for practical achievement, definite problems chosen from among those of current interest. The lessons of experience learned by various nations or categories of people are thus made available and presented in the form of recommendations or otherwise so that statesmen or Government departments can utilise them. The spread of practical knowledge is thus brought about in a form which is at once flexible and effective and is calculated gradually to harmonise to some extent the policies of the various Governments.

It is not difficult to find tendencies in the policies of Governments which are traceable to the work of the Organisation. A particularly striking example is to be found in the case of nutrition, studies on which were inaugurated by an Assembly resolution of September 27th, 1935, and have been pursued since that date both in their economic aspect and in connection with general questions of health. The interest it has aroused and the research to which it has given rise throughout the world are increasing day by day. This example is mentioned here only to show the value and expediency of the method adopted, which is based on the principles enumerated above.

The technical committees of the Organisation have, during the year, persevered along these lines, which were admitted by the 1938 Assembly to be those best adapted to the circumstances. That Assembly also approved the provisions ¹ drawn up by the Committee instructed to examine the structure and functions of the Economic and Financial Organisation, as also the appointment by the Council of a Co-ordination Committee. An addition to the machinery of the Organisation, this Committee, by virtue of its composition and its terms of reference, showed even last year, during the discussions of the Second Committee, how important is the part it has been called upon to play. Its critical and detailed examination of the work done during the course of the year naturally enables it to determine the main lines of the programme of the technical committees for the following year, in accordance with the principles adopted by the Assembly and the Council. By means of this examination, and thanks to the great ability of its members, the Co-ordination Committee is able to facilitate liaison between the various technical committees.

The need for such liaison becomes more and more evident with the increase in the number of subjects examined, which by their nature come within the province of several organisations

at once. This applies in particular to the studies on the standard of living, carried out along varying but convergent lines by the Economic Committee, the Financial Committee, the Fiscal Committee, the Health and Transit Organisations and the International Labour Office. In this way, the recommendation of the 1938 Assembly to the Co-ordination Committee “to keep constantly in mind the bearing of the whole economic and financial work of the League on the fundamental problem of the standard of living” is realised.

The following report on the work of the Economic and Financial Organisation describes, for each part of its machinery, the studies it has to undertake, whether as a result of former terms of reference or of instructions issued by the last Assembly. The latter include problems the examination of which has been specially requested by several countries of Latin America. Some of these questions were discussed on the spot by members of the Secretariat mission sent to those countries last year.

In their work, the technical committees have, as in the past, received assistance from the representatives of certain non-member States. The United States of America is represented on the Financial Committee, the Fiscal Committee, the Economic Committee and the newly constituted Demographic Committee. Brazilian representatives were appointed by the Council \(^1\) to the two last-named committees.\(^2\)

II. WORK OF THE FINANCIAL COMMITTEE

Three main questions have occupied the Financial Committee’s attention during the year: \(^3\)

**Agricultural Credit and Insurance.**

This study, which was undertaken at the instance of the 1937 Assembly, aims at elaborating “principles calculated to strengthen internal and external credit and suitable for adoption by countries contemplating a modification of their existing legislation on these subjects”. In accordance with a scheme drawn up by the Committee, an expert \(^4\) was appointed by the Secretary-General to examine on the spot, in some fifteen

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1. Hundred-and-fourth session of the Council, meetings held on January 16th and 17th, 1939.
2. See also “Collaboration between the League of Nations and Non-member States”, page 28.
countries, the functioning of agricultural credit and insurance. His conclusions are contained in a report published towards the end of 1938.¹

Valuable as is this contribution to the subject, the Financial Committee considered that, since the report dealt mainly with the credit problems raised by certain forms of social policy or more or less recent changes in land tenure, it was desirable to supplement it.

The Committee’s observations on the subject are incorporated in its report to the Council on the work of its sixty-eighth session.² These are particularly concerned with the relationship of agricultural credit to general economic conditions. The Committee attaches importance to agricultural credit being used to facilitate the adjustment of agriculture to changes in the demand for agricultural products so as to avoid a state of maladjustment in cases where there is a relative shift away from the consumption of certain types of agricultural products.

So far as the sources of funds used in providing agricultural credit are concerned, these must, in the view of the Committee, be, in the first instance, the savings of the community, including the agricultural community. Where international loans are granted, there should be good reason for believing that they will raise the transfer capacity of the borrowing country, during the whole life of the loan, by at least an amount equal to its annual service.

The Committee does not attempt to set out a theoretically perfect framework for systems of agricultural credit, which must necessarily vary with local conditions and traditions. It formulates, however, certain guiding principles which should be followed in the administration of agricultural credit systems. These principles are concerned inter alia with the control of the uses to which credit is put; with the avoidance of land speculation; with the use of productivity and turnover as the bases of credit; with seasonal loans for seeds or fertilisers; with the rôle of the co-operative system in agricultural credit; with the use of credit to facilitate the orderly marketing of crops; and with the relationship between agricultural credit and the whole credit system, including the Central Bank.

The Committee feels that in present circumstances a constructive contribution to the study of this whole subject would be a

¹ Document C.479.M.322.1938.II.A.
critical investigation of the last point mentioned above, and it proposes to delegate a few of its members to make this study with the assistance of two or three experts in the administration of agricultural credit systems.

The European Conference on Rural Life will find in the documentary material already collected a useful basis for the study and discussion of a problem closely affecting the development of agriculture and the welfare of rural communities.

This enquiry into agricultural credit has already aroused great interest in several countries. Thus, the 1938 Assembly decided, on the proposal of the delegations of the Argentine and Uruguay, that the enquiry should be extended, within the limits of the budgetary provisions available, to any countries which might desire it, and in the first instance to the two countries just mentioned.

Discussions are now in progress with representatives of the Argentine Government with a view to determining when and under what conditions the proposed extension of the enquiry on this subject might be undertaken in that country.

Medium-term Industrial Credit.

The Economic and Financial Organisation was instructed by the last Assembly to study methods of providing medium-term credit to industry.

The Financial Committee had a preliminary discussion of the problem at its sixty-seventh session and considered that the best means of acceding to the Assembly's desire would be to draft a statement on the methods found to be most successful in certain countries in providing industry with the medium-term credits required.

Accordingly, it arranged for the collection of information regarding the methods employed in nine countries. These methods are described in some detail in the report of the Financial Committee on the work of its sixty-eighth session. The Financial Committee prefaces this description with its general observations on the subject. It states that the raising of funds through public issues, whether in the form of shares or bonds, does not normally present difficulties for big concerns, but becomes increasingly difficult and expensive in the case of small and medium-sized undertakings, which are frequently forced to rely on local banks or individual capitalists knowing the management personally.
Industrial credits are, however, not a suitable asset for ordinary commercial banks working with short-term funds; and the Committee therefore comes to the conclusion that there is a presumption that some credit institutions should exist for the provision of medium-term credit to small and medium-sized industry. Its examination of the volume of operations of the special institutions set up for this and kindred purposes in a number of countries leads it, however, to the conclusion that the unsatisfied legitimate demand for this type of credit is not very great.

The Financial Committee insists on a clear distinction being drawn between the need for capital and the need for credit, and states that the risks of small business, particularly at the present time, are such as to require a high proportion of equity to borrowed money. It draws attention to certain basic tendencies which appear to be reducing the volume of capital willing to undertake risks, and states that the broad tendencies affecting the supply of and demand for equity capital require the most serious consideration.

**Monetary and Credit Policy in Agricultural Countries.**

It was on the proposal of a Latin-American country that the 1938 Assembly “requested the Economic and Financial Organisation to advise upon the fundamental principles of monetary and credit policy which might be applied in agricultural countries, with a view to diminishing the influence of fluctuations in the balance of payments on the credit structure and the rate of exchange”.

The Financial Committee has decided to postpone a full examination of this subject until it has before it the report of the Delegation appointed to consider economic depressions, as that Delegation is likely to deal with the problem in its most general form.

**III. WORK OF THE ECONOMIC COMMITTEE**

**Study of Measures for raising the Standard of Living.**

As mentioned above, the 1938 Assembly emphasised that an improvement in the standard of living constituted in the last resort the ultimate aim of the general economic and financial

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1 Report to the Council on the work of the forty-ninth session of the Economic Committee, document C.116.M.70. 1939.II.B.
work of the League. Whether that problem is approached through a consideration of such wide questions as that of hindrances to international economic relations, or of more technical questions, such as credit systems or the habits of the consumer in the matter of diet, housing or clothing, the work undertaken all tends towards a general improvement in material welfare. At a time when expenditure on armaments is weighing more and more heavily on the economic life of countries and is becoming a serious menace to the production of, and trade in, consumption goods, it is greatly to be hoped that the work now in progress may lead to useful results.

To the Economic Committee fell the task set by the 1937 Assembly when it invited the Economic and Financial Organisation in collaboration, when appropriate, with the International Labour Office, to examine measures of a national or international character for raising the standard of living.

As a first step, a preliminary report on the subject was prepared.

The terms of reference laid down by the Assembly cover a wide range of questions, some of which lie beyond the Economic Committee's province. The Financial Committee's contributions in this field have already been mentioned. Another investigation on a fiscal problem is referred to below in the section dealing with the Fiscal Committee. Moreover, as mentioned in other parts of this report, the Communications and Transit Organisation and the Health Organisation are studying various aspects of the problem directly connected with their particular work. All these investigations are being carried out in close collaboration, whenever necessary, with the International Labour Office.

Through a Sub-Committee set up for the purpose, the Economic Committee maintains the necessary co-ordination between these various studies. Further, the Sub-Committee is to submit to the next Assembly proposals for the continuance of the work.

For its part, the Economic Committee has suggested that an independent economist should be requested to study the effects of the economic policy of certain representative countries on the standard of living; the programme of this investigation has been drawn up by the Sub-Committee mentioned above.

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2 This proposal was approved by the Council on May 23rd, 1939.
International Economic Relations.

In its report on the work of its fiftieth session, the Economic Committee deals with the present prospects of commercial policy.\(^1\) The Committee devotes its attention to possible improvements in bilateral agreements, which seem to offer the most effective means of promoting trade at the present time. It insists on the necessity of States adopting a dynamic policy aimed at attracting all the principal trading countries, and draws attention in this connection to the commercial policy of the United States of America.

The Committee's report contains a number of recommendations relating to commercial policy which are set out in summary form as an annex to the report of the Co-ordination Committee. States Members are invited to study, at the next session of the Assembly, the methods of collaboration which appear to them most likely to promote international trade on as liberal a basis as possible. In this connection, the Committee again insists that the basis of a liberal policy in international economic relations must be the most-favoured-nation clause, under which concessions to one country are automatically extended to all others enjoying most-favoured-nation treatment. Each country is urged by the Committee to examine carefully its position in relation to all others with a view to the negotiation of reciprocal concessions in tariffs and other matters, whether through long-term commercial treaties or through arrangements with regard to most-favoured-nation treatment in tariffs and the application of tariffs, or through the establishment of as liberal quotas as possible.

The Committee recommends the reduction of tariffs which are unduly high, the revision of tariffs applied to products the import of which represents only a small proportion of national production and the renunciation of arbitrary tariff specialisation.

A section of the report is devoted to quotas. While insisting on the serious obstacle that quotas constitute to the further development of trade, the Committee suggests certain methods by which quota restrictions might be relaxed by those countries which do not feel in a position to abandon them altogether. It recommends the frequent revision of quotas in force with a view to their eventual suppression or enlargement; the revision particularly of quotas established by countries to defend their currencies and retained after their currencies had been adjusted; replacement where possible of quotas by moderate tariffs or by

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\(^1\) Document C.179.M.108.1939.II.B.
In the section of its report devoted to exchange control, the Committee makes a number of suggestions for adjusting such control so as to mitigate some of its adverse effects. In particular, it recommends that exchange-control countries should seek every means of so adjusting their position that control may be abandoned as soon as circumstances permit; that free-currency countries should grant exchange-control countries free disposal of as large a proportion as possible of the exchange arising out of the latter's exports; that examination should be made by exchange-control countries of the possibility of extending the system whereby their exporters are allowed to sell at free market-rates a proportion of the exchange derived from exports; that exchange-control countries should seek to lower the level of their export prices, diversify the proportion of their production destined for export, improve the grading and presentation of their products, and that importing countries should support these efforts; that free-currency countries should buy as much as possible from exchange-control countries; that creditor countries should give consideration to the possibility of equity investment in the smaller exchange-control countries with a view to financing production and the organisation of sales abroad; that, where appropriate, barter companies should be established in free-currency countries.

Finally, the Economic Committee deals in its report with some aspects of the relationship between predominantly agricultural and predominantly industrial countries. It emphasises that it is in the interests of the latter to do everything in their power to find remunerative markets for the products of the former; that greater consideration than has been the case in the past should be given to the interests of consumers in industrial countries; that the granting of protection should so far as possible be subordinated to some obligation in respect of the price of protected products and the efficiency of production methods; and that the extreme forms of agricultural protectionism should be revised.

**Principles to govern Certain Non-tariff Provisions of Commercial Agreements.**

Efforts have been made in past years to solve, by means of international Conventions, certain difficulties directly or indirectly hampering trade in various important commodities.
Such a procedure is, however, difficult to-day, and the Economic Committee has therefore adopted a more flexible method of attaining its object, which has been very successfully applied by the Fiscal Committee. It has endeavoured to frame uniform principles which the various countries can, each in its own way, incorporate in the agreements which they conclude among themselves. This method does not involve the use of the complicated procedure of accessions and ratifications; and it would be by no means incompatible with the multilateral treaty if it were found practicable to revert to the latter at a later stage.

Two sub-committees of experts, which met under the auspices of the Economic Committee, have drawn up a number of such principles concerning international trade in live-stock and the methods of inspecting meat for sale on the international market.

As the experts themselves say, it was not their intention to draw up rules for the use of national veterinary departments. They have merely attempted, by framing clear and precise principles, accompanied, if necessary, by explanatory notes, to solve difficulties which frequently arise in practice from measures amounting to indirect protection under the guise of sanitary policy. If their suggestions were widely adopted, they would lead to uniformity of practice and custom and would, while giving due weight to sanitary requirements, at the same time facilitate international trade.

The Economic Committee has added certain observations to the report prepared by these experts. It points out in particular that, with a view to harmonising the different methods employed, occasional visits might well be exchanged between qualified representatives of the veterinary services in exporting and importing countries.

In another branch—that of imports and exports of plants, fruit, vegetables and vegetable products—work with a similar object has been done under the auspices of the International Institute of Agriculture at Rome by a Committee of Experts, whose meetings were attended by two representatives of the Economic Committee.

IV. WORK OF THE FISCAL COMMITTEE

Fiscal Evasion.

The Fiscal Committee has, in recent sessions, studied international means of preventing fiscal evasion. Important discus-

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1 Document C.384.M.229.1938.II.A.
sions on this question had been held by the Assemblies of 1936
and 1937, at a time when certain countries were suffering from the
effects of mass exportation of national capital. At first, it
seemed likely that the exchange of information between several
important countries under the terms of a general convention
would provide an effective means of preventing the practices
in question; but the replies received from a large number
of countries to a suggestion of this nature led the Committee
to deprecate this course.

Anxious above all to do practical work, the Committee,
with the Council’s authorisation, collected information on the
methods of internal control in force in some thirty countries.
This enquiry showed that national administrations might be in
a position to assist each other in spite of the diversity of practice.
In these circumstances, the Committee considered that the
prevention of tax fraud, like the question of double taxation,
could be more usefully dealt with by means of bilateral con-
ventions than by a general convention.

With the Council’s approval, the information collected
was communicated to various countries. The knowledge thus
gained of the systems of control in force in the other countries
should help them to negotiate bilateral treaties if they think fit,
without necessitating any radical reform of domestic legislation.

Technical Principles of Taxation.

This is a new task entrusted to the Fiscal Committee by the
last Assembly, which requested the Economic and Financial
Organisation “to study and advise upon the principles on which
fiscal legislation dealing with the main categories of taxes,
such as income tax, land taxes, turnover taxes, etc., should be
based”.

The initiative in the matter was taken by the Mexican
delegation to the Assembly. This is a striking example of the
nature of the services which the States Members may receive
from the League in technical matters. National taxation systems
are extremely complicated, having frequently evolved in
haphazard fashion and being based on the needs of the moment
rather than on any preconceived plan. In the circumstances, a
comparative study would be unlikely to yield the best results
from the point of view of countries intending to transform or

1 Resolution of January 28th, 1938 (hundredth session).
2 Resolution of January 16th, 1939 (hundred-and-fourth session).
improve their fiscal legislation. On the other hand, an expert body such as the Fiscal Committee is in a position to acquaint those countries with the results of the practical experience of its members in the matter of the technical organisation and effective functioning of the main categories of taxes, with due regard to the adaptations necessitated by differences in economic systems.

Such was the view which the Fiscal Committee, during a preliminary discussion, took of the task it was called upon to perform. It laid down the general lines along which its research was to be conducted and decided to deal, in the first place, with taxes on income. It accordingly requested the Secretariat to prepare various preliminary studies on the subject. In its report, the Committee states that the work done by the Secretariat is likely to prove of very real interest to a number of States and that it should be published as soon as possible. At the same time, the Committee formulated a number of recommendations intended to assure efficiency, clearness and equity in the taxation of the different varieties and classes of income. These recommendations cover, inter alia, the following matters: co-ordination of State and local taxes on income, structure of the State taxes on income, scale of rates, means of assessment, methods of collection, administrative and judicial guarantees for the taxpayers, formal characters of the legislation.

In dealing with all these matters, the Committee was particularly concerned with the practical problems with which legislators and administrators were in fact confronted.

It may be of interest to note that the discussions on the technical principles of taxation gave occasion to the Egyptian expert, who took part in the session, to ask the Committee's opinion on various problems which arose in Egypt in connection with the application of the new income-tax law recently introduced in that country in consequence of the Montreux agreements.

**Fiscal Policy and Economic Fluctuations.**

The Fiscal Committee also considered the data assembled in the course of the enquiry which had been made on the behaviour, during the period 1928-1935, of the yield of taxes in thirteen countries, representing the various types of national economy. In its report, it describes the behaviour of the yield
of the different types of taxes, during the various phases of the economic cycle, in relation to its determining factors: taxable matter, method of assessment, tariff, method of collection, taxpaying capacity. It gives also a general picture of the means used in the various countries to maintain or increase tax receipts during times of depression. The Committee points out that while, in the past decade, a number of countries were in a position to obtain a substantial amount of fresh receipts by raising their Customs duties, and thus offset, to a certain extent, the effects of depression on State revenue, such a possibility hardly exists, at present, owing to the level to which Customs duties have generally been brought.

In its opinion, no tax system can be reasonably devised of which the yield would not respond, in a more or less limited degree, to economic fluctuations. At the same time, it appears desirable, from the fiscal point of view, that the amount of taxation should diminish in periods of depression and increase in periods of prosperity. From the technical point of view, it is easy to devise a tax system which would operate in this manner automatically. But the application of such a system is only possible if State finances are managed in such a way that surpluses due to prosperity are employed to cover the reductions of receipts due to depressions. The Committee, however, considered that this problem was rather within the competence of the Delegation on Economic Depressions than within its own terms of reference. It decided, therefore, to formulate no definite conclusions on the subject before the Delegation had submitted its conclusions to the Council.

While stressing the drawbacks of increasing the burden of taxes in periods of depression, the Committee also considered the fiscal measures to which resort might be had in times of depression, in order to balance the budget.

**Review of Fiscal Legislations.**

Information was submitted to the Committee on recent fiscal measures adopted in some thirty countries, from which the Committee was able to appreciate the great similarity which existed in the technical problems with which the various tax administrations were faced.

It thought it desirable therefore that a systematic exchange of information concerning general legislative and administrative measures should be instituted by co-operation between the various national tax administrations and the Secretariat.
This initiative cannot fail to be of great help to the tax authorities of the various countries who would thus be in a position to benefit rapidly from experience gained abroad.

Taxation and the Standard of Living.

Another question which may conveniently be mentioned in this section on the work of the Fiscal Committee is that of the influence of different types of taxes on the standard of living. A preliminary study of this problem has been made by the Secretariat, and the Fiscal Committee made suggestions as to the manner in which the investigation should be pursued.

The Sub-Committee on the Standard of Living, which will meet just before the Assembly, will no doubt refer to this matter in its report.

V. WORK OF THE COMMITTEE OF STATISTICAL EXPERTS

The function of this Committee is to put forward proposals for the improvement of national economic and financial statistics and of their comparability.

Two fresh studies have just been added to the series called "Studies and Reports on Statistical Methods". The first is entitled An International Minimum Programme for Housing Statistics, and has been drawn up by the Committee in the light of observations called for, with the authority of the Council, from States Members of the League and non-member States. The other refers to Indices of Industrial Production and is also the final text of a preliminary report previously transmitted for observations, in accordance with a decision of the Council to a large number of authorities, official and other, which publish such indices.

Finally, a preparatory enquiry has been carried out on "Indices showing Variations in the Quantum and Prices of International Trade". A number of countries compile such indices for their imports and exports, but international comparisons are not always possible on account of the diversity of methods employed. The Committee has made a number of recommendations designed to overcome this difficulty.

A similar procedure has been adopted for banking statistics.

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1 Report to the Council on the work of the eighth session of the Committee of Statistical Experts (document C.133.M.85.1939.II.A).
2 Council resolution of September 10th, 1938 (hundred-and-second session).
Readers of the last report of the Committee¹ will have noted the progressive adoption by a large number of countries of the "Minimum List of Commodities for International Trade Statistics", as drawn up by the Committee. By keeping in constant touch with the competent administrative departments, the Committee is endeavouring to make all such improvements in the list as may be suggested by practical experience.

VI. WORK OF THE COMMITTEE FOR THE STUDY OF INTERNATIONAL LOAN CONTRACTS

After five sessions—the last held in May 1939—the Committee completed its work, which it had carried out in conjunction with the International Institute at Rome for the Unification of Private Law.

Its report is among the documents submitted to the Assembly.²

The Committee prefaces its report by certain observations on the significance of its work. It points out that failure to make payment in the past has rarely been due to legal defects in the text of the contracts, but rather to economic factors or to loans having all too frequently been granted without sufficient attention being paid to the debtor’s capacity to pay or to transfer the arrears on his loans. A measure of co-ordination between the various capital markets would be desirable in order to obviate such mistakes. This could be done, without formal obligation, by designating a few independent experts who could be asked for their opinion in doubtful cases. But, while economic factors have been of predominant importance, the need for improving the legal documents is a real one.

The Committee’s recommendations relate to four principal points:

(a) *Need for avoiding the ambiguous wording of contracts.*—The Committee emphasises this point and recommends the greatest possible simplicity of language, the avoidance, so far as possible, of expressions which may not have the same meaning in the two (or more) countries parties to the contract, and care to employ an identical terminology in all the documents relating to the contract.

(b) *Currency clauses.*—Disputes in connection with the application of currency and gold clauses have been frequent

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¹ Document C.133.M.85.1939.II.A.
² Document C.145.M.93.1939.II.A.
and courts have sometimes given contradictory rulings. The Committee makes a number of recommendations about the drafting of such clauses, and observes that gold clauses may aim at too much and thus, in fact, produce disappointment. For this reason, it prefers the adoption of clauses providing for payment in any one of several currencies.

(c) Agencies responsible for the service of the loan.—The Committee makes a number of recommendations, both as regards the functions of the various agencies and as regards the terminology employed in contracts. It considers that the term "fiscal agent" should be avoided as tending to confusion. Confusion is also caused by employing the expression "trustee", which has no equivalent outside Anglo-Saxon law. The Committee suggests that the term "supervisor" might have the advantage of not being encumbered with past legal associations. It sets out the principal functions which this agent is likely to be called on to perform and makes suggestions regarding his legal status.

The question of the representation of bondholders is dealt with both in the body of the report and in an annexed note on the machinery required in the case of the appointment of the legal bondholders' representative in an international loan contract. The Committee does not think that it is possible to express a preference as regards the choice between the legal representation of bondholders and their representation by some body such as the existing councils of foreign bondholders, which act as negotiators without any formal mandate.

(d) Legal disputes.—This is one of the most important points which the Committee had to consider. In the case of a loan issued on several markets, the question of the law applicable to the contract may present difficulties. The report contains a number of suggestions on this point. The Committee has, however, gone further and contemplated the possibility of contracts being rendered subject to international law and not to municipal law. With this object, it requested the International Institute at Rome for the Unification of Private Law to draw up a code of rules.

Moreover, the Committee strongly recommends that all contracts should contain an arbitration clause, and it submits a draft clause.

It also suggests that the Permanent Court of International Justice might select nine persons, from among whom the President of the Permanent Court could nominate three, to deal, as
an arbitral tribunal, with cases concerning the interpretation of contracts.

A draft international convention providing for the setting-up of an international loans tribunal is attached to the report, but the Committee observes that, in present circumstances, it would seem difficult to obtain adhesion to such a convention.

This report, drafted by qualified specialists in finance and international law, has no precedent. Its object is, as far as possible, to introduce order and clarity into this form of contract.

VII. WORK OF THE COMMITTEE FOR THE STUDY OF DEMOGRAPHIC PROBLEMS

During recent Assemblies, the opinion has on several occasions been expressed by members of the Second Committee that the Economic and Financial Organisation should undertake, side by side with its work on the international movement of goods and capital, enquiries relating to demographic problems.

A first step in this direction was taken by the Economic Committee in 1938, but the last Assembly recognised the need for an ad hoc Committee, in view of the scope of these studies.

The task entrusted to this Committee is "to study demographic problems and especially their connection with the economic, financial and social situation, and to submit a report on the subject which may be of practical value to Governments in the determination of their policies".

At a first session, held in April last, the Committee took a realistic view of the problems before it. It decided to eliminate from the outset the study of certain notions such as that of the "optimum population".

The meeting was mainly devoted to laying the foundations of preparatory studies to be carried out. For this purpose, the problems were divided into three main categories: those arising in countries where the population is rapidly increasing; those arising where the population is falling or likely to fall; and finally those arising in countries where the population is small compared with the productive area or natural resources.

A general study of the problem to which population movements give rise will be conducted by the Secretariat.

This general study, designed to put the demographic factor in its proper perspective, will be amplified by more detailed local enquiries, especially in the case of countries belonging
to the first category. Tests will be carried out in limited areas which are representative in extent and character. The enquiry in the districts chosen will cover three principal groups of problems: the demographic position, conditions of work and standard of living.

VIII. WORK OF THE CO-ORDINATION COMMITTEE

This Committee, which was set up by the Council in May 1938 in pursuance of a recommendation of the Committee on the Structure and Functions of the Economic and Financial Organisation, has issued its second annual report,¹ on the economic and financial questions inscribed on the agenda of the twentieth session of the Assembly. As in the case of its first report, this document is divided into two parts. The first sets out the broad considerations which formed the background of the work of the Economic and Financial Organisation during the past year. The Co-ordination Committee draws attention to the great improvements in economic well-being which would result if existing scientific knowledge were more widely applied for socially useful purposes, and points out that, in recent years, there has been in many countries increasing recognition that constructive and internationally co-ordinated action is required if the right solutions to the outstanding problems of economic and social policy are to be found and applied. It stresses the fact that the whole of the work of the Economic and Financial Organisation is devoted to this broad general end of increasing economic and social well-being; in this connection, it mentions in particular the work on economic depressions, on commercial policy, on nutrition and the standard of living and also on various technical subjects which have the same final objective.

Though production is active, an increasing proportion of that production is intended, not to satisfy consumption needs, but to supply means of destruction or of defence. The Committee points out that, though a fictitious appearance of prosperity is caused by the immense expenditure on armaments, a point must sooner or later be reached when further increases in the production of armaments must involve a limitation of consumption.

¹ Document A.16.1939.II.
The Committee discusses four groups of questions of policy which the present situation throws up for the consideration of the Assembly:

- Commercial policy;
- Standard of living;
- Economic repercussions of armament production;
- Demographic and long-trend problems.

The question of commercial policy has been dealt with above in the section on international economic relations.

A progress report on the standard of living will be prepared immediately before the Assembly.

With regard to the third question, the Co-ordination Committee commends to the Assembly the proposal of the Economic Committee that the Economic and Financial Organisation be requested to make a full study of "the economic repercussions of armament production, including its influence on the standard of living". The Co-ordination Committee, like the Economic Committee, makes it clear that in its view this study should cover, not only the effects on living standards of large State expenditures for this purpose, but also the problems which will arise when these expenditures cease to be made. For in the view of the Co-ordination Committee, whatever the final outcome of the present state of political tension may be, society will have sooner or later to adapt itself to a peace economy, and difficult problems are bound to arise on account of the growing dependence of business on Government spending and the ultimate necessity of retransferring large numbers of workers to normal peace-time occupations. The Committee suggests that these questions should be studied in close collaboration with the International Labour Office.

The fourth group of questions embraces the problems presented by population pressure when the growth of population outruns the development of its environment, and those presented by the arrest of population growth; the instability caused by the increasing importance of the demand for durable goods or luxury services; the forces that determine the terms of trade between agricultural and industrial States. Certain of these questions underlie the terms of reference of the Demographic Committee; others are under consideration by the Economic and the Financial Committees.

In the second part of its report, the Committee sets out the position of the work being conducted by the Economic and Financial Organisation on the various items inscribed in the Assembly agenda and shows the interrelationship between the various activities of that organisation.

IX. OTHER WORK

Economic Depressions.

The Delegation on economic depressions, appointed by the Council in January 1938 as a result of a resolution of the Assembly of 1937 to investigate the policies which might be adopted with a view to preventing and mitigating economic depressions, has held two sessions, in December 1938 and in July 1939.

The complexity of the problems which the delegation has had to consider is illustrated by the range of the memoranda prepared for its use, which include papers on residential building and the trade cycle, public works, the prices of primary products, commodity restriction schemes, commodity stocks, the volume of savings, stock exchange speculation, the size of the investment industries, etc. It is not expected that the delegation will have completed its work before the next Assembly.

Professor von Haberler's book on *Prosperity and Depression*, which was first published in 1937, examined the different theories concerning the nature of the trade cycle with a view to ascertaining what such theories had in common, the points at which differences arose and, as far as possible, the causes of those differences. The volume stimulated wide discussion in economic circles, in the course of which a number of valuable suggestions and criticisms were made. It was therefore decided to bring the work up to date by preparing a new edition which would incorporate these new views. The new edition, published in June 1939, has been thoroughly revised and in part rewritten, while a further chapter has been added dealing with the large volume of literature on this subject which has been published since 1937.

The work of the Economic Intelligence Service on the trade cycle was carried a step further by the publication in February 1939 of the first volume of the series “Statistical Testing of Business-cycle Theories” entitled *A Method and its Application to Investment Activity*.¹ This volume forms an introduction

¹ Prepared by Professor J. Tinbergen, who was seconded for the purpose from the Central Statistical Bureau of the Netherlands.
to the work which has been begun in connection with the statisti-
cal testing of the assumptions and propositions that are
essential to the main business-cycle theories. Its primary
object is to explain the method which, subject to any suggestions
that may be received, it is proposed to employ in this work.
The description of methods is followed by three examples relating
to fluctuations in total investment, residential building and net
investment in railway rolling stock. The results obtained in
the elaboration of these three examples, though of interest to
students of the trade cycle, are only incidental to the primary
objects of the volume.

The second volume in the series of "Statistical Testing of
Business-cycle Theories", published in August 1939, deals
with business cycles in the United States of America from
1919 to 1932. It aims at determining, on the basis of existing
statistics and with the help of the "multiple correlation method"
described in the first volume, the more important quantitative
relationships which have governed the economic system of the
United States of America during the period under review. In
this way, some forty equations are found, which are thought
to represent the main characteristics of the mechanism of the
United States business cycles in that period. The combination
of these equations by mathematical treatment ("elimination
process") yields one "final" equation, from which emerges
the general nature of the United States cycle.

A third volume dealing with business cycles in the United
Kingdom is in preparation and will, it is hoped, be published
next year.

Nutrition.

The second meeting of representatives of National Committees
was held in October 1938, sixteen countries being represented.¹

It may be noted here that National Nutrition Committees,
the creation of which was recommended by the Mixed Committee
of the League on Nutrition, now exist in over twenty countries,
while only three Committees were in existence when the League
enquiry started.

The first annual Survey of National Nutrition Policies, 1937/38,
published in January 1939, is based mainly, in accordance with

¹ United States of America, Australia, Belgium, United Kingdom, Canada, Egypt,
Finland, France, Hungary, Iraq, Latvia, Netherlands, Norway, Poland, Sweden and
Yugoslavia.
the above-mentioned resolution, on the reports furnished by Governments and on the discussions which took place at the October meeting of representatives of National Committees.

The *Survey* contains an account of the food consumption surveys undertaken in certain countries, and of the results obtained. It gives, in a concise and readable form, a large number of illuminating facts about food habits in various parts of the world. There is also a brief description of the numerous measures taken in different countries to improve nutritional standards. Certain of the economic aspects of the nutrition problem are then dealt with. It is suggested that measures of relief only touch the fringe of the problem, and other possible measures for making good dietary deficiencies are indicated. Finally, some of the steps taken to educate the public are described. Much can be accomplished by means of education and publicity since, as is pointed out in the *Survey*, "it is surprisingly common to find relatively well-to-do sections of the population living on poor diets when, for an expenditure within their means, they could, by the wise choice of foodstuffs, obtain all the constituents of a good diet in sufficient quantities".

The Assembly of 1938 authorised the Council, in arranging for future annual meetings of representatives of National Nutrition Committees, to confine them, in cases where it appeared appropriate to do so, to groups of countries whose nutrition problem is broadly similar in character, and empowered it, should occasion arise, to invite representatives of countries where there exist public bodies which, while not national nutrition committees, perform similar functions.

A number of Latin-American countries having recently shown keen interest in nutrition and having made considerable efforts to improve nutritional standards, the Council, on May 23rd, 1939 (hundred-and-fifth session), requested the Secretary-General to ascertain whether it would be possible to arrange a meeting of representatives of National Nutrition Committees or public bodies doing similar work in Latin-American countries, to be held during the autumn of 1939. It also authorised him, should the result of his enquiry be favourable to this course, to take the steps necessary for convening such a meeting in Latin America and to invite the United States of America to be represented. Should such a meeting not be found convenient in 1939, the Secretary-General was requested to make arrangements for a meeting at Geneva similar to that held in October 1938.
Housing.

It was reported last year\(^1\) that an international study was being made of the methods employed in various countries for improving housing conditions. The 1938 Assembly decided that the scope of this enquiry should be extended to the financial aspects of town-planning.

The report, entitled "Urban and Rural Housing", was completed in July 1939, and covers the United States of America, Belgium, the United Kingdom, Canada, Denmark, Finland, France, Netherlands, Norway and Sweden. It co-ordinates the documentation obtained from governmental and municipal authorities and from international studies on this subject, such as those undertaken by the International Labour Office and the International Federation for Housing and Town-planning.

A chapter is devoted to each country, briefly summarising, as far as information is available, the need for additional accommodation, the lack of modern conveniences and the number of existing dwellings which ought to be repaired or demolished as unfit for human habitation. Building activity and progress in housing since the war are discussed in relation to the general economic development and to the trend of building costs and interest rates. The report devotes special attention to the organisation of the supply of capital for housing purposes and to the measures taken in a number of countries with a view to mobilising the mortgage market and lowering the cost of long-term mortgage loans. The housing policies adopted by Governments and municipal authorities are described in some detail, and an attempt is made to show how far the measures taken are intended to meet general housing needs or to improve the living conditions of certain groups of the population, such as people earning low incomes, large families with insufficient means, slum-dwellers, etc. The report indicates the methods employed to realise these aims—i.e., general subsidies to the building industry, cheap loans to public utility societies or local housing authorities, individual subsidies in the form of differential rents, etc. Information is given as to the expenses and other liabilities incurred by public authorities in carrying out their housing programmes and the results obtained.

Special reference is made to the problems of slum clearance and of rural housing and the measures taken to improve the housing conditions of agricultural workers and other groups of the rural population.

A general chapter describes the two main aspects of the housing problem: (1) the housing shortage that occurs from time to time, and (2) the inferiority of existing accommodation to accepted minimum standards regarding sanitary arrangements, density of occupation, etc.

This general chapter also summarises changes in housing policy since the war in the countries covered by the report. Since the supply of dwellings is now sufficient in many countries to meet major requirements, there is a tendency to lay greater stress upon specific purposes, such as slum clearance, the reduction of over-crowding and assistance to large families.

Study Tours of Statistical Officials.

Thanks to the generous financial help of the Rockefeller Foundation, the Economic and Financial Organisation has been able to take action to promote an improvement in the methods of collecting statistics. Under arrangements made with the Foundation, senior officials of central statistical offices were enabled to make study tours in other countries in order to ascertain their methods of preparing various kinds of national statistics. Since the arrangements were concluded in August 1937, some twelve officials from various statistical offices have proceeded on study tours and a number of further tours are being organised.

The subjects studied relate to almost all branches of statistics, such as the general organisation of statistics, censuses of population, industrial and trade statistics and balances of payments. In order that the officials may derive the greatest advantage from the scheme and that the Economic and Financial Organisation may also profit by their experience, it has been arranged that the officials should visit Geneva for discussion before starting on their tours and should report after their conclusion. The reports received up to the present show that the statistical offices granting facilities to such officials have been very helpful and that the ultimate result is likely to be a real improvement in statistical methods and a greater comparability between various national statistics. The study tours will, no doubt, also be of great assistance to the work of the Committee of Statistical Experts described elsewhere in this report.

Public Debt.

In pursuance of the Assembly resolution of October 4th, 1937, a questionnaire was sent to sixty-nine Governments in April 1938 with a view to obtaining information on the growth of the indebtedness of States, local authorities and public undertakings.

This resolution was again discussed in the Second Committee of the 1938 Assembly. The Committee expressed the hope that "the Governments and other public bodies would furnish the information requested by the Secretariat, thus enabling it to provide a picture of the public debt situation that would be very helpful in studies of economic and monetary fluctuations and policies."

The response to this circular has unfortunately not been very encouraging. By March 1939, the Secretariat had received the questionnaire partially filled in from eleven countries. On April 13th, 1939, it sent out a further Circular Letter requesting the Governments to indicate at what time they expected to be able to transmit the information requested. By the middle of May, three further replies had been received. It is not felt that sufficient information has yet been received to justify publishing it.

Permanent Exhibition of Graphs relating to Current Economic and Financial Conditions.¹

The Committee of Statistical Experts, under instructions from the Council of May 13th, 1938, prepared a plan² for a permanent exhibition of graphs, in agreement with a representative of the Danish Government. The Committee suggested that the exhibition should demonstrate the economic and financial interdependence of nations and that the exhibition should be situated in the building of the League of Nations, in rooms easily accessible to delegates, Committee members, journalists and tourists visiting the building.

The Council decided, on September 10th, 1938 (hundred-and-second session), to accept the offer made by the Danish Government on behalf of the Otto Mønsted Foundation and approved the programme and conditions for the exhibition agreed upon by the representative of the Danish Government and the Committee of Statistical Experts.

² Document C.226.M.128.1938.II.A.
Statistical material has been prepared by a special bureau set up by the Mønsted Foundation on population, production, international trade, stocks of primary commodities, prices, exchange rates, currency circulation and monetary gold reserves, bank deposits, bank credits and interest rates and international payments. Preparatory work has also been done on the economic structure of certain countries, national income and employment and unemployment. A number of studies and experiments have been made in order to find the best means of illustrating the above material, and some of the diagrams have already been prepared.

Technical Assistance in Providing Food Supplies to Spanish Refugees.

The Republican Government addressed a letter to the Secretary-General on September 20th, 1938, requesting him to arrange for the competent organs of the League of Nations to assist the authorities with a view to finding a solution for the urgent problem of ensuring the supply of food during the winter for about three million refugees from the territory in the hands of General Franco’s Government.

The Council, at its hundred-and-third session, adopted a resolution authorising the Secretary-General to institute a preliminary enquiry on the spot. In virtue of this resolution, two Commissioners¹ were appointed to undertake the enquiry and to proceed to Spain for the purpose. They conducted a personal investigation of conditions in that country from October 9th to 27th, 1938, and reported fully on the position, describing the magnitude and urgency of the problem and the existing organisation for relief distribution. The report was distributed to all States Members on November 3rd, 1938.²

X. Publications of the Economic Intelligence Service

Review of World Trade, 1938.

This volume contains a general synopsis of trade during 1938 and a comparison of the figures for that year—by countries and groups of countries—with those of the immediately preceding years and of 1929.

¹ Sir Denys Bray, K.C.S.I., K.C.I.E., sometime Foreign Secretary to the Government of India, subsequently Member of the Council of India, assisted by Mr. Lawrence Webster, sometime Director of the Save the Children Fund in Bulgaria and later Assistant to the League of Nations Commissioner for the settlement of refugees in that country.
² Document C.416.M.261.1938.VII.
Special attention has been paid to the effect of war apprehensions on trade and to the disintegration of world economy through the formation of economic groups of countries which, in their trade, tend to detach themselves from each other.

The reference tables giving indices of the price and quantum of trade (for the world as well as individual countries) have been extended and a special section of the text analyses the relationship between the prices and quantities of goods entering into trade.

The main results which emerge from the analysis of world trade contained in this volume may be summarised as follows:

World trade expanded for several years in succession up to 1937 and contracted in 1938. Its value in terms of gold fell off by 13%, of which about 5% was on account of lower prices and 8% on account of a decline in quantum, the latter being most pronounced in the case of raw materials.

Signs of an improvement in trade occurred in the middle of 1938 when the fall in the prices of goods entering into trade was practically arrested.

Recent changes in world trading conditions appear to have been determined chiefly by the variations in the United States demand for goods, particularly raw materials, that resulted from the sharp changes in their industrial activity in 1937 and 1938.

The increased demand for commodities for armament purposes or for the building-up of emergency reserves, besides implying a change in the distribution of world trade among different commodities, appears to have abated the aggravation of trading conditions that began in 1937.

There was, in 1938, an exceptionally heavy demand, particularly from non-industrialised countries, for machinery and other capital equipment.

The tendency in recent years towards a disintegration of world economy through the formation of separate economic groups of countries received fresh impetus from the decline in the imports of a number of creditor countries in 1938, the deterioration in the terms of trade of agricultural countries and the resulting prominence given to the transfer problem.

World Production and Prices, 1938/39.

This volume, which is due to appear in August, is similar in scope to the last issue, but attention is directed mainly to developments during the past eighteen months, while, in the
previous issue, it was devoted mainly to the broad trend of development since 1920.

Various chapters deal with the effect of changes in production upon employment and unemployment and output per man-hour; the trends of development of industrial production in different countries during 1938 and the first half of 1939; production, stocks, etc., by groups of commodities; price movements of primary and secondary products and the relations between industrial costs and selling prices, with tables showing the movement of wholesale price indices and indices of the cost of living from 1926 to 1939 for all countries where such figures are available; fluctuations in industrial profits and agricultural income.

The volume shows that, while world economy continues to show a relatively high degree of resistance to depressive factors, the year 1938 as a whole was one of economic stagnation and insecurity and that developments have been influenced very largely by the increasing rate of armaments in the principal countries.

Balances of Payments, 1937.

The 1937 issue of the annual volume on Balances of Payments, published in January 1939, analyses the international payments of thirty-three countries in recent years. An index of the countries covered by previous issues is attached. The entire series of issues of Balances of Payments supplies information regarding the international transactions of fifty-nine countries. The countries to which the last issue principally relates include the chief commercial countries of the world.

To facilitate deductions by students of international economic relations from the documentary material contained in this volume, most of the statements for individual countries are compiled on the basis of a special form (the full text of which is included in the volume) sent to all States Members of the League of Nations.

Comparable figures are given in the case of practically all the countries represented for goods, interest and dividends, other services, gold and long-term and short-term capital movements.

Most of the detailed statements in the case of individual countries are accompanied by a summary table of balances of payments, together with the totals of all inward and outward payments for the past few years. To facilitate international
comparison, these balances have also been combined in a table where they are converted into United States gold dollars at the old parity.

An interesting chapter is devoted to a detailed analysis of recent trends in commercial transactions. It contains an exhaustive study of the changes, in connection with current items in the trade of creditor and debtor countries, and international capital movements from one country to another. Since 1931, the debtor countries have had a large active balance in the case of these items (i.e., transactions in goods and services, plus newly produced gold exported), aggregating for the period 1931-1937 some 5 milliards of dollars (at the old gold parity of the dollar), which has thus been available for reduction of their foreign debt. In addition, some debtor countries have employed funds derived from the sale of foreign holdings or gold reserves in banks for debt reduction. On the other hand, certain debtor countries, particularly those within the sterling block, have built up large foreign exchange reserves in London and New York. Creditor countries in recent years have drawn upon their foreign assets to a greater extent than has been commonly supposed.

A section is devoted to the speculative movements of capital between creditor countries. The effects of tourist traffic, emigrants' remittances, the capital market and gold movements are also analysed.

Money and Banking, 1938/39.

As in previous years, the 1938 edition, published in April 1939, brings together the essential information about currency and banking all over the world. Developments up to March 1939 are reviewed in the first volume, Monetary Review, and the facts and figures for forty-four countries on which this review is based are given in the second, Commercial and Central Banks.

The Monetary Review traces the course of events during 1938 and the first two months of 1939 in foreign exchanges and gold and in currency, credit and Government finance. A chapter is devoted to the growing stability of the French franc; the rally, after a prolonged weakness, in the sterling exchanges; the tightening of exchange control in agricultural countries; and the world production and distribution of gold.

In the section on currency, credit and Government finance, the conclusion is reached that the internal structure of currency and credit on the whole displayed a high degree of elasticity.
during the international crisis of September 1938. The prospects of continued economic recovery in the leading countries are also dealt with at length.

There are two important additions to this volume. First, an analysis is made of the deposits and total assets of all organisations conducting banking business in twenty-two countries and shows the steady growth of savings banks and credit institutions of a public character, largely at the expense of commercial and other private banks, and the increase in the proportion of national savings absorbed by public authorities. Secondly, a comprehensive study is made of the decline in the use of the bill of exchange since pre-war days and the causes of this development.

The appended tables summarise on a uniform basis the principal monetary and banking statistics of the world for the past ten years.

Public Finance, 1928-1937.

This series, issued in a number of separate parts or chapters, one for each country, has been published progressively since 1936 and was completed in January 1939. Each part contains the most up-to-date information at the time of publication, and the complete set represents a unique summary of budget and State accounts, the main items of receipts and expenditure, the Treasury position, the situation of the public debt and, wherever possible, the balance-sheet of State assets and liabilities. Technical notes explain the figures and mark the essential changes which have taken place from year to year. For each country there are notes outlining the general budgetary principles applied, for the benefit of those who desire to make a closer study of the situation in any particular country.


The annual issue of the Statistical Year-book of the League of Nations was published in July 1939.

The new issue contains, as in the past, the most important world statistics on population, labour, production, trade, transport and finance.

The previous statistical material is brought up to date, and important new material is published regarding, in particular, population, production and foreign exchange.
The tables on population have been enlarged. Two tables relate to the age structure of the population, one of which gives the population by age groups of five years according to the most recent censuses and estimates, while the other gives retrospectively the main age groups—i.e., up to 15 years, from 15 to 64 years (the productive age) and 65 years or more. In the case of women, there is a special group from 15 to 49 years (the age of reproduction).

The object of these tables is to show the differences in the structure of the population in different countries and the changes which have occurred in the last generation as a result of the decline in the birth rate, the effects of the war, etc. These tables are brought up to date by numerous estimates made subsequent to the censuses, and some of them are published for the first time. Statistics are given showing the fertility by age groups and the gross rates of reproduction. In addition to tables giving general and infant mortality rates, the unprecedented drop in mortality during the last generation is shown in three more detailed tables, two of which are based on life tables. While these tables indicate the past and present position, another on net rates of reproduction shows the changes in the number of population which may be expected to occur if the present conditions of fertility and mortality continue.

In the tables on production, an attempt has been made to give material adapted to present-day problems, such as the production of natural or synthetic substitutes. There are new and highly interesting tables on the development of the production of various derivatives of petroleum and a new table on benzol; some information is also given on the recovery of waste products (rubber, metals, etc.).

*International Trade in Certain Raw Materials and Foodstuffs, 1937.*

This volume, which is the third of its kind, gives an account of the movement from one country to another of the commodities mentioned. It is more complete than the earlier editions, and contains provisional statistics for 1937, as well as completed and revised statistics for 1935 and 1936 relating to thirty-eight commodities, which include wheat, sugar, rubber, wood in various forms, hides, wool, cotton, silk, iron and steel, copper and motor spirit. The number of importing countries covered by the various tables is 123, or 98% of the total world trade.
The volume is designed to meet the wishes expressed by business men and others for a collection of statistical information which would enable them to determine world trade movements for certain categories of goods in a manner which was not possible with the former simple comparison of national import and export statistics.


This volume contains statistical tables of foreign trade of sixty-six countries for the years 1935-1937, and indicates the imports and exports of goods per year and per month, the imports and exports per country, and the imports and exports per principal article, the imports and exports of bullion and specie, and the imports and exports by groups according to international classification (Brussels, 1916).

One characteristic of this edition is the increasing number of tables indicating imports and exports grouped according to a classification drawn up by the League of Nations Committee of Statistical Experts in accordance with the International Convention concerning Economic Statistics, concluded at Geneva in 1928. The adoption of this new classification, which includes a “Minimum List” of 456 goods, was recommended by the Council of the League of Nations in September 1935. Twenty-two countries are now compiling their trade statistics on this new basis. The present volume shows the figures for these countries classified, not only according to the major divisions of the new international classification (50 chapters and 17 sections), but also—in most cases—according to a reclassification by economic groups showing use and stage of production.

The complete text of the classification itself, containing 700 items and sub-items, was also for the first time reproduced in this publication together with explanations regarding its practical application. The advantages of this new classification are that it enables international comparisons to be made on a scientific basis, not only for raw materials, but also for manufactured goods such as machinery, metal products, textiles and chemicals.


This bulletin has continued to appear regularly with additional tables and diagrams on subjects of special interest at the time of publication.

The 1938/39 edition of the World Economic Survey, the eighth annual publication in this series, will be published in time for the Assembly. The volume is based largely upon the more specialised publications of the Economic Intelligence Service, and upon information supplied by other bodies and, in particular, by the International Labour Office. It presents, both for the economist and for the general reader, an outline of the most important changes in economic trends which have occurred during the past year.

Two main themes run through the different chapters. In the first place, the recession in business activity in the United States and in other important industrialised countries between 1937 and 1938, and the economic and financial policies which were subsequently adopted to meet this recession, had important effects which are examined in their various aspects. The actual course of events in the most important countries is discussed in the first chapter, where a distinction is drawn between the nations with controlled economic systems and those whose economies are still comparatively liberal; the effect of the recession and subsequent recovery upon production, prices and employment is discussed in later chapters; and reference is made to the effects upon the agricultural countries of the fluctuations in the demand for primary products by the industrialised countries.

The second main factor influencing the trend of economic developments has been the increasing tension in international politics, combined with the prosecution of actual hostilities in certain parts of the world and with greatly intensified measures of national military and economic defence in the majority of countries. In the chapter on public finance, attention is paid to the large sums which are being spent on armaments; in the chapter on monetary problems, the banking and financial aspects of this rearmament finance are examined; elsewhere, the effect upon the volume of employment and hours of work and upon international trade and commercial policy is considered.

In addition to these two central themes, attention is paid to a number of special topics. Chapter VIII, for example, is devoted to the sharp conflict which has developed recently in the sphere of commercial policy: on the one hand, the Anglo-American Trade Agreement typifies the attempt of the United States to liberalise trading conditions, while the further development of the German trading methods in South-East Europe
and in Latin America illustrates the close regulation and control of international trade. Chapter VI contains a discussion of the underlying changes in population trends and of the fundamental economic effects of these changes, which are no less important because they are slower and less dramatic.

The final chapter of the Survey attempts to assess the main economic effects of trade fluctuations and of increased international political tension. By summarising the main facts, it may help in finding an answer to certain pressing questions: To what extent is the present economic situation dominated by rearmament activity and by the effects of political uncertainty? To what extent has recovery from the recent recession been the result of rearmament activity? To what extent is it due to other aspects of economic policy? How acute, therefore, would be the economic problems which might arise from disarmament or from arms limitation?
COMMUNICATIONS AND TRANSIT

It will be remembered that, at its last ordinary session, the Assembly elected the States members of the Organisation for Communications and Transit whose nationals, together with the nationals of the States with permanent seats on the Council, to the number of one for each member of the Organisation, were to form the Committee for Communications and Transit. At its session of January 1939, in accordance with Article 4 of the new Statute of the Organisation for Communications and Transit, the Council appointed the members of the Committee. It was therefore in its new composition that the Committee met for its twenty-second session held from June 6th to 9th, 1939, at Geneva.

It discussed all the questions placed on the agenda of the different organs of the Organisation for Communications and Transit. Among these questions, mention may be made of the following:

I. MARITIME TONNAGE MEASUREMENT

A special Committee drew up draft regulations, which were communicated to Governments for their observations in 1931. Since then, the relevant texts have been revised by the competent organs with a view to making the technical provisions more explicit and more complete. Other changes have been made in order to bring the regulations into line with technical progress. After examination of this revised text, the Committee for Communications and Transit was of opinion that measures to facilitate their application in the countries concerned should be considered. It therefore submitted the regulations to the Council with the request that it should forward them to Governments, at the same time recommending them to apply the proposed measures.

II. ROAD TRAFFIC

The Special Committee of Experts for the Codification of Road Law has held several sessions to revise the 1926 Convention relating to motor traffic and the 1931 Convention concerning
the unification of road signals. It has framed draft regulations relating to the international circulation of motor vehicles and cycles and to road signs. It now remains for the Committee of Experts to revise the second Convention of 1926 relating to road traffic and to draw up the formal part of the future convention.

An investigation into the direction of traffic in the different countries is in progress. The Committee hopes to examine the results at its next session.

In 1937, the Rome International Institute for the Unification of Private Law forwarded to the Organisation for Communications and Transit two preliminary drafts of uniform laws on the civil liability of motorists for damage caused to third parties, and on the compulsory insurance of motorists. The Committee had considered setting up a committee of experts to study, with the help of representatives of the Rome Institute and possibly of representatives of the organisations concerned, the preliminary drafts in question. For financial reasons, however, it has not so far been possible to set up this committee. Meanwhile the competent international organisations have expressed their views on the two preliminary drafts and, apart from criticisms as to the substance of the provisions, have also put forward general objections. These objections show that the question of the civil liability of motorists is not ripe for international unification, and that each State should therefore be left to settle the matter for itself. With regard to compulsory insurance, the above-mentioned organisations, while not being altogether opposed to it in principle, have again made certain reservations.

In these circumstances, the Committee does not consider that the time has come to hold an international conference. It might, however, be of real and immediate assistance to legislators, when reforming their internal legislation, to have at their disposal certain studies which might be undertaken by the competent international institutions and might lead to the framing of model laws.

The Committee therefore decided not to set up the proposed committee of experts for the time being, but to suggest to the Rome International Institute that it should use the two preliminary drafts and the preparatory work to provide States with model provisions and documentary material which might serve them as a guide in amending their own legislation. In this connection, the Committee made certain general observations
which the Rome International Institute will no doubt take into
consideration. Moreover, it decided to forward to the latter
the results of the enquiry it had made, at the Rome Institute’s
request, among certain Governments of countries which had
introduced compulsory insurance, in order that the Institute
may take into consideration the replies received from these
Governments.

III. AIR NAVIGATION

The Committee had previously decided that the information
collected by the Secretariat on identity papers for the flying
staff of air-transport undertakings should be examined by a
special committee. This information is such as to enable the
Committee to reach certain conclusions already, but it has
nevertheless instructed the Secretariat to supplement its study
on a few points to which it had drawn attention. The question
is not without importance, for, in the absence of special bilateral
agreements, the flying staff of air-transport undertakings is
usually required to carry passports, which often have to include
visas. This is liable to lead to considerable difficulties in the
efficient functioning of air-transport services, especially when
a member of the crew has to be replaced shortly before a flight
or when special flights outside ordinary schedules have to be
made.

Another subject which the Committee placed on its agenda
at the request of its British member was to some extent the
direct consequence of the proceedings of the International
Conference for the Exemption from Taxation of Liquid Fuel and
Lubricants used in Air Traffic, convened in London last February
by the United Kingdom Government. This Conference adopted
certain recommendations which were embodied in its Final Act
and which refer to the exemption from Customs and other duties
of supplies and spare parts required for the maintenance or
repair of aircraft and of ground equipment necessary for the
establishment and maintenance of air bases and scheduled
air services and experimental flights, etc. The Committee
instructed its secretariat to collect information on this sub-
ject for submission to its Committee on Air Navigation, which
will then make a report.

IV. SIGNALS AT LEVEL-CROSSINGS

This question has been carefully examined by the competent
organs of the Organisation for Communications and Transit,
which have drawn up a draft Convention with annexed regulations. In 1938, the Committee for Communications and Transit submitted this text to the Council, which decided to convene an international conference at Geneva in April 1939. Governments of States Members of the League and non-member States were invited to send representatives. Ten days or so before the date arranged for the opening of the conference, however, only a comparatively small number of Governments had signified their willingness to participate.

The Secretary-General therefore thought it inadvisable to keep to the date originally fixed, and he informed the Governments that the conference was postponed. He then laid the matter before the Council, which, in May 1939, referred the draft Convention for further examination to the Committee for Communications and Transit. The latter studied the replies of the Governments and the observations submitted by them, and was gratified to find that there were no criticisms concerning the draft as regards either technical or legal matters of substance.

The Committee accordingly enquired whether it still seemed expedient to convene a conference as had been contemplated. After careful examination, it decided to propose two alternatives to the Council. In the first place, it would save time if a text representing the final form of the existing draft could be submitted to the States for signature. Another procedure would be to submit to Governments a recommendation urging the adoption of the technical provisions contemplated.

The Committee had no hesitation in pronouncing in favour of the first solution, and accordingly submitted to the Council a draft agreement amended with reference more particularly to the fact that it did not seem necessary to convene a conference.

If, however, the Council thinks it desirable to pass a recommendation urging the immediate adoption of the safety regulations in question, the Committee hopes that it may be possible in the near future to confer on those rules a contractual character.

V. IMPROVEMENT AND REDUCTION OF COST OF TRANSPORT IN ORDER TO RAISE THE STANDARD OF LIVING

It will be remembered that the Assembly at its nineteenth session (September 1938) adopted a resolution requesting the Economic and Financial Organisation to study, in co-operation with the Transit Organisation, the influence of transport and distribution costs on the standard of living.
In order to assist the Committee for Communications and Transit in the study of those aspects of this vast problem which come within its province, the Secretariat collected preparatory information and drew up a preliminary report. This report contains, in particular, information on tariff measures designed to reduce transport costs with the object of increasing production generally or the production of particular commodities characteristic of certain regions, or of increasing the consumption of primary necessities. Another section of the material deals with the problem of improving transport, the result of which is to raise the standard of living, whether by creating new means of communication or by the use of more up-to-date means of transport, or, again, by the more rational operation of existing means of transport.

The Committee was of opinion that the material upon which it must base any investigation ought to be as complete as possible, and that consequently it could be obtained only from the Governments themselves. In drawing up the questionnaire to be sent to Governments, mention should be made, not only of questions relating to railway rates, but also, in particular, of road transport and the steps taken to create local communications. The questionnaire should also cover the question of reductions of fares for tourists and for workers on holiday, inasmuch as such reductions may likewise influence the standard of living in some countries. Lastly, the questionnaire should contain a request for information as to the reasons why certain measures were taken, and the results to which they have led.

While the Committee agreed to place the question on its agenda and to prosecute its investigation further, it recognised that the problem was a more or less new one, which could not be rapidly solved.

This problem is connected indeed—as was recognised, not only by the Committee, but also by the Sub-Committee on the Standard of Living at its meeting in December 1938—with another far-reaching and complex problem, that of the co-ordination of transport.

VI. Co-ordination of Transport

In 1935, the Assembly, at its sixteenth ordinary session, had to consider one of the cardinal questions affecting communications between the different States—namely, relations between the different means of transport. This question is engaging the
attention of the Governments of all countries, particularly owing to the recent evolution of motor and rail transport and to the growing burden imposed on public finances by the lack of co-ordination between these means of transport. The Assembly referred this problem to the Organisation for Communications and Transit in the belief that a comparison between the steps taken by the different countries might provide useful guidance for the transport co-ordination policies being initiated in a number of States.

The Committee for Communications and Transit has instructed the Secretariat to collect the necessary material, confining its attention for the moment to transport by rail, transport by road, and inland navigation.¹

In examining at its twenty-first session the results of the enquiry undertaken among Governments, the Committee for Communications and Transit observed that some of the replies received did not cover all three means of transport in question and that several States had not yet replied. It therefore recommended that Governments should be given an opportunity to complete or revise their replies, and that those which had not yet replied should be invited to do so. At that time, the Committee thought that the replies might reach the Secretariat by July 1st, 1939, and that a second stage in the enquiry might then begin in which the information collected could be systematically classified and summarised under the supervision of the proposed committee of experts.

At its June session, however, the Committee recognised that a longer time would have to be allowed for the receipt of information. It further expressed the opinion that, in view of the continual developments in this field, it was most important to have accurate information about what was being done in the different countries. It felt that no hasty conclusions must be drawn from the material collected. It accordingly specified once more that the procedure should be, first, to collect the fullest and most up-to-date material available, then to appoint the committee of experts which, with the help of the Secretariat, would study and classify the material and lay before the Committee a report surveying the present situation in the various countries, after which the Committee could draw its conclusions.

¹ The results of the enquiry made among Governments on the basis of a detailed questionnaire will be found in document C.347.M.208.1938.VIII (September 26th, 1938).
VII. FACILITIES TO BE GRANTED TO BROADCASTING REPORTERS

By an Assembly resolution of September 26th, 1938, the Committee for Communications and Transit and the Economic Committee were instructed, each in its own sphere, to undertake the enquiry contemplated by the Committee of Broadcasting Experts and recommended by the International Committee on Intellectual Co-operation. That enquiry relates to the following point amongst others.

The Committee of Experts, recognising how important it is that facilities should be granted to reporters in the exercise of their profession abroad, particularly when the object of their journeys is to promote mutual understanding among nations, recommended that in the granting of personal travelling facilities to reporters (journeys, visas, etc.) the privileges of that kind granted to journalists should be taken as a basis, and that for the professional material of such reporters (lorries, microphones, amplifiers, recording apparatus) a liberal régime as regards transport and Customs formalities should be established, preferably on a basis of reciprocity.

The Economic Committee found that liberal treatment was already general in regard to the formalities required for the Customs clearance of broadcasting reporters' material under the system of temporary admission and the conditions necessary for organising the system of triptychs and Customs passage-books and the details for its operation. It therefore could not but recommend that such treatment should be continued. The Committee for Communications and Transit associated itself with that recommendation and urged that the system of temporary free passage should be allowed in the form of the acceptance, as widely as possible, of triptychs and Customs passage-books or some similar system for the frontier passage of lorries conveying professional material belonging to reporters.

In regard to identification papers and especially visas, the Committee recommended that the Governments should grant to broadcasting reporters duly authorised to proceed abroad in the exercise of their profession, particularly when the object of such journeys was to encourage mutual understanding between peoples, the most generous treatment possible, and, in any case, treatment no less favourable than that enjoyed by journalists in the various countries.