

# THE INTERNATIONAL ECONOMIC CONFERENCE

*Held at Geneva under the Auspices of the League of Nations, 4th to 23rd May*

## Significant Passages from some of the Speeches

The PRESIDENT, Mr G. THEUNIS: The desire among nations to become self-supporting has increased, while, at the same time, they have sought to create fresh trade outlets—two tendencies which are obviously in opposition. The result, however, is that Customs barriers have been raised still higher, thus completing the vicious circle in which the nations turn. We have long been familiar with the singular contradiction between the enormous efforts made by nations, working tenaciously for the improvement of means of communication for passengers and goods by constructing railways, ports and canals, and the fiscal and administrative measures by which they are apparently striving to render their heavy expenditure and their persevering labours nugatory. Nationally and internationally, politically and economically, but perhaps most definitely of all in the economic field, the interdependence of interests is a fact. It is useless to deny that fact, and it is useless to fight against it. It must be recognized, turned to advantage and properly directed.

### " OVER-PRODUCTION AND UNDER-CONSUMPTION "

Professor KARL GUSTAV CASSEL (Sweden): Of course, there exists no such thing as a social purchasing power determined on its own grounds. The purchasing power of human society can never be anything else than the total produce of the society. If we believe that the total purchasing power of the present world is too small, there can be no other remedy than an increase in the world's total production. On the other hand, if we should choose deliberately to reduce the world's total production in order to bring it down to a level of an assumed purchasing power the result would only be that the real purchasing power would be reduced in the same proportion and the world would be so much poorer.

### A POINT NOT DEVELOPED

The most characteristic feature of the situation is the very incomplete use made of Europe's productive powers and particularly the wide-spread and long-continued unemployment of its labour. In a certain sense we may say that all the deliberations of this Conference are ultimately concerned with the question of how to get rid of European unemployment. Monopolies may take very different forms but in all their forms they are a hindrance to the free application of productive powers. We shall have to deal in the Conference every day, and almost at every step in our deliberations, with forms and effects of monopolization. All Government efforts to prevent productive powers from being used in the most economic way are apt to create monopolistic situations.

### BIG BUSINESS AND " STABLE TARIFFS "

MR WALTER RUNCIMAN, M.P. (International Chambers of Commerce): There is no single symptom of modern business which has brought more benefit to everybody concerned than long contracts. If existing tariffs in Europe are to be raised any higher, they will still further impede the system of long contracts. We come to the Conference in the full degree of hope that, if there is at least no other outcome it will check the tendency to raise tariffs. Let us not close our eyes to one clear fact, namely, that both for the financial convenience of many countries and because public opinion is not ripe for a change, the total abolition of Customs tariffs is beyond the immediate hope of mankind—by which I mean, of course, beyond the hope of mankind in our lifetime. If we cannot get rid of tariffs altogether, at least there

should be limitation. There should be an extension of Customs Conventions and it would be wise for us to extend our system of commercial treaties. We also put in a plea for the stabilization of tariffs. A tariff which lasts only twelve months and may then be subject to revision is an obvious obstacle to long contracts.

### IN FAVOUR OF PROTECTION

M. GLIWIC (Poland): After the war the whole of Europe was faced with dire poverty, and the peoples of Europe showed an increasing tendency to emigrate. But this very natural tendency was thwarted by an impassable barrier raised by the immigration countries. The vicious circle widened. It became necessary not only to protect old-established long-standing industries but to create new industries with the sole object of absorbing superfluous labour. There is another urgent problem: how to exploit all the available natural sources of raw material. For this purpose, some means must be found of obtaining the necessary capital. The urgent need of emigration countries to dispose of their surplus labour cannot be ignored.

Mme FREUNDLICH (Austria): Barbed wire entanglements have given place to new frontiers in the form of high Customs tariffs, which imprison goods and men as if in a trap and prevent national economic life from developing on normal lines. Austria waited for some time before increasing her Customs tariff but in the end we were obliged to take defensive measures.

### VIEWS ON UNEMPLOYMENT

M. VON SIEMENS (Germany): At the present time nearly all the economic units of Europe are faced with a new problem which once was practically non-existent: the problem of unemployment. Before the war, unemployment as a permanent phenomenon was unknown. The dearer labour is, the more will those who count the cost turn to machinery, thereby adding once more to the numbers of unemployed. The State must step in and give these poor people at any rate a bare subsistence; but once again the cost will fall upon production. The main question is whether it is better, from the social point of view, to give work to the greatest possible number but at a lower rate of pay or to give the highest possible wages to those who have work and from their earnings provide a bare subsistence for the remainder.

### A LEAD FROM JAPAN AND CHILE

M. SHIDACHI (Japan): We must of necessity make it our national policy to remove Customs barriers and to establish freedom of communication and commerce, as far as possible in co-operation with other nations. As the development of natural resources through the freedom of economic enterprises is extremely important for the promotion of human contentment, it is the duty of every nation to bring about this realization.

M. URZUA (Chile): Political economy holds the magic key to the enigma and has in its hands the vast treasury of the laws which rule the moral world, as physical laws create the wonderful harmony of the universe. Neglect of the principles of justice lies at the root of the social upheavals and fratricidal wars which have marred the course of centuries. The general tendency of this Conference is to seek a solution in liberty in certain forms of economic activity. This ideal has prompted the suggestion to do away with the useless or dangerous Customs barriers, which stand in the way of commercial and industrial progress. I heartily

support this suggestion.

#### ANOTHER TARIFF EXCUSE

SIR MAX MUSPRATT (Great Britain): The question of trade barriers has been a difficulty—in particular the frequent alterations in and the increased complexity of Customs tariffs. This situation has forced us, to the great regret of many in Great Britain, to modify our policy of complete free trade. As yet, the alterations we have made affect only two to three per cent of our total imports, and, as a convinced Free-Trader, I hope that the world is going to enable us to reduce rather than increase that proportion of imports which has to pay import duties.

#### AN INTERNATIONAL COUNSEL OF DESPAIR

M. JOUHAUX (France): Isolated action on the part of individual countries will never provide the real solution of our difficulties. This must come from joint concerted effort. . . . Another problem is the disturbance of the equilibrium between agricultural and industrial production, essentially a world-wide problem which can only be solved by concerted international measures. Another problem is that of the rationalization of industrial production, which can only be dealt with as a whole by the organization of industries on international lines. . . . Then there is the serious question of working-class migration—a problem which cannot be satisfactorily solved except by means of international negotiations, international compensation and international conventions.

#### ADVICE FROM HOLLAND AND BELGIUM

M. COLIJN (Netherlands): I know that in bygone times the walls of Jericho fell down when the trumpets sounded but I do not think any trumpet-blast would break down the wall of Customs barriers immediately. Nevertheless, I feel that it is our duty to express our views as to the harm wrought to world prosperity in general and European prosperity in particular by excessive tariffs. . . . What is expected of this Conference and what it is in a position to furnish is a list of the causes of the present economic situation and an indication of where a solution is to be found for the problems waiting to be settled.

Baron TIBBAUT (Belgium): Countries like Belgium which practise intensive and specialized culture are the quickest to feel the effects of any kind of hindrance. Belgium can never hope to produce, by direct methods, all the cereals required. It follows the law of geographical culture and produces from the soil what that soil is best fitted to yield and what it yields most plentifully. It aims at excellence and high quality in its products the value of which increases the gross yield per hectare and makes it possible to purchase from abroad in exchange, five, ten, fifty times the amount of cereals that could be produced in Belgium by direct cultivation.

One and a half million of the inhabitants of Belgium are in touch with the soil, the working elements in many cases being also engaged in other occupations. It is easy therefore to realize what social services agriculture, in its democratic form of small holdings, may render.

#### A PROPHECY AND A WARNING

M. DA CUNHA LEAL (Portugal): It can hardly be called a successful achievement to find economic barriers growing ever higher and more menacing along every frontier, and a policy of splendid isolation being firmly established within the countries themselves. In our search for peace we find that, despite ourselves, we are drifting towards war. Prophets tell us that they discern around us every portent of impending disaster. We

may well ask of Europe and of the world: *Quo vadis?*

It seems unfortunate that international conferences should follow the quite unjustifiable system of separating financial problems from economic ones, as if the two questions were not intimately bound up together. But that is not all. These discussions are bringing to light a whole host of conflicting interests. In order that they may arrive without a hitch at a conclusion of some kind or other, international conferences carefully avoid anything that might prove a bone of contention. As a result, all they succeed in doing is to enunciate certain principles, so general and so vague that the descent from the dreamland of these conferences to the workaday world of a practical agreement is long and strewn with obstacles. . . . Already some nations are experiencing domestic unrest in consequence of the weakening of their economic position, brought about mainly by the war. If we leave them to perish, the more powerful countries will ultimately perish in their turn. And so the former may perhaps justifiably repeat the historic words which Danton spoke on his way to the guillotine when he passed before the house where Robespierre lived: "Robespierre, je t'attends." And, as you know, Robespierre's turn soon came.

#### WHAT ABOUT ACCESS TO LAND?

M. BRIEBA (Chile): We all know the tragic situation of Europe in a world that has been shattered. The fall of the Roman Empire, terrible though it was, would be as nothing compared with the ruin of our own great civilization. But ruin will certainly come if we fail to find a remedy for the social injustices which are sapping the strength of the nations and leaving them an easy prey to the elements of disorder. Social injustices could, I think, be removed by opening up fresh sources of production and developing those which already exist. . . . We must find a way to make money more readily accessible to the nations which need it for their development. . . . We must establish an international credit organization.

#### THE U.S.A. STANDS FOR "TARIFF TECHNIQUE"

Mr. H. M. ROBINSON (United States of America): Freedom of trade, in the realm of ideas, consists in *laissez faire* in respect of the applications of capital and labour to natural resources and the subsequent distribution of the goods and services, and implies freedom of movement of services and things. Because of the different economic, social and political conditions in the various countries, it has not been practical nor desirable to give effect to all these abstract principles. . . . We venture the opinion that there are many factors in tariff technique which are susceptible of material improvement thorough simplification of practice and uniformity of procedure, and that these are all worthy of serious consideration by the Conference.

#### SHIP THE SURPLUS

M. BARBOZA-CARNEIRO (Brazil): Europe is suffering from a surplus of labour. It would therefore seem quite natural that in the case of a vast country like Brazil, where there are undoubtedly tremendous possibilities for productive activity emigration should be of benefit to Brazil and Europe alike.

#### FISCAL VIEWS AT THE LABOUR OFFICE

M. ARTHUR FONTAINE (Chairman of the Governing Body of the International Labour Office): Customs duties are often a very poor palliative. When their object is to support obsolete methods of production, the palliative at once becomes inimical to the general

interests and soon loses its value in competition, though without losing its injurious character. But tariffs, even when moderate and legitimate, may carry with them as many disadvantages as advantages for the labour world. . . . I am not arguing against Customs tariffs—far from it. I know the difficulty and complexity of the whole question of commercial treaties. . . . President Wilson advocated in the third of his Fourteen Points the removal so far as possible of all economic barriers. This does not mean—I realize and appreciate the importance of the words “so far as possible”; and the words used are “economic barriers” and not “Customs tariffs”—this does not mean the removal of all tariffs. It is only a general direction for our guidance. But it does clearly mean—and this seems to me to be of great importance—the most-favoured-nation clause, loyally conceived and loyally executed.

#### THE STATISTICS THAT FORGOT THE LAW OF RENT

M. DE MICHELIS (President of the International Institute of Agriculture): In the case of all the countries for which we have particulars (Germany, Denmark, Finland, Norway, Sweden, Great Britain, Italy, Union of Socialist Soviet Republics, Switzerland, Austria, Belgium, the Netherlands, Poland, Czechoslovakia, Canada and the United States of America), the conclusion is the same: the index number for industrial products is higher than the index number for the prices of agricultural produce. Everywhere the farmer receives less for his produce than before the war, and although this may not apply to certain products, as a general statement it is incontrovertible. It is essential for agriculture that the industrial output should be greater, and consequently cheaper, and that the cost of industrial production should be reduced.

#### THE FATE OF THE DISPOSSESSED

Mobility of population is absolutely necessary if agricultural production is to keep pace with consumption. There are, on the one hand, some countries in which agricultural unemployment is the only serious form of unemployment, and on the other, countries where labour for the most essential agricultural work is absolutely unobtainable.

#### TARIFF FRONTIERS AND ARMAMENTS

Mr LAYTON (Great Britain): Central Europe has been divided economically as well as politically into a number of small units. The result is that, allowing for the fact that on each side of a land frontier there is a Customs cordon, Europe has to-day 11,000 more kilometres of tariff barriers than before the war. Permanent prosperity will never be achieved either by industries or by communities which pursue the policy of trying to make profits by restricting production.

This result is not to be attained by comparatively minor changes in tariff procedure, but requires such substantial reductions in the level of existing tariffs that the tide of international exchange may flow in greatly increased volume. This cannot be attained in a day; but if my diagnosis is correct we cannot hope to solve the problem of Europe until the nations are prepared to act in this sense. . . . I have mentioned two striking figures. I will add a third: 11,000 kilometres (6,800 miles) of new tariff barriers; a population of at least 10 millions whose wage-earners have no productive work; an annual expenditure of 2½ milliard dollars (£457,000,000) upon armaments. These are the symptoms of a disunited Europe.

#### DANISH FARMERS FOR FREE TRADE

M. SONNE (Denmark): As a Danish farmer, I cannot but welcome the signs of a furtherance of a liberal tariff

policy to which the programme of the Conference bears witness, for the great majority of Danish farmers has always adhered to a free-trade tariff policy. Let me add that we Danish farmers trust we do not stand alone in this respect but have many partners in other agricultural countries. I was delighted to hear the Belgian member, Baron Tibbaut, express the same opinion in his interesting and weighty speech. . . . Farmers should participate loyally in an active co-operation for the removal of restrictions and tariff barriers, which also, as far as agriculture is concerned, fatally check the keenly wanted freedom in production and exchange of commodities.

#### INTERNATIONAL CARTELS AND TRUSTS

M. LOUCHEUR (France): Europe could no longer sell either at home or across the seas the totality of the products which her working population could produce. Even in Europe, whereas the power of production had increased, the power of consumption, the buying power, had decreased. This was due principally to the decrease in the buying power of gold. By what remedies were they to correct such a situation? They must reconquer foreign markets, and for that make an effort towards rationalization extending to the whole of Europe. The only means was to organize European industry according to the so-called horizontal method, that is to say, by industries, and thus they found themselves brought back once again to the idea of agreements and cartels.

#### OVER-POPULATION AGAIN THE TARIFF EXCUSE

M. BELLONI (Italy): It was clear that in countries where the density of the population was high and which had no natural resources, if there was not a free movement of population over the world, the only means at the disposal of Governments to secure for their nationals work and a guarantee of work were Customs barriers and industrial or agricultural protectionisms in all its forms. Comparing the impressive figure of 10,000,000 destitute Europeans with the 800,000 emigrants who had annually left their homes in Europe before the war, he thought that one of the surest ways of attaining a final economic peace would be formed in the solution of the problem of the movement of population.

#### INDUSTRY AND AGRICULTURE: CONFUSED OPINIONS AND BARREN PROPOSALS

M. DE VOGÜÉ (President of the International Commission on Agriculture): One of the principal causes of present economic difficulties was that nearly everywhere since the war, industry, which offered to its workers a standard of life superior to that of agriculture, had been developing at the expense of the latter. Agricultural production having lost a large number of its workers had become less abundant and the price of its products had inevitably risen. The far-reaching economic effects of this inferiority in the standard of life of agricultural workers and the drop in their buying power is a constant menace to industrial production.

M. PIRELLI (Italy), “Rapporteur” of the Committee on Industry, thought that, apart from certain general problems common to all three Committees (population, credits, etc.), the Committee would be required to investigate three essential questions: rationalization, in favour of which propaganda might be useful; international industrial *ententes*, the conditions of working and consequences of which must be very closely examined; and, finally, improvement of the world statistics of production.

Dr OTTO FRANGESCH (Jugoslavia), Chairman of the

Committee on Agriculture, expressed the hope that it would be possible to create a real basis for the better organization of agricultural production; for meeting the requirements of agriculture in credit and in other matters; for permitting of the development of co-operative societies of all kinds; for a closer collaboration to secure proper prices and a market for agricultural products; and for an increase of the purchasing power of agriculturists.

Dr L. K. HYDER (India): The documentation of the Conference showed that agricultural production had increased and that the rising prices had been less in the price of agricultural products than in that of industrial products, a fact which he ascribed to the condition of agriculture as subject to international competition while other industries were nationally sheltered.

M. POISSON (International Co-operative Alliance): The first necessity was to increase agricultural production. For this three things were necessary—credits, machinery and labour. In respect of credit, agriculturists should first of all use their own resources through the institution of co-operative credit societies. But in order to create credit they must have the remuneration to which they were entitled.

Professor TASSINARI (Italy): Agricultural credits were needed for the further organization of agriculture by reclamation of land, irrigation and the breaking up of latifundia.

#### MORE SPOKESMEN FOR PROTECTION

Dr F. PORCHET (Switzerland): It must not be forgotten that the indefinite increase of agricultural production per unit of area was limited by biological laws, whereas the industrial machine might be indefinitely perfected. The peasant class had a right to a certain national protection when their existence was threatened by the competition of products coming from countries where the social position of the peasants had still to be made.

M. GAUTIER (France) read a draft resolution proposing *inter alia* that:

“Customs protection, which should maintain the equilibrium between the normal remuneration of industrial and agricultural labour, should also aim at diminishing the extreme instability of prices which results from the fact that it is impossible for the farmer to determine at will the amount of his harvests.”

M. LANDIE (Poland) drew attention to another form of dumping, namely, credit dumping, which consisted of the export of capital from countries where capital was plentiful to countries where it was short. The latter were forced to defend themselves by increasing their tariff rates.

Baron KORNFELD (Hungary), referring to proposals for lowering the cost of production by centralizing production, said: Did not this policy, however, involve certain dangers in so far as it decreased the number of workers? Customs duties were legitimate, not only when they were purely fiscal but also when they had a compensating character, and in so far as they were necessary to enable national labour to subsist. Why should not a nation like Hungary, with a population which was continually increasing and for the most part engaged in agriculture, not have the right to establish an industry sheltered by Customs barriers? The old method of Customs duties appeared preferable to this centralization of production, for which so curious a sympathy had suddenly been shown.

Sir DAVID GORDON (Australia): The Australian tariff was frankly protective. As a young country, she had to build up her industries and also required revenue.

M. BARBOZA CARNEIRO (Brazil): The export duties levied by the autonomous States of Brazil were not discriminatory, but were an important source of revenue, as, indeed, also were the Customs import duties of Brazil.

#### BELGIUM AND NORWAY FOR FREE TRADE

M. TIBBAUT (Belgium): Countries of dense population and intense culture, for example, Belgium, Denmark, Norway, produced special products, which they used as an exchange for raw materials and for the cereals necessary to feed their dense population. Small holdings must be encouraged by removing fiscal and legislative obstacles to the acquisition of land. Agriculture must be on its guard against protectionism, for which the demand was greater in industry than in agriculture.

M. HAAKON FIVE (Norway): He was one of those who much regretted that they had been unable to agree unanimously to a resolution more clearly stating the advantage to agriculture of a reduction in industrial protection. He wished to emphasize the fact that, as he understood it, all the members of the Committee would have preferred a resolution recognizing this principle and recommending the progressive reduction of industrial protection as an aid to agriculture. As an expression of his desire to meet the wishes of his American colleague, he would vote for the resolutions in its present form.

#### THE CASE FOR LAND VALUE TAXATION

Professor HIGHT (New Zealand) gave the reasons for the rapid development of agriculture in New Zealand, including an enlightened system of land tenure, the encouragement of land settlement by taxation of large and unused holdings, assistance in the provision of loans, provision for scientific research, the organization of credit, the official grading of produce for export and the thorough co-operative organization of the dairy industry.

Dr RESTREPO (Colombia), Permanent Delegate at the League of Nations: He would have liked to see a reversion to the economic principle of the single tax, especially in the case of landlords who received rent for their land without contributing to its productivity.

M. WEBER (Switzerland), Secretary of the Federation of Trade Unions: Customs tariffs could not be an advantage for agriculture, because Customs duties which protected the agriculture of one country were harmful to that of another country, and, moreover, they sent up the cost of living, thereby diminishing the purchasing power of other classes and making the situation of industry more difficult still. The resolution made no mention whatever of the problem of the rent paid for agricultural land, which was the most important question before the Committee. Almost every advantage obtained for agriculture by Customs tariffs, subsidies and other measures were reflected in an increase in agricultural rents. Even an improvement in credits and the work of co-operative associations had the same consequence over a period of years.

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The abstract of speeches as given above is taken from the *Verbatim Record of the Plenary Meetings* and from the daily *Journal* of the Conference.