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REPORT

ON THE

WORK OF THE LEAGUE

DURING THE WAR

submitted to the Assembly
by the Acting Secretary-General

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INTRODUCTION

The peoples of the world, searching for means to avoid the inhumanity and folly of war constantly becoming more terrible and destructive, made a covenant and a league of peace. They did not keep the covenant; they broke the league; and a new war smashed across Europe and leaped the oceans. Aggression and ambition, on one side, timidity of Governments and short-sighted vision of the peoples themselves, on the other, led straight to the catastrophe.

The League of Nations as an organisation no doubt had faults, but it is dangerous nonsense to say that war came because of those faults. The League did not fail; it was the nations which failed to use it. That is the lesson of the last ten years and it is a vital and terrible warning for the next ten years. The old League of Nations is going and the new League takes the centre of the world's stage. Whether, in many respects, it is better than the machine which is being discarded is not the most important thing. Success will depend on how it is used, on the justice, wisdom and courage of leaders and, above all, on the vision and determination of the common people. Such truisms cannot be too often repeated in view of the immensity of the task which again faces humanity. The new generation of builders and makers must not be misled into thinking that any defect in the ideals or organisation of the League of Nations was the cause of humanity's tragic failure. That failure was due rather to the statesmen and peoples of the League of Nations that contented themselves with lip-service, that could not face the lesser sacrifices to avoid the greater, and to those peoples and States which foolishly imagined they could be lookers-on. That will be the verdict of history, simplified though it may appear in the welter and tangle of international relations.

The United Nations Organisation, launched only a few months ago, is already a vital and great reality. Its Charter points the way
to peace and freedom and progress. There is no alternative to this way; it is a continuation of the first effort to organise nations to help and to protect themselves and others. The League might have been reconstructed, thus avoiding many complications, but that was apparently impossible for political reasons. A start is again made, with a new name, a new Covenant, possibly a new seat; but the problems remain the same, the objects are unchanged, and methods cannot greatly differ. Above all, the United Nations will begin its work with the superlative advantage of the co-operation of all the World Powers—including, for the first time, the United States of America. Whatever clouds may cross the sky of international affairs, the future is assured while their peoples are inspired by the principles of the preamble to the Charter and contribute their force, their genius and their political maturity to the common cause. On these peoples, above all, responsibility rests, but the less powerful nations must take their share of duties just as they will and must assert their rights in a free world. All this is now possible. We must have hope and belief, but we cannot rely on these alone; each must give his share in creating confidence in one another; and the onward march of humanity, stirred by ideals and guided by moral principles, will be resumed.

Until the agreement of Dumbarton Oaks, enlarged and confirmed by the Conference of San Francisco, the future of the League was uncertain. Apart from the valuable services being given in the non-political field, it was necessary to keep the framework of the organisation in reserve, even though many political provisions in the Covenant were virtually in suspense. Only on the adoption of the Charter of the United Nations in 1945 did the possible political value of the League disappear. The necessity for the so-called "technical" services—economic, financial, transit, health, narcotic drugs, etc.—being pursued remained as great as ever. It was on these services that the contributions received during the war were expended, and results have fully justified the policy which brought them, useful and active, through the war-years. The continuation of such activities—apart from their momentary or durable intrinsic value—was also to some extent a challenge to the forces of disorder and would, it was expected, ultimately help to provide a basis for a reconstructed world organisation.

* * *
Transfer Problems.

The creation of the United Nations by fifty States (including thirty-two Members of the League) means that these technical services must soon cease or be absorbed into the new organisation. The latter is the policy desired by the San Francisco Conference, which laid on the Preparatory Commission of the United Nations the duty to—

"formulate recommendations concerning the possible transfer of certain functions, activities, and assets of the League of Nations which it may be considered desirable for the new Organisation to take over on terms to be arranged".

The Executive Committee of the United Nations, which has been preparing in recent months for decisions on this subject, has been supplied with any information it required from the League Secretariat. While a majority of League Members constitutes also a majority of United Nations Members, it is, however, recognised that any decisions as to the future of League assets and activities must be taken by the League of Nations. The Acting Secretary-General had therefore to anticipate that a stage would be reached when discussions on the formulation of terms of transfer would be necessary. Authority from the Governments would be needed and it was first contemplated that a session of the League Assembly would be immediately summoned. Such an early meeting, however, would have been able to do little more than give the necessary authorisation for discussions and would have necessitated a second meeting shortly afterwards. After discussion with the President of the Assembly (M. C. J. Hambro), with the last President of the Council (M. Costa du Rels), and with the members of the Supervisory Commission, the Acting Secretary-General on September 20th sent the following telegram to Governments:

"States Members League Nations are aware of decisions taken at San Francisco which envisage replacement of League by United Nations. Executive Committee of United Nations is inter alia entrusted with the duty to 'formulate recommendations concerning possible transfer of certain functions activities and assets of League which it may be considered desirable for new Organisation to take over on terms to be arranged'. The Executive Committee is at present sitting in London and it seems advisable that competent League body should without delay discuss and so far as feasible formulate provisional terms
of transfer. Those including disposal of material assets such as funds and buildings would be subject to final decision of League Assembly. I feel I shall be expressing wishes of States Members in suggesting Supervisory Commission should undertake this duty. It is specially competent in view of its knowledge of and association with League affairs under powers it has exercised in virtue of resolutions adopted by the Assembly in 1938 and confirmed in 1939. I have ascertained that subject to concurrence of States Members Supervisory Commission is willing to accept this responsibility. The Assembly will be convened early in coming year to review position and take final decisions concerning League activities. If the Governments agree with above programme it is hoped a second session of Assembly may be avoided and post-Assembly responsibilities transferred to competent body designated by the Assembly. In addition to essential preparatory work Supervisory Commission will also in pursuance of its emergency powers adopt budget for 1946 including credits for Assembly meeting. The Secretariat budget would provide for the maintenance of present non-political activities. Date of transfer is uncertain and contributing States would be credited with any unused part of their contributions appropriated for the transferred services. Provision has also to be made for terminal charges for Secretariat and Permanent Court and for full year’s activity of the International Labour Organisation. In view of urgency of matter would welcome telegraphic acknowledgment of above communication with any observations Members of the League may wish to submit. As early action may be required it is desirable that I be informed if States Members agree with programme outlined above with concurrence President of Assembly and Chairman and Vice-Chairman of Supervisory Commission. Unless therefore I receive replies from Governments before October 5th I shall assume their assent to programme.”

The proposed procedure proved to be acceptable and on October 15th, 1945, the Executive Committee of the United Nations was informed that a competent organ had been appointed to represent the League in any preliminary discussions which might be required, the Assembly reserving to itself the right of final approval. Should the Assembly decide not to meet again after giving general decisions on the policy to be pursued, it will be appreciated that the application of these decisions, the solution of problems unavoidably left in suspense, will necessitate the nomination of an authority (such as the Supervisory Commission) endorsed with full powers to complete the Assembly’s work.

The Chairman and members of the Supervisory Commission, who throughout the war have given such distinguished and devoted
service to the interests of States Members, have not hesitated to undertake a new task in examining the proposals to be made by the United Nations Committee. The responsibilities placed upon the Commission and on the Principal Officers of the League Organisations by the Assembly when it met at the beginning of the war have been carefully and wisely discharged. The members of the Commission have added to their already considerable national burdens, political and supervisory duties, thereby placing Governments greatly in their debt. Their intimate knowledge of affairs of the League administrations indicates their special competence for the new duty they have now undertaken. It will not be a simple task, whatever method is adopted, for, while it is desirable to expedite the transfer or termination of League functions, it is unlikely that a worldwide organisation covering many fields of human activity can be closed down with the speed and procedure of a limited liability company. Political, legal and administrative problems will arise and, in most cases, satisfactory solutions must be found before the organs of the League and the Permanent Court of International Justice are replaced and the International Labour Organisation is established on a new foundation.

The League has many assets which should be preserved for the benefit of its successor and for the benefit of world co-operation. Its present financial position is sound, as will be seen in the latest report of the Supervisory Commission.¹ This is due to the policy of drastic economy and careful administration and, above all, it is due to those States—including some which bore the heaviest war expenses—which regularly and loyally carried out their undertakings to pay contributions to the organisation.²

The substantial properties of the League, its numerous offices and buildings specially constructed for housing a great international organisation, its magnificent Library, represent a considerable financial value: still more, they represent facilities for working in the international field which should be preserved for similar purposes. It seems natural, moreover, that those States which have faithfully discharged their financial obligations should have their special rights in League assets fully protected.

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¹ Document A.5.1946.X.
² Document C.82.M.82.1945.X.
During the war, the Members of the League were kept informed by the Secretary-General's annual reports of the work being done. This information was supplemented by regular reports of the Supervisory Commission and of other Committees as well as by the circulation of many Secretariat documents and studies. In spite of the military situation in 1940, it was considered that headquarters in Geneva should not be abandoned, but precautions had to be taken to safeguard some League activities. As has now been officially disclosed, Switzerland was, for several years, in constant danger of invasion. In this situation a numerous mission of economic and financial experts was in 1940 sent to the United States of America, where generous friends at Princeton, New Jersey, welcomed them and helped them to establish a base for observation and intensive research work. Under Dr. Alexander Loveday's unflagging inspiration, this mission did excellent work and earned high praise for its notable services to League and other governments. Branches of the Narcotic Drugs organs were established in Washington, D.C. Later in the same year, the Treasurer of the League, Mr. Seymour Jacklin, made a long and adventurous journey in order to reach London, which was felt to be the best seat for Treasury operations in financing the Secretariat and its missions abroad, the International Labour Office in Montreal, and the Permanent Court of International Justice. With a small staff, he shared all the dangers of life in the British capital and without his steadfast and distinguished service it is doubtful if the League could have carried on. The presence of these missions in America and Britain also served as valuable additional links with Governments in view of the facilities afforded for direct and often personal contacts. Another mission by the officer in charge of the

1 The initiative was taken by Princeton University, the Institute for Advanced Study, and the Rockefeller Institute for Medical Research. Dr. Frank Aydelotte, the Director of the Institute for Advanced Study, put excellent offices at the disposal of the mission, and Dr. Harold Dodds, President of Princeton University, arranged that the members of the mission should have faculty privileges at the University and the use of the University Library. A generous annual grant by the Rockefeller Foundation also greatly facilitated the work of the mission. The Acting Secretary-General takes this occasion for expressing formally and publicly his real sense of gratitude to these three learned bodies and to the Rockefeller Foundation (see also references in the section of the present Report dealing with this Department's work and also that relating to narcotic drugs).
League Health Service was able to give valuable assistance to Governments and organisations when visiting the United Kingdom and North America. The International Labour Office transferred its working-base to Montreal and continued to hold conferences on the American continent. The seat of the Court at The Hague was temporarily abandoned when the Netherlands was invaded in 1940, the President, one of the Judges and the Registrar with a few officials coming to Geneva.

In the meantime, at Geneva normal work had to be pursued in spite of some feeling of isolation not lessened by the presence of unfriendly forces about ten minutes’ walk from the Palais des Nations. Valuable statistics of all kinds—financial, economic, transit, health, narcotic drugs, etc.—were collected and disseminated; work was shared with the missions in America; documents of current and future value were prepared and published; the framework of the League was maintained and the work was kept going in the heart of a continent virtually controlled by antagonistic forces. Within the shelter of the Swiss frontiers the difficulties were partly moral, partly political, and partly material.

The years were busy ones for the Administration. The failure of some Governments to pay their contributions, the imperative demand for economy in order to reduce charges on Governments, added to the problems. The Secretariat budget was soon brought down to 20% of that of 1939, and the general budget for all organisations to 31%. This situation is more fully described in a note by the Acting Secretary-General published as an annex to the Supervisory Commission’s report for the year 1944. In concluding that note, the Acting Secretary-General wrote:

"Only those who have had a similar experience could realise the quality of the task of reducing a great organisation to 20% of its effectives and at the same time reorganising what remained to carry on its work. It will be understood that, particularly in political circumstances such as those of the summer of 1940, many officials, who would have been kept in the Secretariat under any reasonable scheme, decided voluntarily to leave and seek service in their own countries (so far as it was materially or morally possible for them to do so); at that moment the call of national patriotism seemed to them to mean more urgent and immediate service. There were other reasons also which prevented, during a few vital months in that year, the application in the Secretariat of a calm and rational scheme of reduction. Nevertheless, during the succeeding years the
pressure on the Administration for economies remained so insistent, and in some respects so necessary, that the expenditure on every item, however small, had to be squeezed to the absolute minimum. The general instruction was to live within actual income and avoid increasing the total demand on States Members. The record in the preceding pages shows how successful has been the accomplishment of this side of the Administration's task; it will also be understood, however, that the imposition of this severe policy was at times the subject of grave doubt when the political and practical value of the maintenance of the first world organisation at a still higher degree of effectiveness was placed in the balance. However the value of this administrative work may be assessed in the future, the Acting Secretary-General offers in this brief record a tribute to the devotion of his colleagues and to their loyalty to the international service. This applies equally to those who have been re-engaged in what must for the present be treated as a temporary employment.

"While the object throughout has been to combine great economies with the maintenance of an effective machine, the Secretariat of the League has not only survived but has been performing vital and most valuable duties. It is perhaps desirable again to state this in concluding a memorandum designed rather to show the substantial character of the reductions in actual expenditure. The negative fight for existence rapidly passed into a positive, real, and continuing contribution to the needs of States Members and of other Governments. This of course would have been impossible had it not been for the broad vision and constant faith shown by the leaders of a substantial number of States Members. In spite of unparalleled preoccupation with the terrific tasks imposed upon them by the world war, these Members have looked beyond the turmoil: they have not only assessed the real value of substantial immediate services being rendered but have made it materially possible for the three organs of the League of Nations—the Secretariat, the International Labour Organisation, and the International Court—to remain as a beacon and a guide until the peoples of the world had again found faith in a future of ordered peace and justice, and had an opportunity to consider the best means of reorganising international co-operation for these objects."

The time is now approaching when the Supervisory Commission and the Principal Officers can report back to the Assembly on the discharge of the duties laid upon them in 1939 and 1940. Many things will have greatly changed and the importance of such achievements as were possible will therefore now be differently assessed. The belief that the foundering of the League in the "black years", as a result of physical or moral shortcoming, would have meant a failure on the political front was an inspiring conviction.
"The fact", wrote one statesman, then carrying a great war burden, "that you are still keeping the flag flying at Geneva has, quite apart from the technical work which the Secretariat can still usefully do, a moral and political significance which could perhaps only be accurately measured if you were obliged to haul it down."

This aspect of the situation, however important, had to be kept in the background, and all the monies available and all the energy of willing and loyal colleagues had to be directed into non-political channels, the extent and value of which may be partly estimated from the list of publications at the end of this Report.

**Assets and Activities.**

Whatever the problems connected with the transfer of activities, assets and liabilities from one international organisation to another, it is thought that Governments generally will recognise the value of the heritage. Men and women who have been trained for years to serve internationally will be available for service with the United Nations. Whether they are still in the Secretariat or the Court Service or have left for national work, their unusual experience will no doubt commend them to the new authorities.

There seems to be no reason why the archives of the League—the result of twenty-five years of collecting, classification, and study—should not be a foundation stone for the new Secretariat. This work of officials and commissions can be a starting-point for the fine programme of international co-operation outlined in the Charter and should be an additional help in ensuring that there is no avoidable gap in the activities to be pursued. The registration of thousands of Treaties and the care of authenticated originals and copies constitute another responsibility.

The League Library, it has often been said, is unique in Europe and perhaps in the world. It was begun in an unspectacular way in 1919 and a generous gift in 1929 by Mr. John D. Rockefeller, Junior, permitted not only expansion but the construction of most modern premises. Its collections, including, in particular, official publications from all countries and in many languages, number 330,000 volumes. It should be preserved as a unit and serve as an easily accessible centre for the study of international affairs as well as an instrument for international organisations. Its dispersion would be a great loss.
The other League buildings, specially erected for international purposes after ten years' painful experience in makeshift buildings, have been kept in excellent order. If they are not immediately wanted, they might be maintained for similar use in the future and their preservation ensured, if necessary, by adequate financial provision.

As for the method by which the Mandates system can be replaced by the Trusteeship scheme outlined in the Charter, it is expected that Governments will make proposals during the League Assembly meeting. The Mandates Commission has not met for several years, but the high standard of its work has earned the gratitude of all Governments. A useful survey of achievements of the Mandates system was published by the Secretariat this year.¹

It has been thought useful to draw up and circulate to Governments a list of League Commissions and Committees.² They have, without exception, earned due recognition for services rendered in international work. Some have been able to meet during the war; those which have been established by international conventions will very likely continue to exist.

An important problem facing Governments is the question of powers and duties attributed to the League by international treaties. Certain treaties provide only that secretarial or ministerial functions will be fulfilled by the League; the functions attributed to it by other treaties form part of their operation. The latter at present depends on the existence of League organs, or organs appointed by the League. The question has been studied in two documents issued by the Secretariat: Powers and Duties attributed to the League of Nations by International Treaties ³ and List of Conventions attributing Powers to the League.⁴ The Executive Committee of the United Nations is aware of the importance of the problem and will very likely propose a system that will permit of the amendment of treaties and conventions which it seems desirable to keep in force. The conventions on the control of traffic in opium and other narcotic drugs are a more obvious instance of such conventions.

³ Document C.3.M.3.1944.V.
⁴ Document C.100.M.100.1945.V.
The Court and the International Labour Organisation.

The Permanent Court of International Justice will be replaced by the new International Court of Justice, which, like its predecessor, will sit in the city of The Hague, a centre of the noblest peace efforts, now resurgent after five long years of oppression. To a great extent, the International Court will, as regards organisation, competence and procedure, be the old Court under a new name. No greater homage could, it seems, be paid to the judiciary organ of the League and to the Assembly which drafted its Statute after taking the opinion of eminent jurists. Certain questions, legal and financial, connected with the winding-up of the activities of the Permanent Court may have to be submitted to the next Assembly of the League when the proposals of the United Nations are known.

The International Labour Organisation also is closely connected with the League. According to its Constitution, it was established at the seat of the League as part of the organisation of the League. Moreover, membership of the League carries with it membership of the International Labour Organisation and various functions are attributed to the Council and the Secretary-General in connection with the Organisation. There are also close financial ties, as the expenses of the International Labour Office and of the meetings of the Conference or Governing Body are paid to the Director of the International Labour Office out of the general funds of the League. The budget of the International Labour Organisation is part of the general budget of the League. As Governments' contributions to this general budget were paid, its proportionate share was remitted to the International Labour Office, which was also entitled to ask for advances out of the League Working Capital Fund.

During the war, the Supervisory Commission, acting under the emergency powers conferred upon it by the Assembly, continued every year to approve budgets of the International Labour Organisation as parts of the general budgets of the League, and monies have never ceased to be collected and remitted to the Director.

The question of legal and other links between the League and the International Labour Organisation is at present being studied by the International Labour Conference. The Assembly of the League also will, it seems, have to examine the question, as well as to deal with various administrative and financial problems of interest to the International Labour Organisation. Meanwhile,
the Supervisory Commission will have approved the general budget for the coming year, the greater part of which, as in recent years, consists of appropriations for the work of the International Labour Organisation. The latter should accordingly be in a normal position to pursue its activities during 1946.

Regarding the preceding and similar questions, only preparatory examination of a provisional character can be made, pending the proposals which may be transmitted by the United Nations, and of which the Assembly will be seized. The chapters of the present Report accordingly deal exclusively with the work done by various League Committees and by the Secretariat since 1940.¹ Its purpose is mainly to show how League organs have adapted themselves to war conditions, what services they have in recent years been able to render to Governments and to other international organisations, and what value can be assessed to activities which so far have been maintained.

The Report makes it clear that, contrary to what proved to be the case with the political system of the Covenant, there has been no breakdown in the so-called technical domains. The rather scanty provisions for non-political international co-operation contained in that instrument had during twenty years been so developed by League organs that they were not swept away by the war. They have, in fact, re-emerged, strengthened and extended, in the Charter of the United Nations.

* * *

The new World Organisation is, in many respects, able to "take over" from the old. When the new International Court of Justice begins functioning, it will even inherit, in virtue of Articles 36 and 37 of its Statute, part of the present competence of the Permanent Court of International Justice. The allocation of work between the Security Council and the Economic and Social Council of the United Nations has been made on lines which, to a great extent, correspond to the recommendations made by the "Bruce Committee" and adopted by the League in 1939. There are several features of the Mandates system created by the Covenant and developed by the League which reappear in the International Trusteeship scheme

adopted by the San Francisco Conference. In the provisions relating
to international peace and security, as well as in the respective
rôles of the General Assembly and Security Council also, the expe-
rience of the League has been taken into account, and, side by side
with evident divergencies, obvious similarities can be found between
the Charter and the Covenant.

The first "great experiment" in international co-operation for
peace and human progress has been made. Its lessons must now
contribute to the success of the second experiment. The powers of
destruction which would be let loose in a new conflict do not permit
the envisaging of a possible failure.

Sean Lester.
In 1939, the Assembly observed that "the present condition of the world renders it all the more necessary that the economic and social work of the League... should continue on as broad a basis as possible". This chapter records the manner and the measure in which this objective has been realised as regards economic, financial and transit questions. The social work is dealt with in Chapter II. The past six years have been a period of great activity for the Economic and Financial Organisation. The work of the Organisation was re-orientated, and in some directions greatly developed.

In 1940, the Director and certain other senior officials were transferred on mission to the United States of America and it was in consequence possible to organise a number of meetings of three of the standing committees of the Organisation and sub-committee meetings of the fourth, whilst one of the most important of the temporary committees of the League—the Delegation on Economic Depressions—has been enabled to complete its work. The key periodical publications of the Department have been maintained and an impressive series of reports and studies, both on current economic developments and on post-war economic problems, has been prepared and published. Relationships with Governments and with intergovernmental organisations have been fostered. At the end of the war, the Organisation remains intact as a working machine, and with important work in hand.

These developments will be described below: but first a word must be said about the fate of the proposals of what is generally known as the "Bruce Committee", which engaged the special attention of the 1939 Assembly, for the reorganisation of the machinery of the economic and social work of the League.
1. THE MACHINERY OF INTERNATIONAL ECONOMIC CO-OPERATION

The 1939 Assembly had before it the Report of the Special Committee for the Development of International Co-operation in Economic and Social Affairs (the Bruce Committee), which proposed the creation of a Central Committee to unify the economic and social work of the League and take over the functions which the Council had previously exercised in regard to that work. The Bruce Committee’s Report was approved by the Assembly as a “first step in the adaptation of the existing machinery of international, economic and social collaboration to the changing conditions of the world”; and the Assembly Bureau was requested to set up the Central Committee.

The Bureau thereupon appointed an Organising Committee, which was to form the nucleus of the future Central Committee, the States represented being the Argentine, Australia, Belgium, the United Kingdom, France, the Netherlands, Norway, Portugal, Switzerland and Turkey. A meeting of this organising body, under the chairmanship of the late Dr. H. Colijn, was held at The Hague in February 1940, and it was proposed to hold a second meeting in the same capital in the early summer to settle the remaining appointments to the Central Committee. This intention was frustrated by the advance of the German armies. The League’s efforts to reconstruct the machinery of international economic and social co-operation were, however, not lost; for the Economic and Social Council, which is to be set up under the Charter of the United Nations, is based directly on the League’s experience and is, in its conception, similar to the Central Committee projected by the League in 1939/40.

2. WAR-TIME RE-ORIENTATION OF WORK

The Assembly discussions of the proposals of the Bruce Committee revealed a consensus of opinion among League Members:

(a) That the work of the Economic Intelligence Service, which was not only of current value but likely to be of vital importance when the time came for the reconstruction of the world’s economic life after the war, must be continued;

(b) That the lessons of the twenty-years experience of the Economic and Financial Organisation should be studied and set out for future guidance; and
(c) That, so far as possible, the Organisation itself should be kept intact and its programme of Committee work carried forward.

It was left to the Secretary-General, with both staff and budgetary appropriations greatly reduced, to make whatever arrangements seemed most appropriate to achieve these three desiderata. With reference to the first, it was clear that, owing to the fundamental changes caused by the war, a re-orientation of the work on current economic developments was required. Moreover, owing to the reduced volume of statistical and other information available, it would in any case have been impossible to continue the preparation of the various specialised memoranda that had regularly appeared before the war. It was accordingly decided to concentrate the work on current events in the three key periodical publications of the Department—namely, the World Economic Survey, the Monthly Bulletin of Statistics and the Statistical Year-Book—and to supplement these at intervals by the detailed statistics of commercial and central banks which had previously been published as part of the memoranda on Money and Banking; and finally, to undertake special studies of selected subjects of immediate or ultimate importance. How this plan has been carried out is discussed below in Section 4.

The second task mentioned above called for the elaboration of a programme of studies dealing with international experience of major economic problems that, in one form or another, were likely to present themselves after the war. A preliminary plan was drafted in the early months of 1940 by the Director of the Economic, Financial and Transit Department in consultation with high officials and economists of various countries, and work on the preparation of a number of studies was quickly begun. The plan, which in a slightly modified form was approved by the Economic and Financial Committees in 1942, was based upon three guiding principles:

First, that the future must inevitably be built on the past; Secondly, that the relevant evidence as to the past must be supported by adequate bases of fact, and the causal relationships between those facts carefully analysed;

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Thirdly, that the core of the post-war social and economic issues is likely to be the problem of economic security, and that the means by which such security may be achieved must therefore constitute the central thread of all constructive thinking for the future.

The broad aim of the programme was set out by the Economic and Financial Committees in the following terms:

"... the organs of the League should provide such expert guidance as they can to assist Governments in implementing the policies formulated in the Atlantic Charter—the enjoyment by all States of access on equal terms to the trade and raw materials of the world, the fullest collaboration between all nations with the object of securing for all improved labour standards, economic advancement and social security, the assurance that all men in all lands may live out their lives in freedom from fear and want."

Section 5 below contains a description of the studies that have so far been prepared and published under the above programme, including studies on demographic problems which have been undertaken in pursuance of the plan of work laid down by the Demographic Committee in 1939.

How the task of carrying forward the work of the other Committees of the Organisation was approached is discussed in Sections 6 and 7. When the Assembly met in 1939, that task seemed well-nigh hopeless, owing at once to the mounting difficulties of calling together any representative international meetings in Europe, and to the departure of many official delegates from Geneva. But, as will be shown, these difficulties were largely overcome by the transfer of part of the Economic, Financial and Transit Department to the United States in the summer of 1940.

3. THE PRINCETON MISSION

In May 1940, the staff of the Economic, Financial and Transit Department was considerably reduced. By that date also, communications between Geneva and the outside world had become highly precarious, and it seemed essential, both for the efficient prosecution of the work and as a precaution against the risk of complete isolation, to move part of the staff elsewhere.

In June, Princeton University, the Institute for Advanced Study and the Rockefeller Institute for Medical Research were good enough to invite the Secretary-General to send the technical services
of the League to Princeton, where they offered to provide offices and other facilities. In response to this invitation, the Director and part of the staff of the Department were, as stated above, sent to Princeton in August and were furnished with excellent and very convenient offices by the Institute for Advanced Study. Other officials from Geneva joined them in 1941, and a staff of economists and statistical and secretarial assistants was gradually recruited in America with the aid of a generous grant from the Rockefeller Foundation.

The decision to send the mission to Princeton quickly justified itself. Our hosts in Princeton did everything in their power to facilitate the work of the Department; new and valuable contacts were established, old contacts were renewed, and these contacts proved of vital importance. Studies relating to post-war problems could be carried out in Princeton in consultation with the economic advisers and experts of many countries stationed in the United States or visiting the country in connection with their official duties. The Organisation could more effectively make its services available to co-operating Governments, be represented at international Conferences, establish working relations with international agencies, and maintain the necessary contacts with the International Labour Office, most of whose activities had been transferred to Montreal in 1940.

4. Economic Intelligence Work

The division of the staff was also of great advantage to the economic intelligence work of the Department. Arrangements could be made for obtaining in Princeton statistical and other information from four of the five continents and in Geneva from Europe. The statistical archives were reproduced in Princeton by means of microfilms brought from Geneva and, between the two centres, these archives have been kept up to date. The members of the staff who remained in Geneva were able to concentrate on following developments within Europe and to co-operate usefully with their colleagues in America.

Before this division of the Department was effected and after the outbreak of war, a number of publications were issued many of which had been begun earlier in 1939. Amongst these may be mentioned: *Balances of Payments, 1938*; *International Trade*

The first of the publications issued after the reorganisation of the work in order to meet war-time requirements was a statistical handbook on raw materials entitled Raw Materials and Foodstuffs: Production by Countries, 1935 and 1938, which was issued early in 1940.

After the division of the Department was effected, Geneva tended to concentrate on the purely statistical volumes, and the Mission in Princeton, while collecting and transmitting to Geneva statistical information for the greater part of the world, devoted its attention to descriptive and analytical volumes and to the programme of post-war studies referred to above.

Thus the other three war-time editions of the Statistical Year-Book have been published in Geneva, and in Geneva also the Monthly Bulletin of Statistics has continued to be compiled and issued month by month without interruption. The usefulness of the Monthly Bulletin of Statistics, however, as a source of current information became increasingly impaired by difficulties in the transmission of the Bulletin from Geneva to oversea countries. When Switzerland became totally encircled by the Axis Powers in 1942, those difficulties were greatly increased and it was decided to issue a separate edition of the Bulletin from Princeton as from January 1943. Two editions accordingly appeared regularly from that date until the late autumn of 1945, when, owing to the improvement in communications, it became possible to terminate the Princeton edition. Postal difficulties also made it necessary to reproduce by the photo-offset process a Statistical Year-Book in the United States for distribution to extra-European countries. The 1941/42 edition reproduced by photo-offset process in Princeton contained an addendum prepared by the Mission comprising a number of supplementary series and bringing certain of the Geneva series up to date.

It is worth noting that, in spite of the "statistical black-out" prevailing throughout the greater part of the war, the information which it has been possible to give in the Year-Book and the Bulletin has been perhaps unexpectedly comprehensive. For example, the latest edition of the Year-Book, issued in Geneva in the summer of 1945, contains 108 tables, giving statistics regarding population, employment and unemployment, agricultural, mineral and industrial
production, international trade, currency and banking, interest rates, prices and cost of living, and public finance; and all countries of the world are included.

But Governments which stopped the publication of many statistics for purposes of security have not been as prompt in resuming their publication as might be wished.

Attention is naturally devoted, in the Year-Book, to subjects of immediate interest, such as territorial changes which have occurred at various stages of the war, Government receipts, expenditures and indebtedness (including war expenditure in the principal belligerent countries), currency measures adopted and currency equivalents established—more particularly in the former occupied territories of Europe, Africa, and Asia.

Among the subjects for which relatively complete national statistics continued to be available during the war were currency and banking. A compendium of the world's central and commercial banking statistics entitled Money and Banking was accordingly issued from Princeton in 1943, and again in 1945, each issue embracing approximately fifty countries.

The work on the World Economic Survey was also undertaken in Princeton. Every effort was made to produce this publication at relatively frequent intervals in view of the importance, for the formulation of economic policy, of keeping in proper perspective the profound changes both in national and international economic structure and in economic trends which were being produced by the war. Three issues have been published since the outbreak of war, each containing not only a general review of the world economic developments in the period covered but also special chapters on raw materials, industrial and food production, on consumption and rationing, on finance and banking, on price movements and price control, on international trade, on the transport situation, etc. It is believed that the latest issue—to quote its preface—"may derive a special interest from the fact that it deals with the world economic situation on the eve of the United Nations’ victory—a situation which will inevitably form the point of departure for much of the work of post-war reconstruction".

The most important of the special factual studies prepared by the Department have dealt with rationing, consumption and food supplies. War-time Rationing and Consumption, the first comprehensive work that had appeared on the subject, covering all types of
rationing and the experience of a very large number of countries, was published late in 1942. This study was brought up to date, and expanded by an analysis of the food supply situation, in *Food Rationing and Supply, 1943-1944*, published in 1944. As mentioned in Section 9 below, a further volume in this series, which will bear the title *Rationing and Relief, 1939-1945*, is now being prepared.

5. STUDIES RELATING TO POST-WAR PROBLEMS

The programme of work in connection with the post-war problems fell under four general headings:

(1) Reconstruction and relief;
(2) Trade and trade policy;
(3) Economic security;
(4) Demographic questions.

The publications issued fall into two distinct classes—namely, those which were solely analytical or descriptive and those which were prepared with the express purpose of drawing conclusions from the experience of the past likely to be useful for the formulation of post-war policies. The demographic and one or two other volumes fall into the first class; but the great majority of the economic studies were pragmatic in character.

The studies published, or in preparation, under each of these headings are set out below and the purposes and contents of the completed studies are briefly summarised:

(1) **Reconstruction and Relief.**

Apart from the Report of the Delegation on Economic Depressions [Part I: *The Transition from War to Peace Economy* (1943); Part II: *Economic Stability in the Post-war World* (1945)], which is discussed in the next Section, the following five studies dealing with relief and reconstruction have been prepared and published by the Economic, Financial and Transit Department: *Relief Deliveries and Relief Loans, 1919-1923* (1943), *Europe’s Overseas Needs, 1919-1920, and how They were met* (1943), *Agricultural Production in Continental Europe during the 1914-1918 War and the Reconstruction Period* (1943), *Inter-
national Currency Experience (1944), and The League of Nations Reconstruction Schemes in the Inter-war Period (1945).

A study on the Control of Inflation after the 1914-1918 war is in preparation.

Relief Deliveries and Relief Loans, 1919-1923: This volume, after describing the great humanitarian effort that was undertaken after the 1918 Armistice, ends like most of the other volumes in this series with a chapter of conclusions based on this past experience. It was one of the earliest studies to be published, as it was felt that relief would inevitably arise as one of the first and most urgent problems to be dealt with after the war.

Europe's Overseas Needs, 1919-1920, and how They were met: The preface to this volume opens with the following observations, which adequately describe its nature:

"After the last war a system was organised for the provision of relief to the impoverished regions of Europe which has been described in a companion study to this, entitled Relief Deliveries and Relief Loans, 1919-1923. No parallel system to restore economic activity in these regions was organised. Indeed, reconstruction was never seriously considered as an international issue requiring concerted action until almost two years after the armistice.

"The purpose of this pamphlet is to consider what were the effects of this lack of policy and how and to what extent in the absence of concerted action Europe was able to provide itself with the raw materials and other essential goods that it needed."

The League of Nations Reconstruction Schemes in the Inter-war Period: One result of the lack of any concerted international plan for reconstruction was the complete financial collapse of the weaker countries in Europe, a collapse which was accompanied by inflation and hyper-inflation. For a concerted and constructive plan, therefore, had to be substituted piecemeal action. A number of States appealed to the League of Nations for assistance; the nature of the assistance afforded is described in this volume.

All the League reconstruction schemes aimed at re-establishing on sound bases the public finance and the currencies of the countries concerned: some, in addition to having that object, were devised to secure the orderly settlement in the countries of reception of large masses of refugees. Although conceived on common principles, these plans reflected the features peculiar to the special problems in each case.
The measures adopted and their consequences are set forth in
detail, as are also the successive phases of the collaboration, which
continued over a long term of years between the authorities of the
countries in question and the competent organs of the League of
Nations.

_Agricultural Production in Continental Europe during the 1914-
1918 War and the Reconstruction Period_: After the last war, it was
widely believed that European agriculture would recover rapidly
and that relief on any considerable scale would be required only to
bridge the gap between the Armistice, in November 1918, and the
summer harvest of 1919. The first purpose of this volume was to
ascertain how long it actually took to restore production to pre-war
levels and it is shown that seven years elapsed before cereal produc-
tion was effectively so restored. The factors which contributed to
the slowness of this recovery and the probability of these or other
factors having a similar effect after the 1939-1945 war are considered.

_International Currency Experience_: The purpose of this volume
was to consider the lessons that might be learnt from the story of
international monetary relations during the inter-war period. No
other period of equal duration affords so great a variety of expe-
rience; in no other period were so many experiments deliberately
or fortuitously undertaken; in no other period was the influence
of extraneous events on monetary relations or of monetary policy on
economic conditions greater.

This study examines, accordingly, the operation and breakdown
of the gold and gold-exchange standard; the use of gold reserves
and foreign balances for international settlements; devaluations
and fluctuating exchanges; the emergence of currency groups such
as the sterling area, the gold bloc, etc.; the trend of central banking
practices and domestic credit policies generally; the rise of exchange
stabilisation funds; exchange control and bilateral clearing arrange-
ments, etc. Special attention is paid to the capital needs of the poorer
countries; the disturbances caused by “hot money” transfers;
the impact of booms and depressions on the balance of international
payments. The conclusions of the survey point the way to a system
in which exchange stability and increased trade are promoted
through international co-ordination of domestic policies for the
maintenance of economic activity.
(2) Trade and Trade Policy.

Five studies have been prepared and issued by the Department on the subject of trade and trade policy: *Europe's Trade* (1941), *The Network of World Trade* (1942), *Commercial Policy in the Inter-war Period* (1942), *Quantitative Trade Controls* (1943), and *Trade Relations between Free-market and Controlled Economies* (1943). A report on *Commercial Policy in the Post-war World* was issued by the Economic and Financial Committees in 1945. That report will be discussed in Section 7 below.

In addition to the above completed volumes, a study on *Industrialisation and Foreign Trade* is in the press, and studies on *Customs Unions*, on *Balances of Payments* and on *International Cartels* are in preparation (see Section 9).

*Europe's Trade* was an attempt to consider what was the part played by Europe in the trade of the world and in the international transfer of funds in the 'thirties, how far Europe was dependent on external markets, and how far one area in Europe was complementary to another.

Its sequel, *The Network of World Trade*, is primarily concerned with the essential unity of world trade and with the worldwide system by which payment transfers were effected. This system, as also the pattern which it formed, was determined largely by the distribution of natural resources and foreign capital investments throughout the world. Failure to understand the functioning of the system, and the indirect routes by which payments were effected, it is pointed out, was responsible in no small measure for the disruption of trade and the accentuation of the depression to which the commercial policies pursued in the 'thirties led.

The purpose of *Commercial Policy in the Inter-war Period* is to compare the commercial policies pursued in the inter-war period with the recommendations made or the action agreed upon by conferences and other international authorities, to consider the reasons for the frequent discrepancy between the policies proposed and those actually pursued and, in general, the reasons for the success or failure of the recommendations made, and to draw, from the experience of these twenty years, lessons which it is hoped may be of value for the future. In the final chapter, the conclusions reached both regarding policy and regarding procedure are summarised.
In *Quantitative Trade Controls*, which was prepared by Professor G. Haberler in collaboration with a member of the Economic, Financial and Transit Department, consideration is given to the questions: What were the forces that induced Governments to adopt quantitative trade controls (quotas, etc.) in the inter-war period? What are the relative advantages and disadvantages of such measures compared with tariffs? Were quantitative controls the most suitable instrument to meet the special circumstances that led to their imposition and, if so, why were they so generally condemned both by international conferences and by economists? Why, if they were not the most suitable instrument, was resort to them so general? Finally, if the circumstances which led to their adoption arise again, what policies should be pursued?

*Trade Relations between Free-market and Controlled Economies*, by Professor Jacob Viner, deals with what may prove to be one of the major problems of commercial policy—namely, that of the trading relationships between countries if some subject their foreign trade to direct regulation and others desire to avoid such controls and to influence the free play of the price mechanism only or mainly by tariffs. In his last chapter, Professor Viner sketches the broad outline of what might constitute the agenda of a post-war conference on commercial policy.

(3) *Economic Security.*

This subject is, of course, the central theme of the Report of the Delegation on Economic Depressions discussed below. The theoretical basis of much of this report was established in Professor G. Haberler's *Prosperity and Depression*, of which a revised and enlarged edition appeared in 1941. A background study to the problems of transition was provided in *Economic Fluctuations in the United States and the United Kingdom, 1918-1922*, published in 1942.

That study is concerned with the problem that arose immediately after the 1914-1918 war of assuring the re-employment of men demobilised from the armies or munitions factories. In fact, "the major problem of the transition from war to peace economy proved itself (in these two countries) to be not one of getting demobilised men and machines re-employed, but one of the cyclical effects of the perhaps unavoidably bumpy nature of post-war pent-up
31 demand”. The work deals, consequently, rather with cyclical movements in economic activity than with the detailed proposals that were made to facilitate re-employment.

(4) Demographic Problems.

Arrangements were made by the Mission in Princeton under which the major part of the programme of demographic studies laid down by the Demographic Committee in 1939 was taken over by the Office of Population Research of Princeton University, under the general editorship of the Director of the Economic, Financial and Transit Department.

Four volumes have been published or are in an advanced stage of preparation:


(iv) Europe’s Population in the Inter-war Period, by Dr. Dudley Kirk, the manuscript of which is almost completed.

The Future Population of Europe and the Soviet Union. Prior to the publication of this volume, there had been little systematic international analysis of demographic phenomena similar to the analysis of economic phenomena that had been made by the League of Nations during the last twenty years. The authors were thus breaking new ground. This study is the most detailed analysis and interpretation yet attempted of the growth potential of European populations. It indicates that the balance of population in Europe will shift rapidly eastward in the coming decades, with all countries in North, Western and Central Europe passing the high-water mark by 1970. The population of Eastern Europe and the Soviet Union, on the other hand, will probably continue to grow rapidly despite the war losses these areas have suffered.

The causes and meaning of these changes are carefully analysed on the basis of factors implicit in the vital trends and age structures
of the inter-war population. The political, economic and social significance of probable efforts to forestall the projected developments is considered and the need for prompt action to relieve the growing pressures in Eastern Europe is emphasised.

6. **THE WORK OF THE DELEGATION ON ECONOMIC DEPRESSIONS**

I have mentioned above that, in formulating the Department’s plan of studies, emphasis was laid on the central issue of economic security, and more especially the problem of controlling fluctuations in economic activity, and of preventing or mitigating economic depressions. Not only does this problem underlie and condition every national scheme of social security, but the whole course of future economic policy and the character of future economic relationships between States depend in large measure on its solution.

The task of recommending policies that might be employed "for preventing or mitigating economic depressions" was entrusted by the Council to a small Delegation under the chairmanship of Sir Frederick Phillips in 1938. This action was a natural development of the work of the Economic and Financial Organisation, which had, for a number of years, been carrying out a programme of research into the nature and causes of economic fluctuations.

The Delegation’s work was interrupted by the outbreak of war and the problems with which it was required to deal were altered and rendered more difficult. The war caused upheavals, not only affecting the context in which the long-range problems concerning the control of economic fluctuations in peace-time had to be examined, but also greatly intensifying the forces leading to instability in the post-war world. It became clear that the first task of the Delegation was to consider the methods by which as smooth a transition as possible from war to peace economy might be effected.

A draft report on this subject was prepared by the Secretariat and approved by the Delegation in April 1943. The final text was published under the title *The Transition from War to Peace Economy*.

*The Transition from War to Peace Economy* is notable for two main reasons. In the first place, no other League document in recent years has met with such wide publicity or, it is safe to say, has so much influenced the thinking of statesmen and officials concerned with economic policies. In the second place, it represents
a very remarkable development in the economic and social doctrine associated with the League, the Delegation postulating that the objectives of economic policy should be to assure:

"(1) That the fullest possible use is made of the resources of production, human and material, of the skill and enterprise of the individual, of available scientific discoveries and inventions so as to attain and maintain in all countries a stable economy and rising standards of living;

"(2) That, in so far as possible, no man or woman able and willing to work should be unable to obtain employment for periods of time longer than is needed to transfer from one occupation to another or, when necessary, to acquire a new skill;

"(3) That, in the use of these productive resources, the provision of goods and service to meet the essential physiological needs of all classes of the population in food, clothing, house-room and medical care is a prime consideration;

"(4) That society distribute, as far as possible, the risk to the individual resulting from interruption or reduction of earning-power;

"(5) That the liberty of each individual to choose his own occupation is respected and is promoted by equal educational opportunities;

"(6) That the liberty of each country to share in the markets of the world and thus to obtain access to the raw materials and manufactured goods bought and sold on those markets is promoted by the progressive removal of obstructions to trade;

"(7) That the benefits of modern methods of production are made available to all peoples both by the progressive removal of obstructions to trade and by courageous international measures of reconstruction and development."

After the completion of this first report, the Department set to work to prepare the basis for a second report dealing with the longer-term problem of securing economic stability and the fullest possible use of productive resources after the period of transition. This was done by the autumn of 1944, and five sessions of the Delegation—the chairmanship of which, upon the death of Sir Frederick Phillips, was assumed by Mr. Winfield W. Riefler, Professor at the Institute for Advanced Study and former United States Minister in London—were held between October of that year and February 1945. The report, as finally approved—a document of some 340 pages—was published in April 1945, under the title Economic Stability in the Post-war World.
Unlike most other studies of this subject, this report emphasises the essentially international character of business cycles and the need, therefore, for collective action to prevent or mitigate economic depressions. As the Delegation observes:

"Depressions may have many causes. They vary in nature and may require the adoption of different policies on different occasions. There is no single simple remedy or specific. Moreover, they are international phenomena, or national phenomena spreading from one country to another, and we have had to consider the influence of policies adopted in one country upon economic activity in another. We should have failed wholly in our purpose had we put forward proposals which might reduce unemployment in one area only at the cost of increasing unemployment elsewhere."

The Delegation emphasises also the crucial part played in depressions by fluctuations in investment and in the spread of depressions from country to country by fluctuations in foreign investment and by the exceptional sensitiveness of the prices of raw materials and other crude products.

"Depressions arise", the Delegation points out, "in industrial countries mainly owing to the fact that changes in investment plans do not always synchronise with decisions to save. When savings outrun investment, they go to waste and unemployment is caused.

"If demand falls off in investment industries, unemployment will be caused and can be overcome only if that demand is made good or some other demand takes its place.

"Aggregate demand may conveniently be classified under:

"(i) private consumption;
(ii) private investment;
(iii) public expenditure on current goods and services;
(iv) public investment expenditure; and
(v) net foreign investment.

"The object of anti-depression policy must be to maintain aggregate demand. Any one of these constituents of aggregate demand can theoretically make good a falling-off in any other."

The report accordingly proceeds to consider the means by which demand may be kept stable or stimulated in any one of these different sectors of national economies.

But, it is emphasised, no country can hope to pursue its policies in isolation without seriously impairing its standard of living.
"Unless national policies are carried out by common agreement and after joint and continuous consultation, there is a danger that they will run counter to each other, that one country will tend to spread depression abroad in order to avoid it at home, and that the world will be divided into a number of autarkic pugnacious national units."

The international action recommended falls under five heads:

(a) The adoption of more liberal and dynamic commercial and economic policies;

(b) The creation of an international monetary mechanism;

(c) The creation of an international institution which will stimulate and encourage the international movement of capital for productive purposes and will, so far as possible, impart a contra-cyclical character to this movement;

(d) The creation of a buffer-stock agency;

(e) The international co-ordination of national policies for the maintenance of a high and stable level of employment.

The co-ordination of national policies should, it is recommended, be achieved by "the appointment of a central advisory body of recognised competence as a part of the general international organisation; this body should meet at frequent intervals and be charged with the tasks of:

(i) studying the policies pursued by different Governments affecting economic activity;

(ii) studying the fluctuations which take place in economic activity locally or universally and analysing their causes;

(iii) keeping Governments and the general public informed concerning its findings and making available to Governments its views about policies which might be pursued in order to revive or maintain economic activity;

(iv) arranging, when necessary, for joint discussions between itself and representatives of Governments and of international bodies concerned with economic policy;

(v) recommending to the appropriate organ of the United Nations joint discussions among Governments, when such a course proves advisable, with a view to formulating common policies against the common enemy which depressions constitute."
7. THE WORK OF THE STANDING COMMITTEES

1. The Economic and Financial Committees were convened in joint session in London under the chairmanship of Sir Frederick Leith-Ross during the months of April and May 1942, on the occasion of a visit to England by the Director of the Department. This was followed by a meeting at Princeton in August, under the chairmanship of Mr. Henry F. Grady, attended mainly by members from the Western Hemisphere. To both meetings, high officials were invited in a consultative capacity from countries not represented in the membership of the Committees themselves.

This first war-time session of the two Committees was concerned not only with the Department's programme of studies but also with the general approach to the problem of post-war relief and reconstruction.\(^1\) At a second joint session held at Princeton in December 1943, other aspects of post-war policy were considered, in particular monetary policy, including the problems of exchange stabilisation and capital movements, foreign investment and international trade policy.\(^2\)

On the last of these questions, it was decided that the Committees should issue a comprehensive report which should make available to Governments the conclusions from the Committees' unique experience of intergovernmental efforts towards freer and more equal trade in the interim period.

A draft report prepared by the Secretariat was submitted to a joint session of the Committees held at Princeton in April 1945, just after the announcement of the United States' proposal for the calling of a conference of the world's principal trading nations. The report, as finally approved by the Committees, was published in July under the title *Commercial Policy in the Post-war World*.

Detailed recommendations are made in the report covering not only specific problems such as State trading monopolies, exchange control and quota restrictions, most-favoured-nation and preferential arrangements, commodity regulation schemes, international cartels, Customs unions and regional Customs agreements, but also


the general problem of how to make the best use of the opportunity existing at the end of the war for securing a general movement in the direction of freer and more equal trade. No summary of these recommendations can be attempted here. But one point must be mentioned. The analysis of the disappointments of the inter-war years brings out the fundamental dependence of national import policies upon the state of domestic economic activity, and particularly of employment. No stable and liberal system of trade relationships can be created under conditions of economic insecurity and no such system is likely to survive a major economic depression. The Committees therefore urge that the proposed international trade conference should deal jointly with trade policy and the international aspects of employment policy—a subject upon which the Delegation on Economic Depressions had already reported.

The 1945 session of the Committees also made arrangements for setting on foot a special enquiry into problems of post-war private foreign investment. This subject had arisen for consideration in the course of the 1943 session, when the Committees were reviewing the work of the Mexico Tax Conference. That Conference had been concerned with the problem of creating conditions more favourable to private foreign investment by removing, on the one hand, certain legal and institutional obstacles to investment in borrowing countries and, on the other, the fears often entertained by those countries of uneconomic exploitation and excessive foreign control over their economic life. In the course of 1944, the Department made preliminary studies of the question and held two consultative meetings of an international group of experts with a view to laying down the scope and aims of the enquiry and the lines on which it should be conducted, while the secretary of the Fiscal Committee carried out investigations in certain Latin-American countries.

At their latest meeting, the Economic and Financial Committees decided to set up a special committee consisting of certain of their members, certain members of the Fiscal Committee and certain independent experts. To this body a general draft report, which is now in preparation by the Secretariat, will be submitted, probably in the autumn.

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2 See p. 38 below.
2. Fiscal Committee: The Mexico Tax Conference of 1943, as well as a similar conference which was held in Mexico in 1940, was organised in accordance with a programme undertaken by the Fiscal Committee before the war as a result of a proposal made by the Mexican Government at the 1938 Assembly. By these Conferences, an opportunity was afforded to the national tax authorities of the Americas for establishing direct contacts and discussing together their common problems.

The main object of these meetings has been to facilitate the removal of tax barriers to international trade and investment and to assist Latin-American countries in modernising their tax systems. The principles of income taxation which were formulated in Mexico have had a marked influence on the fiscal legislation and practice of several countries. The model conventions for the prevention of double taxation and fiscal evasion which resulted from the two Conferences now afford a common basis on which bilateral tax treaties may be negotiated between American countries, and their provisions can already be found in tax treaties that have been concluded or are pending.

The discussions of the 1943 Conference were centred on the relations between capital-exporting and capital-importing countries and the confrontation of views which took place resulted in three co-ordinated model conventions covering the main aspects of international tax relations. These model conventions, which have since been published, with a Commentary by the Secretariat, under the title *Model Bilateral Conventions for the Prevention of International Double Taxation and Fiscal Evasion*, represent a synthesis of the results of various studies that have been carried out by the Fiscal Committee since the General Meeting of Government Experts on Double Taxation and Fiscal Evasion was held in 1928. One of their objectives is to provide practical formulas assuring reciprocity in the sacrifice of revenue implied for each contracting country by the suppression of double taxation. Consequently, the solutions proposed tend to strike a balance between, on the one hand, the taxing right of the country of domicile or residence of the owner of property situated abroad or of the recipient of income from abroad and, on the other hand, the rights of the country where the property or source of income is situated.

The Conference also made recommendations concerning mutual assistance between tax administrations for the suppression of fiscal
evasion. These recommendations aim at making more acceptable to national treasuries the sacrifices involved in the elimination of double taxation and at discouraging certain capital movements and irregular business practices.

The Fiscal Committee has now on its agenda the study of post-war problems. It is also proposed, in addition to the work on the removal of tax obstacles to international intercourse, to examine the means of improving internal taxation in undeveloped countries. The main object of such investigations would be to establish technical principles and to afford means which would facilitate a shift from indirect to direct taxation.

3. Committee of Statistical Experts: The work of the fourth of the standing committees of the Organisation, which had been interrupted by the war, was resumed in the summer of 1945. Two meetings of sub-committees were held in June 1945, the one dealing with banking statistics, the other with the statistics of international balances of payments. In both cases, the general lines of a draft report were approved and the Secretariat was empowered by the sub-committees to put these drafts into final form and to circulate them to Governments for comments, in the course of the autumn.

In addition, a draft report is being prepared on the statistics of national income, and it is hoped that it may prove possible to arrange for a sub-committee to consider this draft report towards the end of the year. The statistics of international balances of payments are likely to be of particular importance in connection with the work of the proposed International Monetary Fund. At the same time, there is an urgent need for co-ordinating the methods adopted in the formulation of estimates of national income, in connection both with the application of policies for maintaining a high and stable level of employment and with the assessment of the contributions of Governments to international intergovernmental organisations.

8. RELATIONS WITH GOVERNMENTS AND INTERGOVERNMENTAL AGENCIES

Throughout the war, the Department has remained in regular correspondence with numerous national reconstruction committees and Government departments concerned with post-war economic and financial problems, and it has endeavoured to comply with
official requests made to it to undertake the study of particular problems. Recent studies on the economic aspects of the problem of Customs Unions,¹ for example, were the outcome of a request made in January 1944 by the French authorities.

Close working relations between the Department and the United Nations Interim Commission on Food and Agriculture have been established. In the late summer of 1943, the Director and another member of the Department were invited to serve on a panel of economic experts to advise the Commission on the scope, functions and methods of operation of the permanent Food and Agriculture Organisation of the United Nations. Subsequently, the Director was requested to take part in the deliberations of the Interim Commission and to nominate experts to assist in preparing a programme of preliminary statistical investigation and research into the problems with which the permanent organisation will deal.

At its first session in Atlantic City, the Council of U.N.R.R.A. adopted the following resolution:

"Resolved:

1. That the Council reaffirms the principle of co-operation between the Administration and other intergovernmental agencies.

2. That the Council invite representatives of the League of Nations technical organisations, the International Labour Organisation, the Inter-Governmental Committee on Refugees, and the United Nations Interim Commission on Food and Agriculture ... to attend as observers and to participate in the meetings of the Council, its committees, and sub-committees, and in the meetings of regional committees and technical standing committees, in accordance with appropriate provisions in the Permanent Rules of Procedure.

3. That the Director-General avail himself of the organisations mentioned in paragraph 2 above as the nature of the work and other circumstances make appropriate.

4. That the Director-General, in pursuance of the principle set forth in paragraph 1 above, co-operate to such a degree and to such extent as he may deem desirable in the interests of the Administration with all other intergovernmental agencies whose operations and specialised services may be of value to the

¹ See page 36 above.