensely more serious than the actual *destruction*. The main trouble now is neither any material shortage in the resources of nature nor any inadequacy in man's power to exploit them. It is all in one form or another a maladjustment—not an insufficient productive capacity but a series of impediments to the full utilisation of that capacity. The main obstacles to economic revival have been the hindrances opposed to the free flow of labour, capital and goods.

The removal of these obstacles with the twofold object of stimulating production and restoring free channels for trade requires concerted international action. The attainment of the former object lies largely in the hands of producers in promoting by co-operation more scientific methods, such as simplification and standardisation, which eliminate waste.

A necessary preliminary to this process is the collection and periodical publication of information bearing on production and its factors which shall be fuller, more regular, more uniform and better co-ordinated. The second object lies rather within the scope of governmental efforts, inspired and permitted by an enlightened opinion among employers, workers and consumers. This is especially true of Europe. It is essential, as the resolution states, "that nations should take steps forthwith to reverse or diminish those tariff barriers that gravely hamper trade, starting with those which have been imposed to counteract the disturbances arising out of the war". It is essential that a renewed sense of security should mitigate a burden of armaments which is profoundly uneconomic. We have here, and in the erection of tariff walls in order to obtain "self-sufficiency", two of many illustrations of the relation between the problem of economic recovery and of security. It is perhaps particularly true of Europe, but also true of the world in general, that without confidence in the continued peace of the world a prosperity corresponding to the real recovery of productive capacity which has taken place since the war cannot possibly be attained.

* * *

Such, in bare summary, are the results and resolutions of the Conference. They must be studied in the complete text, which alone remains authoritative, to be fully appreciated; and, in particular, the more important recommendations, which can be distinguished by the Table of Contents and the headings, do not admit of adequate summary and need to be read in their complete form.

Now that we have laid down in your resolutions the principles upon which economic policy should be based, we must ask ourselves if our work is finished. Most certainly it is not; I might even say that our work is only begun.

You have completed the first stage of laying down the principles; and in doing so you have been inspired by the great and fruitful idea of the interdependence of nations, and of the interdependence of the groups of which nations are composed. At every stage in your discussions and on every page of your reports, the solidarity of mankind has appeared more obvious and more significant. You have striven to make it easier for the masses to improve the material, and therefore the moral, conditions of their life. But your work cannot prove effective unless the peoples of the world themselves give to your recommendations the support of their interest and of their power. If we are not supported by all those for whom we have been working, our endeavours will be unavailing. Public opinion as a whole must understand not only the intrinsic importance of your work, but also, and above all, it must realise its strength, its utility and the vital importance which it must have for its well-being.

We have worked loyally together to secure economic peace, on which, indeed, political peace depends. This Conference is an assembly of persons who have been brought into touch with realities—always harsh and often disappointing—but with realities in which truth, sooner or later, always prevails. Our advice and recommendations will in all probability not be followed immediately on the scale we would desire. Great movements frequently experience many difficulties at the outset. But we are convinced that our work is based on true principles and on the determination to ensure to the best of our power both the peace and the prosperity of the world. In coming here to Geneva in response to the appeal of the League of Nations, which truly interpreted the ardent desire for peace and reform cherished by all nations, we desired to undertake a beneficent task: To-day we have completed the first stage, and we may well be proud of what we have done. But we must not forget that our success will depend on the measure of our perseverance.

And I venture here to make an urgent and solemn appeal to all those—members and experts—who have co-operated in our work and taken part in the Conference. By contributing to the framing and adoption of our recommendations, we have assumed a real moral obligation to disseminate, to defend and to secure the triumph of the truths which we have formally proclaimed. They will win their way gradually, no doubt, and partially, but they will ultimately prevail. When we resume our everyday duties, we must endeavour constantly to devote to these truths a part of our thoughts and efforts.

After the terrible calamity experienced by Europe, the results of which have been felt throughout the whole world, we cannot expect that order will be restored as if by enchantment. But whether the fruits of our labours are gathered by ourselves or by those who succeed us, we are animated by the firm determination to unite our efforts to those of friends who share our hopes, our enthusiasm and our ideals. We know that the time will come when mankind will be the happier for our work. And that alone, ladies and gentlemen, will enable us to be proud of what we have done.



For the execution of the work (studies and enquiries, preparation of conferences and conventions) which it entrusted to the League, the Economic Conference recommended that a special organisation should be constituted.

In September, 1927, the Assembly invited the Council to constitute an Economic Organisation on which would be represented the various interests and organisations which had collaborated in the preparation of the Conference. The Council decided to re-organise the Economic Committee and to constitute a Consultative Economic Committee.

The work of the Economic Committee will lie within the sphere of the economic relations between States and their economic policies so far as they have international aspects. It will comprise fifteen members of different nationalities, appointed by the Council in their personal capacity and on the grounds of their economic qualifications for a period of three years. They do not represent their Governments. At the end of their term of office, retiring members, unless succeeded by members of the same nationality, become corresponding members of the Committee.

The composition of the Consultative Committee is modelled on that of the Preparatory Committee for the Economic Conference as regards the balance of the various interests represented. It includes qualified experts on industry, commerce, agriculture, finance, labour and questions affecting consumers.

It was first of all decided to appoint thirty-five members, but in order to secure well-balanced representation for all elements in proportion to their importance in economic life, and likewise for the various countries, the Council raised this figure to fifty-two, including three members nominated by the International Labour Office, five members representing the Economic Committee, two members representing the International Chamber of Commerce, one member representing the Financial Committee and one member representing the International Institute of Agriculture.

The Consultative Committee includes nationals of Australia, Austria, Belgium, Great Britain, Canada, Chile, China, Colombia, Czechoslovakia, Denmark, Finland, France, Germany, Greece, Hungary, India, Italy, Japan, Luxemburg, the Netherlands, Poland, Portugal, Roumania, the Serb-Croat-Slovene Kingdom, Spain, Sweden, Switzerland, and the United States of America. Its members are the Presidents of the International Institute of

Agriculture and the International Chamber of Commerce.

The Council further set up a preparatory committee composed of the Chairman of the Consultative Committee, M. Theunis, and the Vice-Chairman, M. Loucheur, M. Colijn and Sir Atul Chatterjee.

Work of the Economic Committee

The Members of the League undertake, in virtue of Article 23 (e) of the Covenant, to establish and maintain equitable treatment of commerce among themselves.

The Council therefore in the first instance directed the Economic Committee, in September 1921, to "consider and report upon the meaning and scope of the provision relating to the equitable treatment of commerce contained in Article 23 (e) of the Covenant".

This involved a twofold task, viz. :

(a) To study the scope, *i.e.*, the various forms of commercial activity in respect of which the League is empowered to take action under Article 23 (e) of the Covenant; and

(b) To define the meaning of the general term "equitable treatment".

The Committee, after having investigated how far there was reasonable prospect of obtaining a general agreement among the Members of the League on these two points, came to the conclusion that there was no possibility of obtaining an international convention which would cover the whole problem.

It considered, therefore, that its work should be essentially practical.

It decided that the best method of achieving satisfactory results was to examine various kinds of practices which clearly violate the broad principle of equitable treatment.

It grouped them under the following headings :

1. Encouragement or toleration of unfair competition by means of fraudulent trade practices (such as false trade-marks and descriptions) to the detriment of legitimate trade.

2. Unjust or oppressive treatment by any State Member of the League, in fiscal or other matters, of foreign nationals, firms and companies duly admitted to exercise their commerce, industry or trade in the territory of another State.

3. Excessive, unnecessary, arbitrary or unjust Customs formalities and similar practices which are prejudicial to the commerce of other Members of the League.

4. Unjust discrimination against the commerce of any Member of the League in such matters as the treatment accorded to goods and vessels.

I. UNFAIR COMPETITION.

Under the term "Unfair Competition" may be included practices whereby trade-marks or indications of geographical or commercial origin are improperly used, or whereby goods are falsely described. Hitherto such practices have been regulated by the International Convention of Paris, 1883, for the Protection of Industrial Property, which was amended at Brussels in 1901 and at Washington in 1911. Under the amended Convention, the contracting States undertake to ensure protection against unfair competition to members of the union. This undertaking, as embodied in the convention, is vague and general and contains no provision for international jurisdiction to enforce it and no detailed particulars of the precise character of the practices at which it is aimed.

Another Convention, known as the Madrid Arrangement, for the Prevention of False Indications of Origin on Goods,

also amended at Washington in 1911, only embraces ten States, excluding some of the most important.

The Economic Committee took the view that the protection against unfair competition given by the Paris Convention was inadequate for two reasons :

(a) That not all States are parties;

(b) That the provisions of Article 10 *bis* relating to unfair competition are defective in not clearly defining the kinds of unfair competition against which they are aimed and the procedure for obtaining redress.

In order to ensure better protection against unfair competition, the Economic Committee considered it desirable :

(a) That the membership of the Industrial Property Union should be extended to all States of any importance;

(b) That the provisions of the Convention, as far as they relate to unfair competition, should be amended and supplemented.

At the Committee's suggestion, the Council sent a strong recommendation to all States Members, urging them to adhere to the Industrial Property Convention.

The Economic Committee also prepared a draft of certain provisions regarding unfair competition to serve as a basis and destined for the amendment of the Industrial Property Convention and to form part of the programme for a conference.

This Conference was held in October 1925 at The Hague, under the auspices of the Industrial Property Union; it was with a view to this conference that the Economic Committee sought to draw up proposals for the amendment of the text of the Industrial Property Convention.

The proposals were submitted to all States Members of the League for their consideration. The proposals aimed at: (a) affording really effective remedies to persons aggrieved by unfair competition; (b) defining the classes of unfair practices including, amongst other things, the improper use of trade-marks and names and false indications of origin, written misdescriptions, etc.; (c) dealing with the abuses caused by improper registration of foreign-owned trade-marks, etc., and enabling such marks if already improperly registered to be removed from the register.

Twenty-five States sent their observations and suggestions. The Japanese Government then asked that an international meeting of Government experts should be called by the League for the consideration of the draft articles. This meeting took place in May 1924. Twenty-two experts from as many different countries attended the meeting in a personal capacity. They adopted in their broad outlines the Economic Committee's proposals, consisting in amendments to several articles of the Convention and some additional articles to be inserted therein. At the request of the Council, the Committee's proposals were communicated to all the Members of the League and to the Members of the Union.

Two members of the Committee, invited by the Netherlands Government, which had convened the conference, took part in it in an advisory capacity.

A comparative study of the proposals put forward by the Economic Committee and of the amendments and additions to the text of the Convention adopted by the Conference at The Hague would go beyond the scope of the present pamphlet. A comparison between the original text and that subsequently adopted clearly shows the importance of the results obtained and the very large extent to which the Committee's proposals were embodied in the texts adopted at The Hague.

2. TREATMENT OF FOREIGN NATIONALS AND ENTERPRISES.

The unjust or oppressive treatment by any Member of the League of persons, firms and companies of any Member carrying on business, whether commercial, industrial, financial or insurance, within its territory, also constitutes a violation of the principle of the equitable treatment of commerce laid down by the Covenant.

The Committee found it impracticable, in the present political and economic condition of the world, to formulate any general rule applicable to the conditions of admission of foreigners which could be recommended for adoption without such important and numerous exceptions as to deprive the rule of all practical value. It has therefore confined its study exclusively to the regime applicable to foreign persons or organisations which have been duly admitted by law to carry on their occupation within the territory of a State.

The Committee endeavoured to formulate principles which should be observed in the treatment of foreign persons and companies with a view to protecting them from arbitrary fiscal treatment and unjust discrimination. It embodied these principles in a series of recommendations which the Council of the League has submitted to all States Members of the League, with a recommendation that the States should be guided by these principles, both in their internal legislation and their international agreements.

These are as follows :

“The Council of the League of Nations, considering that the grant of the legal, administrative, fiscal and judicial guarantees necessary for nationals, firms or companies of any States Members of the League, who are permitted to carry on their commerce, in-

dustry, or any other occupation within the territory of another State Member of the League, or to establish themselves there, was one of the requirements of economic co-operation between nations,

“Recommended to all the States Members of the League the following principles, which they should seek to put into practice both by the adaptation of their national legislation to this end and by the conclusion of bilateral agreements.

“1. In the case of persons, firms, or commercial, industrial, financial or insurance companies permitted to establish themselves within the territory of another State in conformity with its laws and regulations, the granting of the treatment accorded to nationals in fiscal matters should be maintained as an absolute rule. Such persons, firms, or commercial, industrial, financial or insurance companies should in no case be subjected as regards their goods, industry, commerce or any other form of economic activity, to general or local taxes, or to duties of any kind whatever, different from or higher than those which are imposed on the nationals of the State concerned, subject to special exceptions which could only be justified by requirements of the public interest and which should be applicable to all nationalities without distinction.

“2. If in any case a person, firm or company is admitted to carry on an industry, commerce or any other occupation in a country without being established in that country, the treatment in fiscal matters of such person, firm or company should not be such as to place them in a position of inferiority as compared with nationals subject only to the exception mentioned in the preceding article.

"3. Where a foreign business established in the territory of a State is a branch of, or subsidiary to, a business of which the seat of control is in another State, the principle to be followed as regards the taxation of the business should be that taxes imposed in the country in which the foreign business is so established should be strictly limited, if levied on capital, to the capital really invested in that country, and, if levied on profits or revenues, to those arising from the business activities carried on in that country.

"4. Foreign persons, firms or companies permitted to establish themselves within the territory of any of the States Members of the League should be entirely free to acquire and to possess property of all kinds, whether real or personal, which is necessary for their economic activities and which the laws of the foreign State in question permit or may thereafter permit to the nationals of another State to acquire and to possess.

"5. Such persons, firms or companies should be able to dispose of their real or personal property referred to in the preceding article, especially with regard to cession, exchange, gift, or legacy in accordance with the regime accorded to nationals, applicable without modification or restrictions of any kind.

"6. The fiscal regime applicable to the export of the product of the sale of real and personal property by the said persons, firms or companies, and the regulations with regard to the foreign currency acquired as a result of such exportations, should not differ according to the nationality of the exporter.

"7. Persons, firms or companies permitted to establish themselves within the territory of a State Member of the League should be entitled, in defence of their

rights, to bring an action, either as plaintiff or as defendant, in accordance with the laws of the State in question.

"8. The above provisions shall be applicable subject to just reciprocity and without prejudice to any further facilities which, by virtue of the powers conferred upon them by their systems of law, certain States might grant to each other without thereby injuring the interests of third States or of their nationals.

"9. It is agreed that nothing in the present articles requires a State to grant their benefit to a company of which it can be proved that the financial control is in the hands of the nationals of a State which has not accepted the present recommendations, or of which the seat of control is situated in the territory of such a State.

"10. While the principles of equitable treatment embodied in the present articles should be universally observed throughout the territories placed under the sovereignty or authority of States Members of the League, it is recognised that there may be special cases of overseas colonies, protectorates or territories under mandate in which it is impracticable to apply some of the detailed provisions of these articles or in which they can only be applied subject to modifications necessary to adapt them to special and local circumstances.

"In the cases referred to, the States concerned will apply a regime which will respect the principles of the present articles."

The Economic Committee next considered the conditions on which foreigners legally domiciled in a country are or should be admitted to carry on a profession or occupation.

In this matter certain conclusions were also reached which are summarised in the following recommendations in a circumstantial report addressed to the Council and adopted by the latter in June 1925 :

“(a) The general rule for ordinary open professions, industries and occupations should be mutual national treatment, with or without the condition of reciprocity.

“(b) In professions, industries or occupations, the carrying on of which is dependent on compliance with a prescribed standard of qualification or of training, it is desirable that States should, so far as practicable, make arrangements by bilateral agreements or otherwise for the mutual recognition of such standards.

“(c) The number of professions, industries and occupations into which the entry of foreigners is restricted on the ground of national interests should be limited to the essential minimum required by these interests.

“(d) The restrictions placed on foreigners with regard to carrying on professions, industries and occupations of this class should be similarly limited to those which are *bona fide* necessary for the protection of national interests.

“(e) In applying such restrictions, there should be no arbitrary or unjust discriminations between foreigners on the ground of nationality.

“(f) If and when a State finds it necessary to restrict the carrying on of an occupation to persons holding a special contract or licence, the right to tender for such contract, or to obtain a licence on fulfilling the prescribed conditions, should only be restricted to nationals of the State where such restriction is

considered necessary to protect essential State interests, and that, where such restriction to its own nationals is not enforced, there should be no arbitrary and unfair discrimination as between the nationals of different foreign States.

“(g) Except in so far as the right of foreigners to reside or travel in certain exceptional areas (e.g., in the neighbourhood of forts, etc.) may be restricted in the national interest, the general rule should be that foreigners duly admitted into a country should be accorded the same freedom of travel and residence as is enjoyed by nationals, subject always to compliance with the national laws with regard to the registration of foreigners, notification of change of address, etc.

“(h) If as a result of the special conditions obtaining in certain countries, and particularly in overseas territories placed under the sovereignty or authority of other countries, the above rules cannot be applied, such countries should still be governed by these principles in ensuring equitable treatment to foreign nationals in this respect.”

This second series of recommendations was communicated to the Members of the League by a decision of the Council. The International Chamber of Commerce also prepared a preliminary draft international convention on the subject. The draft and the two series of “recommendations” were considered by the Economic Conference of May 1927, which recommended that an International Conference should be held with the object of settling the matter by a convention embracing as many countries as possible. The Economic Committee in conjunction with the Secretariat immediately began the necessary preparations, such as collecting all useful information with such assistance as appeared most appropriate.

3. CUSTOMS FORMALITIES.

The Economic Committee examined in detail another class of abuses due to the maintenance of excessive, unnecessary, arbitrary and unfair Customs formalities and practices. Practices of this kind, which injure and place unjustified impediments in the way of international trade, are of course a violation of the principle of equitable treatment laid down in Article 23 (e) of the Covenant. The Committee avoided all questions bearing on the Customs and tariff policy of States and desired that the parties directly interested, namely, the Customs administration and the business world, should be consulted before any definite proposals were submitted to an international conference.

The preliminary work consisted in selecting from among the numerous problems connected with Customs formalities the main questions which could profitably be discussed at an international assembly of delegates of admitted authority and experience.

A first draft was submitted to the Governments for consideration, and most of them gave their opinions and offered suggestions on the subject. The draft was then twice examined from a technical point of view at Geneva, in 1923, by two groups of distinguished officials drawn from the Customs administrations of seventeen countries. The International Chamber of Commerce, representing the business world, also discussed and approved the draft at the Rome Congress in March 1923.

The final programme submitted by the Economic Committee to the International Conference held at Geneva thus already represented the result of long and diligent preparation.

The Conference met at Geneva on October 15th, 1923. Thirty-five countries sent their official representatives fur-

nished with the necessary powers to draw up and sign an international convention. A delegation from the International Chamber of Commerce was also present in an advisory capacity.

The Convention which resulted bears the date of November 3rd, 1923, and was forthwith signed by twenty-one States.

Up to the end of November 1927, the Convention has been ratified by 27 States, viz.

Australia, Austria, Belgium, Bulgaria, China, Czechoslovakia, Denmark, Egypt, France, Germany, Great Britain, Greece, Hungary, India, Italy, Luxemburg, French Protectorate of Morocco, The Netherlands, New Zealand, Norway, Persia, Roumania, Siam, South Africa, Sweden, Switzerland, Regency of Tunis (French Protectorate).

The Convention may be summarised in five words : Publicity, simplicity, expedition, equality and redress.

Publicity. The Customs regulations should be published in a simple and accessible form, and, further, any changes that are made in tariffs or in formalities shall be published at the earliest possible moment so that traders and others shall be immediately in a position to ascertain any changes that are made, or additional charges that are imposed.

Simplicity, that is, simplicity in Customs rules and procedure, so that prohibitions, restrictions and formalities should be reduced to a minimum.

Expedition. Such Customs rules and procedure as have to be imposed should cause as little delay as possible to the rapid passage of goods—and of passengers—from one country to another.

Equality. Apart from tariff policy, the formalities themselves shall not be utilised for the purpose of imposing any arbitrary or discriminating burden or restriction.

Redress. The Contracting States undertake to take appropriate measures to ensure redress by means of administrative, judicial or arbitral procedure in case of alleged abuse.

The Contracting States bind themselves to reduce as soon as possible their import and export prohibitions and restrictions to the smallest possible number, and, in those cases where the system of import and export licences is maintained, to observe the principles referred to above.

Further, several provisions aim at the introduction of greater facilities for commercial travellers. Thus, contracting States agree to consider as sufficient for the future identification of samples the marks affixed by the Customs authorities of other contracting States. Samples need not necessarily leave a country through the same Customs office as they enter. Unaccompanied samples will enjoy the same treatment as those accompanied by commercial travellers. Identity cards for commercial travellers will be uniform in all contracting States. Only in exceptional circumstances will consular visas be required. The cost of an eventual visa will not exceed the cost of the service.

Another article of the Convention, dealing with certificates of origin, is of considerable importance. Loud complaints, which in many instances are seconded by the Customs administrations themselves, are raised by business circles against certificates of origin and are chiefly directed against the cumbersome and arbitrary formalities which have to be complied with. They vary in different countries, undergo constant changes and are even in some cases used as a means of discrimination. Therefore, after adopting a general rule binding the contracting States to reduce to a minimum the number of cases in which these certificates are required, the Conference agreed upon a series of provisions having for their object the suppression of at least some of the abuses which constitute obstacles to international commerce. Thus, to

mention merely the more important of these provisions : the formalities and procedure connected with the issue and acceptance of certificates of origin shall be simplified and brought to the notice of the public in an adequate manner. The right to issue certificates of origin shall be extended to certain organisations. In the case of goods not imported directly from the country of origin, the country through whose territory these goods are forwarded shall have the right to issue certificates of origin. Consular visas for certificates of origin shall not in principle be required, and, if required, the cost of the visa shall not exceed the cost of issue.

The Conference also adopted a series of recommendations regarding the simplification of the formalities relating to the passage of goods through the Customs, the examination of travellers' luggage, the system of goods in bond and warehousing charges; the participating States agreed to give favourable consideration to these recommendations and considered the convening of a new Conference for this purpose.

This bare enumeration, summary as it is, of the principal provisions in the Geneva Convention shows that its title does not exactly correspond with the tenor of its clauses and that it contains certain or possible remedies for situations of fact which the business world, through the intermediary, more particularly, of the International Chamber of Commerce, has signalled as constituting very serious obstacles to the normal exchange of goods.

For this reason the Economic Committee has used every opportunity to urge the necessity of further ratifications to this Convention, which seems suited to form the basis of future progress in international commercial relations.

Further, it has noted with satisfaction that the Geneva Convention is being indirectly applied through the use made of some of its provisions in an increasing number of commercial treaties. In several cases certain questions are settled

by a mere reference to the Convention, which is thus tending to become established as recognised doctrine.

Contrary to the majority of conventions, which usually contain concrete and well-defined undertakings, the Geneva Convention contains, along with stipulations of this kind, certain general obligations not strictly defined and which led the Conference responsible for the Convention to include in the latter a provision whereby the contracting States undertake to furnish a periodical summary of measures adopted by them in order to ensure the simplification of Customs formalities. These summaries are forwarded to the Secretariat and carefully examined by the Economic Committee, which then reports upon them to the Council.

Up to the present 15 Governments have sent in reports to the Secretariat. These reports have been examined by the Economic Committee and reveal, to quote the report submitted by the Committee to the Council in March 1927 "the striking progress which has been made under the influence of the Convention both as regards the clauses which have a binding character and those which are merely in the nature of recommendations. The information thus obtained justifies the Committee in stating that the Geneva Convention has been attended with the most fortunate results".

4. UNJUST DISCRIMINATION AS REGARDS THE TREATMENT OF GOODS IN VESSELS.

The Economic Committee considered this matter at one of its sessions in 1922 and fully realised the desirability of the earliest and most general application of this essential principle. It gave special consideration to the question in the light of the recommendations of the Genoa Conference of 1922. In view of the wide divergences of opinion between the different States as to the fundamental principles of tariffs and commercial policy and the importance which many of

these States attached to preserving their full autonomy in such matters, and also in view of the instability of economic conditions and the disorganisation of the exchanges which existed at that time, the Committee was not able to arrive at any generally acceptable principles which might usefully form the programme or an international conference or which might have been recommended to the States for adoption. In these circumstances the Committee had to limit itself to expressing the earnest hope that the principles embodied in the Genoa resolutions would receive the widest possible application.

5. IMPORT AND EXPORT PROHIBITIONS AND RESTRICTIONS.

The study of this question by the Economic Committee is based upon a resolution by the Assembly of the League of Nations dated September 25th, 1924. This resolution was adopted on the proposal of the Italian delegation, which was inspired by the undertaking incumbent upon the contracting parties of the Geneva Convention of 1923 in virtue of Article 3, which stipulates that these parties will adopt and apply, "as soon as circumstances permit, all measures calculated to reduce such prohibitions and restrictions to the smallest number".

By a decision of the Council of March 1927, an international diplomatic conference was called to Geneva on October 17th, 1927 to consider the draft of a convention drawn up by the Economic Committee. All States Members or the League and the most important States non-Members were invited to send representatives to this Conference.

The Conference sat from October 17th to November 8th and was presided over by M. Colijn, former Prime Minister of the Netherlands, who last May acted as chairman of the Commerce Committee of the Economic Conference. By this appointment, the Council marked its appreciation of the importance of the Diplomatic Conference as a first step

towards the application of the recommendations of the Economic Conference.

Thirty-four States were represented, namely, Australia, Austria, Belgium, Great Britain, Bulgaria, Canada, Chile, China, Colombia, Cuba, Czechoslovakia, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, India, The Irish Free State, Italy, Japan, Latvia, Luxemburg, Netherlands, Poland, Portugal, Roumania, the Serb-Croat-Slovene Kingdom, Siam, Sweden, Switzerland, Turkey, the United States.

The delegates included numerous senior officials habitually concerned with the negotiation of Commercial Treaties.

A delegation from the International Chamber of Commerce attended in an advisory capacity.

The Conference adopted a Convention in virtue of which the contracting parties undertake, within a period of six months after the coming into force of the Convention, and subject to certain duly specified exceptions, to abolish all existing import and export prohibitions and restrictions and not to impose new ones.

Certain rules are laid down as regards such prohibitions as may be considered as exceptions. A procedure of conciliation, arbitration or judicial settlement is provided in the case of disputes concerning the interpretation and application of the Convention. Conditions for the coming into force of the Convention have been carefully arranged to secure a maximum number of adhesions with a minimum of reservations to the principle of the general abolition of prohibitions. This procedure enables States in a special situation to make reservations after signing the Convention, with a view to the temporary maintenance of certain prohibitions; it provides for a meeting of the signatories next June or July to examine the situation in the light of the various reservations, the number of accessions and their geographical

distribution. The Convention may be denounced at the end of three years, if the temporary exceptions allowed have not been brought to an end.

In the preliminary draft drawn up by the Economic Committee, which served as a basis of discussion for the Conference, account had been taken of the necessity of maintaining certain prohibitions whose suppression did not, for certain special reasons, seem desirable. To this end, the draft provided for a series of exceptions based upon non-economic considerations such as national defence, public order and safety, the protection of animals and plants against disease, the protection of artistic property, the necessity of continuing to apply certain national laws or international conventions, the protection of State monopolies, etc.

The draft also provided a kind of safety-valve, in the form of a clause enabling Contracting States to re-establish prohibitions in extraordinary or abnormal circumstances (catastrophes, etc.).

There were protracted debates on this subject. From the very outset there were two currents of opinion, one in favour of limiting as far as possible the number of exceptions with a view to the general abolition of prohibitions; the other, that if too much were required, certain States would not be able to accede to the Convention. The question was to find a compromise, that is, to make the Convention as stringent as possible, while enabling the greatest possible number of States to adhere.

The Conference solved the difficult problem by a procedure which seems complicated, but should be effective. In the first place, it amended the articles of the draft Convention concerning exceptions, both in normal and abnormal circumstances and based upon non-economic grounds. The wording was made more precise so as to leave no loop-hole.

An additional article was drawn up enabling Parties to make reservations in regard to certain temporary exceptions, with the agreement of the other Contracting Parties; these exceptions concern prohibitions which States consider it impossible to abolish at once, but which they undertake to suppress as soon as the circumstances from which they arise no longer exist; and certain prohibitions which it would be difficult to abolish and which do not affect prejudicially the trade of other countries.

Certain reservations of this kind were made before the conclusion of the Convention and were examined by the Conference so as to make sure that there were no exceptions to the principle thus established (1).

Others may be communicated after the signature, but before February 1st, 1928, when Governments will have sufficient time to study the Convention. These will be examined when the signatories meet between June 15th and July 18th.

At this meeting the situation will be examined in the light of the reservations, and the number, kind and conditions of the signatures received. The conditions of the entry into force of the Convention and the time-limit for the deposit of ratifications will be determined.

It is also provided that in three or five years (according to the reservations) after signing the Convention, any Signatory may denounce it, should it consider that certain temporary exceptions have been unduly prolonged. Moreover, any Contracting Party can denounce the Convention five years after its entry in force. Finally, if, as a result of such denunciations, the conditions governing the coming into force of the Convention should cease to exist, a fresh Conference may be convened to examine whether the Con-

(1) In one case, that of the export of Roumanian oil, the Conference agreed not to insist upon the maintenance of the principle, owing to special circumstances.

vention should, nevertheless, remain in force between States which have ratified it.



This procedure merits special attention as it is one of the essential factors of the work of the Conference.

To sum up, it comprises reservations approved before signature; the possibility of making further reservations before February 1st, 1928; examination of the latter at a meeting of Signatories between June 15th and July 15th; the determination at that meeting of the conditions for the coming into force of the Convention and of the time-limit for the deposit of ratifications; the abolition, six months after the coming into force of the Convention, of all prohibitions the maintenance of which has not been agreed to; the possibility of denouncing the Convention three years after the signature, if temporary exceptions are unduly prolonged; the possibility of denouncing it five years after signature, for certain prohibitions; the possibility of convening a fresh Conference should the denunciations affect the general scope of the Convention.

The system was adopted in order to enable the greatest possible number of States to accede to the Convention and to enable the abolition of various prohibitions to take place without difficulty while leaving time for the measures which certain interested Parties will have to take. Thanks to this machinery, the Conference hopes—if there are sufficient accessions—that all prohibitions and restrictions which are not considered justified will gradually disappear and that in five years pre-war conditions will virtually have been re-established.



To complete this analysis of the principal results of the Conference, two further points must be mentioned :

The first concerns the procedure of conciliation and arbitration provided for the friendly settlement of disputes regarding the interpretation and application of the Convention, reference being contemplated to a technical League body (to be appointed by the Council) or to arbitral and judicial procedure. Legal disputes will be referred to the Permanent Court of International Justice or to an arbitral tribunal, should one of the parties so request. This procedure may also be extended to disputes of a non-legal character.

There were exhaustive debates on these clauses, as compulsory arbitration is entirely new in this connection and the Conference wished to gain some idea as to its possible consequences.

The second point worthy of note concerns import and export restrictions to protect animals or plants against disease. While recognising that sanitary or veterinary measures might legitimately be applied, the Conference endeavoured to prevent such measures from becoming a disguised form of protection. For this reason it recommended the Council to cause studies, enquiries and consultations to be organised with a view to the convocation of one or more conferences of experts to seek means of determining what measures had proved effective against animal and plant disease and of adjusting them strictly to risks of infection.

These various provisions are embodied in a Convention, Additional Protocol, Final Act and Annex. The last mentioned document contains the reservations made by certain States together with their reasons.

The Convention was signed on November 8th 1927 by the following States :

Austria, Belgium, Bulgaria, Czechoslovakia, Denmark, Egypt, Finland, France, Germany, Great Britain and North-

ern Ireland, Hungary, Italy, Japan, Luxemburg, The Netherlands, Roumania, Siam, Switzerland.

It has since been signed by Sweden.

This brings the number of signatures on December 6th 1927 up to 19.

6. TARIFFS AND COMMERCIAL TREATIES.

The International Economic Conference of May 1927 recommended :

That nations should take steps forthwith to remove or diminish those tariff barriers that gravely hamper trade, starting with those which have been imposed to counteract the effects of disturbances arising out of the war.

It further recommended that the lowering of tariffs should be effected in three ways :

(1) Individual removal or diminution by nations of tariff barriers, starting with duties which have been imposed to counteract the effects of temporary disturbances arising out of the war;

(2) Bilateral commercial treaties between States;

(3) The Economic Organisation should examine, on the basis of the principles laid down by the Conference, "the possibility of further action by the respective States with a view to promoting the equitable treatment of commerce by eliminating or reducing the obstructions which excessive customs tariffs offer to international trade".

The Conference further invited the League of Nations to examine the possibility of establishing definite and uniform principles concerning the most-favoured-nation clause, and a common basis for commercial treaties. For this purpose

the Economic Organisation should undertake all the necessary discussions, consultations and enquiries to enable it to propose the measures best calculated to secure either identical tariff systems for *European* countries or, at least, a common basis for commercial treaties, as well as the establishment for *all* countries of clearly defined and uniform principles as to the interpretation and scope of the most-favoured-nation clause in regard to customs duties and other charges.

The last Assembly having taken note of the Report of the Conference expressed the desire "that the Economic Organisation of the League should take these recommendations as the basis of its work".

The question having been referred to the Economic Committee, the latter decided to collect information as to the situation in various countries as regards tariffs and commercial treaties so as to be able to judge, on the basis of this information, at what moment and under what conditions fresh steps could be taken towards common policy.

7. COMMERCIAL ARBITRATION

The question of arbitration in connection with disputes arising out of the execution of commercial contracts, and particularly the question of the value of arbitration clauses voluntarily included in commercial contracts between persons of different nationalities, has in recent years aroused increasing interest in Europe and in America. It is generally recognised that arbitration clauses possess considerable practical value and afford a means of avoiding litigation and loss of time and money; they have also proved an incentive to commercial integrity. The Economic Committee accordingly considered that an effort should be made to remove the obstacles to the general recognition of the validity of these clauses.

In July 1922, the Committee summoned in London a meeting of a Committee of Experts on legal and commercial questions. It was composed of six members (1), and was asked "to study the effect of agreements between residents in different countries to submit to arbitration disputes arising under commercial contracts; to examine any obstacles to the operation of these agreements arising out of the exercise of jurisdiction by the national Courts in matters within the scope of the agreements, and to consider how far such obstacles can be removed or restricted, and lastly, to consult, when pursuing their work, such organisations and persons as may seem desirable".

The Committee of Experts, in its report to the Economic Committee, made the following definite recommendations :

"If two parties of different nationalities agree to refer disputes that may arise between them in a named country, an action brought by either party in any country other than that agreed upon as the place for arbitration ought to be stayed by the Court of the country in which it is brought, provided that : (a) the Court is satisfied that the other party is and has been ready and willing to do all things necessary to carry out the arbitration agreed upon; and (b) that the same Court is satisfied, either by a certificate of the Court of the country in which it has been agreed to arbitrate or by diplomatic methods, that the law of the latter country recognises and will make effective the arbitration agreement."

The Economic Committee fully endorsed the views of the Committee of Experts and considered that measures should be taken to compel merchants who have adhered

(1) Mr. F. D. Mackinnon, Chairman (Great Britain), M. Ernst Meyer (Denmark), Professor G. Gidel (France), M. Kan-ichi-Kajama (Japan), Dr. J. Novak (Czechoslovakia) and Dr. M. Friedelberg (Germany).

to an arbitration clause to respect and comply with it. For this purpose it would be necessary to remove from the laws of the different countries anything that would allow merchants to break their engagements or that would justify them in having done so.

The Committee was also of opinion that those States Members of the League whose legislation or legal practice is still adverse to commercial arbitration agreements should endeavour to introduce as soon as possible measures to apply the above recommendation.

Later on, the Committee considered what other measures could be taken to produce practical results. In January 1923 it submitted to the Council a concrete proposal in the form of draft articles of a protocol. These were carefully examined by a Committee of Jurists and a revised text was communicated to the Governments, was reconsidered by the Second Committee of the Fourth Assembly, and adopted by the Assembly in its final form on September 24th, 1923, from which date the Protocol was open for signature at the League Secretariat.

The sole aim of this Protocol is to make it impossible in future for the legislation and jurisprudence of the contracting States to stand in the way of the efficacy of arbitration agreements, between parties living in different contracting States, even when the arbitration takes place in a country other than those to whose jurisdiction the parties to the contract are subject. Each contracting State reserves the right to limit this obligation to contracts which are considered as commercial under its national law (Article 1). The contracting States are thus placed under a twofold obligation, namely :

1. They must ensure the execution by their authorities, and in accordance with the provisions of their national laws, of arbitral awards made in their own territory (Article 3);

2. When their tribunals are seized of a dispute regarding a contract including an arbitration agreement under the terms of Article 1 and capable of being carried into effect, these tribunals must refer the parties, on the application of either of them, to the decision of the arbitrators (Article 4). This reference, however, will "not prejudice the competence of the judicial tribunals in case the agreement or the arbitration cannot proceed or becomes inoperative".

According to Article 2, the arbitral procedure will be governed by the will of the parties and by the law of the country in whose territory the arbitration takes place.

All questions of private international law, including those which concern the enforcement of arbitral awards in a contracting country other than that in which the arbitral award was made, remain unaffected. These are extremely delicate and difficult points, and the Committee has purposely left them alone.

This Protocol was subsequently ratified by fourteen countries (on December 1st, 1927). Great Britain also adhered on behalf of different colonies, protectorates, possessions or mandated territories.

But the effects of the 1923 Protocol were destined to remain uncertain as long as an additional undertaking had not been entered into by the contracting States with regard to the execution of arbitral awards given outside their own territories. This omission seems to have limited to some extent the number of adhesions hitherto received. On the other hand, the business world is impatiently awaiting the conclusion of an international agreement in this connection (1). It is also certain that the utility of the 1923 Protocol will be

(1) See particularly the resolution adopted by the International Chamber of Commerce at its Brussels Congress in June 1925, and by the Council of this body on November 6th of the same year.

directly proportional to the number of countries in which its provisions are applied.

In view of these facts, the Economic Committee, after proceeding to a preliminary study of the question on the basis of the considerations mentioned above, and of the work of the Conference on Private International Law held at The Hague in 1925, appointed a Committee of Jurists to draw up a new international agreement with a view to ensuring the execution of arbitral awards relating to contracts concluded between the nationals of the contracting States parties to the 1923 Protocol and pronounced in the territory of these countries.

These Jurists (1) who, in January and March 1927, held two sessions which were attended by a representative of the International Chamber of Commerce, drew up a draft Protocol which, after being adopted by the Economic Committee, was at its recommendation subsequently, communicated by the Council to all Members of the League together with the Report appended by the Experts, with the request that they should send in their observations before the Session of the Eight Assembly. The question of opening this Protocol for the signature of all States desirous of acceding thereto was at the same time placed on the Assembly Agenda.

In May 1927, the World Economic Conference had, moreover, considered how the practice of resorting to commercial

(1) Chairman, M. D. Anzilotti, Professor of International Law at the University of Rome, Judge on the Permanent Court of International Justice.

M. Basdevant, Professor in the Faculty of Law, Paris.

M. Vaclav Hora, Professor at the University of Prague.

Mr. Benjamin H. Conner, Advocate, President of the American Chamber of Commerce in France.

Dr. Walker, President of the Vienna Clearing House.

Dr. Marc Leitmaier (replacing Dr. Walker at the second session), Ministerial Councillor at Vienna.

Mr. H. Cloughton Scott, K.C. (Great Britain).

Dr. Volkmar, Regierungsrat, Ministerial Councillor in the Ministry of Justice, Berlin.

arbitration might be promoted in all countries, and had taken the view that the favourable results to be expected from the 1923 Protocol would not be fully secured unless arrangements were made to supply the deficiency referred to above.

The Second Committee of the 1927 Assembly, to which this matter was referred, decided to appoint a temporary sub-Committee of Jurists to examine the replies of Governments and to consider whether, in view of these observations, the draft should not be recast.

Following the discussions, of this sub-Committee, the Assembly decided, on September 26th, 1927, to open a Convention which any countries signatories to the 1923 Protocol may sign at any time, though the Convention may be ratified only by those who previously ratify the Protocol.

Instead of the form of a Protocol the draft was given that of a Convention containing in its Preamble a list of the participant Heads of States and of their Plenipotentiaries, in order to obviate difficulties arising out of the peculiar constitution of the British Empire.

The point whether an arbitral award has, or has not, the same force as a judicial decision in the country in which it has been made was not taken into account in the Convention. The Convention deals with the arbitral award considered by itself and as proceeding from the submission to arbitration, that is to say, from a private act.

The Preamble to Article 1 states that, if the Convention is to apply, (1) the arbitral award must have been made in pursuance of a submission to arbitration covered by the 1923 Protocol;

2) the award must have been made in the territory of one of the High Contracting Parties to which the new Convention applies; and

3) it must have been made between persons who are subject to the jurisdiction of a State which is a party to the new Convention.

These general conditions having been laid down, Article 1 sets forth the further conditions upon which recognition or enforcement of arbitral awards are contingent. They are :

a) that the award shall have been made in pursuance of submission to arbitration which is valid under the law applicable thereto;

b) that the subject matter of the award shall be capable of a settlement by arbitration under the law of the country in which the award is sought to be relied upon;

c) that the award shall have been made by the Arbitral Tribunal provided for in the submission to arbitration, or constituted in the matter agreed upon by the Parties and in conformity with the law governing the arbitration problem;

d) that the award shall have become final in the country in which it has been made;

e) that the recognition or enforcement of the award shall not be contrary to public policy or to the principles of the law of the country in which it is sought to be relied upon.

In spite of these conditions, it may happen in certain cases that recognition or enforcement will have to be refused. Article 2 enumerates these cases as being those in which the award has been annulled by the country in which it was made — the Party against whom it is sought to use the award was not given notice of the arbitration proceedings in good time, or, being under a legal incapacity, was not properly represented—the award does not deal with the differences contemplated by or falling within the terms of the submission to arbitration, or contains decisions on matters beyond the scope of the submission to arbitration.

Article 3 deals with the case in which, apart from the causes of annulment referred to in Articles 1 and 2, the award

contains some flaw which may give grounds for legal action on the plea of 'invalidity' in the country in which it has been made. In such a case, "the Court may refuse recognition or enforcement of the award, or adjourn the consideration thereof giving the Party a reasonable time within which to have the award annulled by the competent Tribunal".

Article 4 gives an exhaustive list of the documents and evidence to be supplied by the Party desiring to avail itself of the award.

The object of Article 5 is to prevent any interested party being deprived of the opportunity of *availing himself of an arbitral award in the manner and to the extent allowed by the law or the treaties of the country where such award is sought to be relied upon*, whenever the said law or treaties contain more favourable provisions than the Convention.

Finally, article 6 states that the Convention applies only to arbitral awards made after the coming into force of the Protocol on Arbitration Clauses, opened at Geneva on September 24th, 1923.

The Convention was signed on December 6th, 1927 by Great Britain and Italy and on December 12th by France.

8. LEGISLATION ON BILLS OF EXCHANGE AND CHEQUES.

The question of the unification of the legislation on bills of exchange was considered at two Conferences held at The Hague in 1910 and 1912 on the initiative of the Dutch Government. At the second Conference, a convention and a uniform regulation were adopted by representatives of some thirty States, but for various reasons the convention was not ratified by any of the signatory countries.

The matter was not taken up again until the Brussels Financial Conference in 1920, when the Conference expressed its opinion that "activities of the League might usefully be

directed towards promoting certain reforms and collecting the relevant information required to facilitate credit operations". In this connection the Conference referred to the "advantages of making progress in the unification of the laws relating to bills of exchange".

The Economic Committee was accordingly asked to consider the question. It appointed a committee of four leading experts (1), whose report was published by the League and sent to all its Members for any comments they might desire to make. The conclusions reached by the Economic Committee were embodied in a report submitted to the Fourth Assembly, which adopted them. They may be summarised as follows :

The Economic Committee is convinced that the solution of this problem would have the effect of promoting commercial relations between the various peoples. But despite the fact that this opinion is shared by all legal and commercial circles everywhere, the deep-lying differences between the principles of the so-called "Anglo-Saxon" law and those of "Continental" law, and above all, the incongruous characteristics of the various systems of European law themselves, are such that for the time being the establishment of a common system is out of the question.

The Economic Committee, having examined in 1925 the replies to the above mentioned communication received from certain Governments and having also noted the tendencies prevailing in several countries, as well as a resolution adopted in June 1925 by the Brussels Congress of the International Chamber of Commerce, came to the conclusion that there was a real desire in the circles concerned to see an improve-

(1) Professor Jitta, President of the Royal Dutch Commission for Private International Law; Professor Ch. Lyon-Caen, Honorary Dean of the Faculty of Law at Paris; Sir Mackenzie D. Chalmers, formerly Under-Secretary of State for the British Home Office; and Professor Franz Klein, of the University of Vienna.

ment in the present situation, and it therefore decided to resume the study of the question.

The Committee's investigations convinced it that in the present state of affairs it would be vain to attempt to achieve a general unification of legislations in this branch, but that appreciable progress might be realised in the direction of a progressive assimilation of the different national legislations and particularly of those of the "Continental" type.

Nevertheless, before taking steps in this direction, the Committee desired to ascertain how far the differences existing between the different legislations, both as regards bills of exchange and cheques, constituted in practice a hindrance to commercial transactions.

With this end in view, it applied to certain experts specially qualified to give an authorised opinion (1). These experts met in December 1926. Without seeking to make a complete enumeration of the differences existing on these subjects between the various legislations and of the difficulties which they involved, the experts confined themselves to indicating those difficulties which, owing to their frequency and importance, justified in their opinion an attempt to bring the legislations closer together, and which seemed to them capable of being regulated by means of international agreements.

(1) Chairman : Mr. Westerman, Vice-President of the International Chamber of Commerce.

Dr. Hans von Flotow, Ministerial Counsellor, Berlin.

M. Vercheval, Secretary-General of the Banque de Commerce, Antwerp.

M. Weiller, barrister, Milan, delegate of the Fascist General Banking Federation.

M. Yano, Manager of the London Branch of the Yokohama Specie Bank.

M. Max Vischer, Chief Secretary of the Swiss Association of Bankers, Basle.

M. Felix Goller, Manager of the Zemska Banks, Prague.

M. Ernst Meyer, President of the Committee of the Merchants' Guild, Copenhagen.

Mr. Alwyn Parker, C.B., C.M.G., Director of Lloyds Bank, Ltd., London.

Mr. Albert Breton, replaced by M. Ralph Dawson, Vice-President of the Guaranty Trust Co. of New York.

M. Louis Dreyfus, Banker, Paris.

The experts shared the Committee's opinion as to the utility of concentrating attention in the first place on attempting to assimilate or bring closer into line the legislative provisions of the countries belonging to the Continental system. If this could be achieved, it would greatly facilitate an eventual rapprochement between the Continental and Anglo-Saxon systems.

The Economic Committee came to the conclusion that the time was now ripe for entering upon a new phase, consisting in the drafting of the text of articles suitable for the application of the solutions recommended by the experts with regard to the problems to which they drew attention and the necessity and urgency of which they emphasised. It therefore decided to summon a further meeting of experts, consisting chiefly of jurists, to draw up these texts.

This Committee (1), consisting partly of members of the Committee which met, in December, 1926, held a session in November 1927, and furnished the Economic Committee with a report in which it first of all expressed the opinion that the nature of its proposals for the solution of the problem under consideration depended essentially on the method subsequently adopted for securing as unanimous as possible an acceptance of the proposed rules.

The experts again expressed their belief in the expediency and possibility of reaching, by means of an international conference, an agreement which "would reduce difficulties arising out of the differences which now exist between the various legislations of the Continental system".

(1) Chairman : M. Percerou, Professor at the Faculty of Law of Paris.
Members : Dr. Hans von Flotow, Ministerial Counsellor, Berlin.
M. Hermann Otavsky, Professor at the University of Prague.
M. Xavier Janne, Professor at the Faculty of Law at Liège.
M. Joseph Sulkowski, Professor at the University of Posen.
M. Max Vischer, First Secretary of the Swiss Bankers' Association, Basle.
M. Edouardo L. Vivot, Doctor of Laws of the University of Buenos Aires.
M. Auguste Weiller, of the Fascist General Banking Association.

Guided by the experience of the 1912 Hague Conference they hold that it will be necessary to abandon the idea of "submitting a uniform law to the various countries for acceptance as it stands, without the national parliaments, which are ultimately sovereign in this matter, being able to make the slightest alteration by means of amendments".

Accordingly they proposed to lay down "a number of essential rules which States acceding to the agreement would undertake to embody in their respective laws by independent enactment".

They suggested that when this work has been completed, the results should be communicated to the various Governments, who would be requested to send in their observations. In this manner, the original texts could be subsequently reviewed and any alterations or readjustments which might appear necessary to ensure the success of the scheme could then be made.

In the opinion of the experts it is only at this stage that it would be expedient to invite the various Governments to be represented at an international conference for the purpose of concluding the desired agreement.

9. STATISTICAL METHODOLOGY.

With the object in mind of achieving international comparability in national statistical data, and in accordance with a resolution passed by the Genoa Conference, the League of Nations appointed a Committee on Statistical Methodology to study the principles on which certain classes of economic statistics were compiled, and to make recommendations as to the methods which could with advantage be applied internationally. In view of the valuable work which had already been accomplished in this connection by the International Statistical Institute, a private society which had been founded

with the express object of promoting uniformity in statistical methodology, the Committee in question was nominated jointly by the League and by this Institute, and the recommendations put forward by the Committee were submitted to the general conferences of the Institute before circulation to the Member States for their consideration. Amongst the subjects on which recommendations have already been put forward may be mentioned statistics relating to :

- (1) International trade;
- (2) Agricultural production;
- (3) Fisheries;
- (4) Censuses of production;
- (5) Current industrial production;
- (6) Stocks.

The programme of work for this Committee on Statistical Methodology has been drawn up on each occasion by the Economic Committee, and it will be noted that, in choosing its subjects, the Economic Committee has advanced from those on which the information already collected by the various national administrations was relatively complete to those on which it considered that it was not only desirable to promote comparability of methods but also to stimulate the collection and publication of data which are at present defective or wholly lacking. The information at present available with reference to industrial production and more especially to the stocks of important raw materials is extremely sparse, except in the United States of America and certain of the British Dominions. The endeavour of the Economic Committee and of the Council of the League to induce Governments to supply fuller and more frequent information on these subjects has not been confined to the work accomplished by means of this particular Committee on Statistical Methodology.

10. UNIFICATION OF TARIFF NOMENCLATURE.

The World Economic Conference of May 1927 recommended that the Council of the League should take the initiative in drawing up an appropriate procedure for establishing, in liaison with the producing and commercial organisations concerned, a systematic customs nomenclature in accordance with a general plan covering all classes of goods. According to this recommendation, the Council decided to invite the Economic Committee to start as soon as possible a preparatory study concerning the unification of tariff nomenclature. In July 1927 the Economic Committee instructed the Secretariat to convene a meeting of five experts with instructions to consider the different principles on which the general framework of a tariff might be constructed, and also to make suggestions as to the later stages of the study of this question. The experts were to bear in mind on the one hand the guiding principles embodied in the resolution of the Economic Conference in regard to the unification of nomenclature and to the simplification of Customs tariffs, and, on the other hand the necessity of subsequently securing the co-operation of economic interests.

In accordance with the decision reached by the Committee, a Sub-Committee of five experts—Belgian, Czechoslovak, French, German and Italian—was formed. This "Sub-Committee of Experts on Tariff nomenclature" met at Geneva from August 22nd to September 1st, 1927 and drew up a preliminary general framework of a nomenclature accompanied by a commentary indicating what, in the view of the experts, the sections and chapters of the draft should contain. The experts, after having investigated the possibility of classifying under the different categories of the new framework the tariff headings of their respective countries, held a second session from October 11th to 31st. At that

session, the Sub-Committee, revising its whole work, drew up a definitive preliminary draft customs nomenclature comprising 20 sections, among which all trade commodities are distributed in logical order on the basis of the principles set out above. In these 20 sections are classified, first the principal products of the three natural kingdoms, and then the industries which transform the principal natural raw materials and mineral products. The latter sections deal with the industries which combine or transform the products of those mentioned above to produce new articles capable of different uses from those of the material they are made of. In order to make the new nomenclature readily comprehensible, sub-classifications have been introduced into each section. These take the form of chapters, of which there are 94 in the entire nomenclature.

The report of the Sub-Committee with its two annexes, comprising the preliminary draft nomenclature and explanatory notes, was submitted to the Economic Committee in December 1927. The Committee instructed the Secretariat to bring it to the knowledge of the competent circles and asked the members of the Sub-Committee to make enquiries on the subject in their respective countries.

II. ECONOMIC CRISES AND UNEMPLOYMENT.

In 1921, the General Labour Conference called for an enquiry into the national and international aspects of unemployment and the means for combating such unemployment. The Conference invited the International Labour Office to enlist the services of the Economic and Financial Organisation of the League of Nations, with a view to finding a solution of any questions falling within its own competence that an enquiry into the problem might raise.

This co-operation, having thus been initiated, was subsequently entrusted to a permanent Sub-Committee, respon-

sible to the Economic Committee, which was appointed for the purpose of enquiring into the principal causes of the present economic depression, of which unemployment is only a symptom. The necessity for closer co-operation with the International Labour Office, however, soon made itself felt, and accordingly a Joint Committee on Economic Crises was set up, consisting of the Sub-Committee mentioned above, four experts appointed by the International Labour Office and three members of the Financial Committee.

Since 1924, the Joint Committee has been engaged on an enquiry into the very complicated question of economic barometers. In the opinion of the Committee, it is proved beyond doubt that excessive fluctuations in trade activity are highly prejudicial to stability of employment, and that it would be very desirable, if possible, to diminish the intensity of such fluctuations. The Joint Committee also considers that the principles on which credit facilities are accorded to industry and trade may be an important factor in accentuating or checking the fluctuation. Consequently, the evils caused by fluctuation might, to some extent, be mitigated if, in arriving at decisions governing credit policy, particularly in certain phases of the upward movement of the trade cycle, regard were invariably paid to all data as to relevant economic conditions, including the tendencies of the labour market and prices.

The Committee soon came to the conclusion that it would be desirable to publish in the League *Bulletin of Statistics* a number of specially selected indices of economic conditions, with a view to forecasting business movements.

With this object in view, the Joint Committee recommended that Governments should collect and publish, as often as this could be done, data which might be of use in compiling as accurate indices as possible, and it laid particular stress on the importance of statistics as to output and stocks. Under instructions from the Council, this recommendation

was communicated to all Governments Members of the League of Nations.

Further, the Joint Committee summoned a meeting of a number of experts (1) to advise as to the scientific and technical aspects of the compilation of indices and economic barometers and the elucidation of the economic criteria resulting from their methodical study.

Further, the Joint Committee recalled and adopted the resolutions of the Financial Committee of the Genoa Conference in 1922 and expressed its conviction that the principles laid down in these resolutions are entirely applicable in the present circumstances.

The Joint Committee decided to pursue by every appropriate means its enquiry into so-called "cyclical depressions", and proposed to collect data which would enable it to form a more accurate idea of the laws governing periodic crises and the methods of mitigating their consequences.

The Committee fully realised that, in regard to this matter, it should not devote its whole attention to the free play of industrial enterprise, since the economic activity of a country is also influenced by restrictions and disturbances due to Government intervention and the characteristics of the economic system in each country.

It pointed out that the precarious nature of commercial agreements concluded for short periods is liable to give rise to crises.

As regards the economic difficulties of the present moment and the excessive fluctuations of prices which accompany

(1) Chairman : M. Flux; members : Dr. Basch, Professor Bowley, Dr. Furlan, Professor Gini, M. March, M. Methorst (replaced by Jonkeer de Bosch Kemper), Professor Olbrechts and Dr. Wagemann.

them, the Joint Committee was of opinion that the following factors were deserving of special attention :

(1) The excessive and artificial development of certain industries which were created to meet war needs and which are incompatible with the proper organisation of economic life in time of peace, as well as the establishment of certain artificial industries;

(2) The confusion into which international trade has been thrown by excessive Customs protection;

(3) The unstable or exaggerated character of fiscal systems;

(4) The Joint Committee also reserved for closer study the variations in the system of prices and the economic disturbances produced by exchange fluctuations, the excessive scale of commercial profits and the excessive profits of middlemen.

12. PROTECTION OF THE FOREIGN BUYER AGAINST WORTHLESS GOODS OR GOODS OF BAD QUALITY.

The Venezuelan delegate to the Third Assembly, M. Zúmeta, called the attention of the Economic Committee "to the harmful effect on legitimate trade of the manufacture and sale of products which, though not infringing the regulations governing trade-marks and patents, are nevertheless a form of fraud owing to the various devices intended to disguise their real nature".

In 1923 and 1924, the Economic Committee submitted to the Council two reports on this question, which, in certain respects, is connected with that of unfair competition in the broad sense of this latter term.

In the first report, the Committee laid stress on the fact that protection of the consumer against worthless goods is

primarily a matter for national legislation and that it is important, from the point of view of international trade, that any measures taken with this object in view should not be of a kind to discriminate between imported goods and similar goods of national origin, or to impose undue burdens on international commerce.

The Committee subsequently showed that the system of Customs prohibition or restrictions is quite unsuitable to deal with the alleged defective quality of goods. It examined the various means suggested for remedying the state of things described by the Venezuelan delegate and came to the conclusion that the most effective method by which the buyer can protect himself is for the latter to exercise care in his choice of the export firms with which he deals. But it observed that, in many countries, more or less effective guarantees were available, of which the general public should be in a position to take advantage, and accordingly that all the facilities provided in exporting countries for testing, verifying and certifying the quality of goods should always be fully available for the benefit of the overseas buyer as well as for that of the home consumer.

It is, moreover, desirable that the public should be better informed as to the existence of national legislation designed to ensure a minimum standard of quality as regards the composition or manufacture of certain commodities—that is, legislation which provides for control and verification by means of certificates or compulsory marks. It is also desirable that the public should be aware of the existence of certain official, semi-official or private organisations for testing certain classes of goods at the request of the producer or of the purchaser, and guaranteeing their quality by means of marks or certificates. The general public might likewise be better acquainted with “standard marks” intended to be affixed to goods which comply with specifications laid down by competent technical institutions or committees, such as

standardisation committees, and with the mark adopted by some countries or associations to provide guarantees as to the origin or genuineness of certain goods.

With a view to spreading information of this kind, as far as the results of its enquiry permit, the Economic Section of the Secretariat has prepared a pamphlet giving, in respect of a large number of countries, such data as it has been possible to collect. Unfortunately, these data are not complete, but it is hoped that the effect of provisional publication will be to induce those countries which have not yet provided the necessary information to do this at an early date, so that it may subsequently be possible to publish an almost complete list of the various measures to which buyers may resort for the purpose of avoiding any disappointment when placing orders abroad.

13. PUBLICATIONS.

The earliest economic publications of the League were those prepared for the International Financial Conference which took place at Brussels in 1920. This Conference declared, in its opening resolution, that the first step in financial reform "is to bring public opinion in every country to realise the essential facts of the situation, and particularly the need for re-establishing public finance on a sound basis as a preliminary to the execution of those social reforms which the world demands". It urged, therefore, that the work of collecting and publishing at regular intervals the essential information concerning the financial situation of the world should be undertaken forthwith and developed.

Since that date, in accordance with this recommendation, a long series of financial and economic publications has been issued. The choice of subject and the manner in which the subjects have been treated have always been determined primarily by the consideration that the essential object of

this work was to inform public opinion on immediate and vital problems. The first memoranda prepared, therefore, dealt with the questions of public finance, currency and, as the various currencies became stabilised and new banks were founded, with the central banking position. In order to complete the picture of the currency and banking situation, a volume on joint-stock banks is now in course of preparation.

In 1920 and the years immediately following, the gravest difficulties that the various countries had to face were primarily national in character. The attainment of budgetary equilibrium or the stabilisation of domestic currencies could only be assisted by international action after certain indispensable national measures had been adopted, but gradually the international aspect of the financial problem became more important, and the Third Assembly of the League of Nations accordingly passed a resolution to the effect that "a study of the various questions connected with the stabilisation of currencies, and in particular that of the foreign trade balance and balance of payments of various States, . . . be actively pressed forward so as to lead to the publication of reports which will throw light on this question".

In compliance with this resolution, the publication of what have now become the annual volumes on international balance of payments and foreign trade was initiated in 1924. These volumes contain, in addition to a collection of such estimates of balances of payments as have been made, a study of the changes in the total quantum of world trade, in its direction, composition, etc., and detailed analyses of the commerce of all the major trading units. They have more recently been supplemented by a memorandum on production and trade.

All the publications mentioned above are issued at intervals of a year or more, and the consequent gap in the information is filled by the *Monthly Bulletin of Statistics*, which contains a collection of all most important monthly economic

statistics available. The primary intention of this *Bulletin* is that it should serve as a collection of indices of the changes in economic prosperity. In addition, special studies have from time to time been made, of which the report on the economic situation in Russia in 1922 may be quoted by way of illustration.

This series of memoranda, and in addition the special reports published with reference to, for instance, the economic situation and financial reforms in Austria, Hungary or Estonia, embrace together a very considerable volume of economic information with reference to the world as a whole, and the Council of the League considered that it would be advisable to summarise the most important information thus scattered through a number of publications into a single volume, and, in accordance with its recommendation, a *Statistical Year-book* has now for the first time been compiled.

From the foregoing observations the essential characteristics of the economic publications of the League and the policy which has guided its work in this connection have to some extent been indicated. In the first place, that policy has been from the beginning essentially pragmatic. It has been the object of the Economic Organisation to concentrate on the particular problems which were of vital importance at the moment, but, while it has been the intention of the Economic Organisation to inform the public, it has not endeavoured to mould public opinion. The scientific character of the economic publications has not therefore been sacrificed to purely popular exposition. An attempt has been made to study the various problems selected at once as profoundly and as widely as conditions permitted, and to interpret and express the results of the enquiries with scientific accuracy. But the final digestion of the facts collected has been left to the financial Press and popular economic writers.

Secondly, a logical sequence has been pursued in the

choice of subject, a sequence which, as we have seen, has run parallel to the actual course of post-war economic development. Thus there has been a progression from the national questions of public finance, inflation, deflation, etc., to those of international accounts, international trade, the movement of capital and the effect thereof on the rate of interest; from currency questions in their narrower sense to those of the central banks and later joint-stock banks; from international trade to production. The documentation which has been prepared for the Economic Conference will be found to be a natural complement to the works which had already been issued before the Conference.

The whole of the work demanded, of course, the active co-operation of the Governments of the various Member States, and it is thanks to the willingness with which their assistance has been rendered that its execution has proved possible.

It must be remembered, however, that the whole undertaking represents a new endeavour. These world surveys have no precedent. They are dependent for their success on the gradual amelioration of the data on which they are based. Simultaneously with the work of study and publication, therefore, the Economic and Financial Organisation has endeavoured to promote the collection of information on a comparable basis and the promotion of natural economic studies. Such information is essential to the world economics of the future.

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