

## The Founding of the International Chamber of Commerce

### *Atlantic City 1919*

Had the work of the International Congress of Chambers of Commerce in Paris in June 1914 not been extinguished two months later by the tragic political blunders of August, the experiment of a continuously functioning businessmen's league of nations designed "to secure harmony of action on all international questions affecting commerce and industry and to promote peace" might have been launched in a world less bitter, and clean, at any rate, of the economic debris of the great war.

It was to meet the immediate needs of European reconstruction by closer cooperation between American and European private business interests that the preliminary organization conference of business interests from the five Allied countries of Great Britain, France, Italy, Belgium, and the United States was called. The originators of this cooperative movement among Allied business interests had the larger permanent world organization of the International Chamber in mind as a not far distant outcome of this collaboration. It figured as an important item on the agenda of both the International Trade Conference of 1919 at Atlantic City and the organization conference which followed in Paris in the spring of 1920.

The decision to build the International Chamber upon Allied foundations was an inevitable consequence of the militarization of

industry during the war. The natural bitterness following a war in which industrialists participated so fully made impossible in the International Chamber of Commerce such universality as was achieved by the admission of Germany into the International Labor Organization in 1920. Reconciliation of German and Allied industry within the organization of the International Chamber of Commerce was to come only in the period following the Dawes Plan, as the final phase in an evolution of business opinion commencing with the reconstruction movement.

The International Trade Conference, which met at Atlantic City on October 20 to 24, 1919, was called with a view to supplying an initiative for restarting the privately operated peacetime machinery of world industry and commerce. The conference hoped to continue by means of voluntary collaboration between private businessmen the cooperative movement of war days centered around the intergovernmental committees of control. Allied business interests had cooperated to win the war. Private business interests assembled at Atlantic City to formulate a business peace program. The first objective of the conference was reconstruction, the second the planning of a permanent international organization of private business.

The plans for launching collective action by Allied business interests in European reconstruction were germinated in a meeting of the permanent organization committee of the prewar International Congress of Chambers of Commerce held in Paris in the spring of 1919.

A group of American businessmen, including E. A. Filene, E. G. Miner, T. W. Lamont, A. C. Bedford, and E. H. Goodwin, laid the plan before leaders and organizations in Belgium, France, Great Britain, and Italy. It was accordingly determined that the United States Chamber of Commerce should invite representatives from each of these countries to come to the United States to discuss these problems with American businessmen. Filene, Lamont, and Bedford carried on negotiations in Paris with Georges Pascalis, the president of the Chamber of Commerce of Paris and the chairman of the Board of Presidents of French Chambers of Commerce, with Etienne Clémentel, the French Minister of Commerce, and with the General

Confederation of Production. The definite purpose of this first organization conference of the International Chamber as thus outlined was to ascertain: "(1) The material and economic needs of the four principal Allied nations — Belgium, France, Great Britain, Italy — both immediate and continuing; and (2) to what extent the United States could and should supply those needs and how."

The Atlantic City conference was organized into ten committees: credit and finance, chemicals, coal, foodstuffs, metals, petroleum, reconstruction supplies, shipping, textiles, and permanent organization. This practical organization and the quasi-official nature of the Continental missions themselves reveal both the character and the importance of this movement in its formative stage. The Belgian mission was headed by Florimond Hankar, a director of the National Bank of Belgium, and included Albert E. Janssen, another director of the National Bank of Belgium; Paul Van Den Ven, formerly delegate of the Belgian Minister of Finance at the Paris Peace Conference; and Louis Canon-Legrand, permanent president of the pre-war organization of the International Congress of Chambers of Commerce. The French delegation was led by Eugene Schneider, head of the Creusot Steel Works, and included Albert Tirman, French councilor of state and representative of the French Ministry of Commerce; Major Varaigne, head of the French mission that was associated with the American services in Paris; Jules Godet, delegate of the *Confédération Générale de Production*; André François-Poncet, delegate of the Steel Committee in France; and Jean Parmentier, delegate of the Ministers of Commerce and Public Works. The Italian representatives included Luigi Luiggi, a member of the State Council of Public Works, and Domenico Gidoni, delegate of the Italian Treasury. The British delegation was headed by a member of Parliament prominent in English business circles, Sir Arthur Shirley Benn.

Although the United States Chamber of Commerce delegates were of an entirely unofficial character, the Secretary of the Treasury was represented by Norman H. Davis, who gave an address on international finance and trade recovery. The Secretary of Commerce, William C. Redfield, and the governor of the Federal Reserve Board,

William P. G. Harding, also spoke before the conference. The International Trade Conference was, therefore, in personnel a very representative international economic parliament from the countries immediately concerned with European reconstruction and with that dangerous phase of reconstruction policy, the collection of reparations. Its importance was recognized by business leaders. A. C. Bedford, chairman of the board of the executive committee of the conference, wrote at its conclusion: "The Conference, in conception, in execution, and in probable results, was the most important international trade meeting in history. It serves as a corollary to the Peace Conference and was a natural and inevitable outcome of the situation in which the world was left by the devastating war which rocked human institutions to their foundations."

The representatives of the Allied powers at Paris had attempted to liquidate the question of war costs in the form of reparations for damages under the armistice terms of the Fourteen Points. The reparations clauses of the treaties were the result. The Atlantic City conference was faced, as the Paris Peace Conference was not, with the immediate problem of building a practical program of cooperation for the actual work of reconstruction. In the sense that its task was to restart the normal process of production and trade, it acted as the economic executor of the Peace Conference. The governments had mobilized private industry and credits for the prosecution of the war, but although the political act of Versailles had ended the war, the demobilization of industry by the various governments had left factories either idle or producing unevenly. The effect of the Peace Conference upon the economy of the world was therefore largely negative. Mere industrial demobilization induced private industrial collapse all along the line. The Peace Conference drew up war settlements on the assumption that the economic processes upon which peace depends would re-establish their normal functions under the new treaty regime. The conference of Allied businessmen at Atlantic City was, therefore, in a very real sense "the corollary to the Peace Conference." How did the Atlantic City conference propose to execute the reparations clauses of the Treaty of

Versailles? What place did reparations occupy in the Atlantic City program of world reconstruction?

Two of the three obvious methods by which transfers of wealth may be accomplished — cash, kind, and services — are represented in the reparations clauses of the Treaty of Versailles. It was expressly stipulated that Germany should make certain deliveries of raw materials essential to Allied industry, particularly coal and timber. In the minds of the framers of the reparations clauses, the main payments, however, were to be made in the form of annuities over the exchanges. No mention is made in the treaty of payment in services. According to the treaty program, therefore, the German economy was to stand in relation to the Allied economy mainly as an unwilling banker to industry. Comprehension of the absurdity of this proposition was apparently vouchsafed to a very limited number at Paris, notably to the Cambridge economist J. M. Keynes and to the Treasury adviser to President Wilson, Norman Davis. The obvious way to eliminate this absurdity would have been to accept payment in services and kind, which would have called for active Allied and German cooperation in industry as well as in finance. But the war psychology was to a large extent dominant at Paris; men were thinking in terms of sanctions rather than in terms of cooperation. The cooperative implications of the financial relationship with Germany set up by the reparations payments were commonly confused with the possibilities of coercion and arbitrary enforcement. The war had in fact produced an amazing reversion to eighteenth-century economic thinking wholly out of keeping with the machinery of international trade as it had for the most part operated on the continent of Europe, despite European adoption of the techniques of the new imperialism for use abroad. The Treaty of Versailles, in fact, opened up the sinister possibility of the introduction into the heart of Europe of the techniques of colonial exploitation commonly practiced in Africa, Asia, and South America.

German disregard of private property and the Hague Convention had produced a bitter reaction in business psychology which appears in the words of businessmen at the Atlantic City conference.

From Allied industrial plans it was evident that European reconstruction was primarily intended to provide a great Allied market which it would be to the industrial interest of the French, Belgians, Italians, British, and Americans to guard jealously, together with all other possible ex-enemy markets, against what Canon-Legrand had well described in current war phraseology as "economic infiltration from Germany."

The reconstruction market was, of course, actually under the control of the appropriate government departments of the reconstruction countries. The industrial bids by French, Belgian, and Italian interests to carry out this program found their way through departmental estimates into the discussion of French, Belgian, and Italian cabinets and eventually in grand budget totals on the desks of the prime ministers, beside the bids of rival German financiers and industrialists in the form of the various reparations offers of reconstruction in kind and services made from time to time by the German government.

It is evident that in this rather complicated transaction, governmental bureaus were merely agents for the general public in Germany and in reconstruction countries and for that part of the British and American public and the general world public which should by investment become entangled in these affairs. No political decision could alter the basic fact that in meeting these obligations governments would be limited by their national incomes.

These political decisions, therefore, were crucial because they actually determined taxes and pushed governments toward inflation and bankruptcy. The exploitation of the reconstruction market by Allied business interests was motivated by the illusion apparent in the Atlantic City discussions of German financial capacity to meet these huge tax burdens on the reparations account.

But for this current illusion, that tendency alluded to by Allied industrialists in Atlantic City as "already manifested here and there in Europe" would have been, as it was feared, "accentuated, for, in spite of a natural reluctance to resume business with Germany and Austria," economic laws would have dictated "purchases in . . .

countries where . . . money" was "at a premium, and where the price" was "consequently lower than elsewhere." This was the unwelcome economic law to which Allied industrialists confessed themselves obedient outside the governmental balance sheet. They asked for American credit to accomplish its evasion wherever possible. Failing such help from American capital, they acknowledged the necessary obedience to the obvious laws of economic necessity. But whimsical government reparations budgets reduced private business resolves to a sinister paradox.

The superficiality of early American conceptions of the reconstruction problem is shown in the utter disregard of the reparations factor.

The discussions on the floor of the conference and in the committees were organized about four general subjects which American business opinion considered relevant to European demands for American cooperation, particularly in the capacity of creditor. The four subjects which, as possible dangers to industrial stability, were conceived to be of primary interest to American creditors, as stated by A. C. Bedford for the guidance of European businessmen, included: bolshevism or socialism; freedom of business from governmental interference, particularly as it might affect American business abroad; foreign reactions to American investors abroad; and the European attitude toward technological development in industry, or rationalization.

There is no record that a single American businessman considered the possibility that the attempted enforcement of reparations as well as bolshevism might affect "the success and permanency of business" and afford occasion for European failure to recognize that "commerce is the greatest of all interests." Nor was it suggested that a decision by American investors to put their money in European enterprises might reasonably be conditioned by further light on how the important item on reparations reconstruction budgets was to be realized; nor was there concern as to the possible effect of the intensive Allied campaign for markets upon the capacity of Germany to produce the expected reparations total. There is no reason to suppose from the discussion at Atlantic City that businessmen possessed any

greater understanding of these dangers than that shown by statesmen in Paris four months previously in framing the reparations clauses of the Treaty of Versailles.

The resources of the United States made the American banker the broker between European financiers and industrialists and American investors. Of all the parties affected by the reparations question, the American financier might have been most expected to give a banker's warning in the face of this expensive program optimistically elaborated by American and European businessmen at Atlantic City.

Governor Harding of the Federal Reserve Board, however, in a speech telling of the investment by thirty million Americans in war bonds, proposed to place the influence of the Federal Reserve system and the War Finance Corporation behind a continuance of the war investment campaign transformed to meet the requirements of private plans for the exploitation of the new reconstruction market.

The Atlantic City conference was a clearinghouse for Allied and American business plans. It was a natural outgrowth of the remarkable international cooperation achieved during the war. The conference, with its plans for cooperation among Allied nations, was a step toward the eventual organization of the International Chamber of Commerce. On the other hand, insofar as the conference, limited by war horizons, marked the re-forming of something like the old Allied industrial war front under private command, its program must be considered as an ominous economic implementation of the Treaty of Versailles. This program was particularly ominous, since it called for an Allied monopoly of the most important of postwar markets — the reconstruction market — through the provisions of the reparations clauses of the Treaty of Versailles. Norman H. Davis, President Wilson's Treasury adviser at the Peace Conference in Paris, deprecating what he termed "gross overestimates of European requirements," outlined a practical program as follows:

"I am sure that when peace is consummated, and certain political risks, especially in respect to the newly constituted countries, are measurably removed, when it is known just what definite policy is to be followed in collecting reparations from Germany, American exporters and European importers will lay the basis of commercial



credit in normal transactions; and I am confident that American bankers, in cooperation with our exporters, will not fail to devise means for financing the needs of the situation, nor American investors to respond to Europe's demand for capital, on a sound investment basis."

Davis continued with an analysis of the reparations item in the European reconstruction budget—the only such analysis on the minutes of the International Trade Conference: "It must not be overlooked that the German reparations may also serve as a basis for the financial rehabilitation of Europe, provided there is an early constructive policy defined and announced which has due regard, not only to Germany's capacity to pay, but to what her creditors can afford to have her pay."

The conference of Allied business leaders passed over this significant principle. The International Chamber of Commerce, however, was to have occasion to recur repeatedly to this principle, ignored both at Atlantic City and at the Paris Peace Conference. Davis concluded: "It is folly to try to succeed by any principle except that of efficiency and service, and I look upon this conference as the beginning of international cooperation between the industrial and commercial interests of the world, which will lead to closer international affiliation, to a more commercial use of the world's resources and service, and consequently to a new era of peace and prosperity in the world."

Thus, despite its shortcomings, movement for reconstruction was going on outside the limits of official government channels. This movement centered about the activities of businessmen in Europe and America. It found collective expression in the plan to organize the International Chamber of Commerce. American liberal business opinion, which was confused by the political campaign then being fought with unparalleled bitterness in the United States, to a large extent found a united purpose in the project of a nonpolitical world organization of businessmen.

The general paralysis which affected the foreign policy of the United States throughout this period did not affect the movement of

American businessmen toward this great project. American business had taken the lead in proposing the organization of the International Chamber of Commerce by summoning the International Trade Conference early in 1919. The preparations for the organization meeting of the International Chamber of Commerce planned for the spring in Paris were carried actively forward throughout the intervening months. The agenda necessarily embraced the major aspects of the entire situation. The correspondence and personal conference necessary to its preparation, beginning with the conferences of Thomas W. Lamont, A. C. Bedford, and Edward Filene with French officials and with representatives of the General Confederation of Production in the early part of 1919, were carried on not among governments, but among bankers, traders, and manufacturers themselves.

The significance of reparations in the program of reconstruction was becoming more and more apparent as private business interests strove to work out for the credit problem a solution necessitated by the Allied reconstruction program. This evolution in private business minds found a channel of expression running parallel to government channels in the negotiations leading up to the second organization conference of the proposed International Chamber of Commerce to be held at Paris in June 1920. The necessities of the general reconstruction program tended to transform the war conceptions of industrial relations so prominent at Atlantic City.

This evolution is clearly shown in the discussions in which prominent American businessmen, including George W. Hodges of the American Bankers Association, Myron T. Herrick, Willis H. Booth, Charles H. MacDowell, and Owen D. Young, participated at the Washington meeting of the American committee of the International Chamber, held immediately before the committee's departure for Paris in May. Discussions had progressed since Atlantic City from Allied market exploitation to the possibilities of extending the system of international barter (which had sprung up here and there with so-called "border countries" to meet the exigencies of the financial collapse) to practical means of developing a debenture system for those countries which still had a financial system capable of sustaining investment, and to the subjects of tariffs and of unfair commercial

practices. Thomas Walker Page, chairman of the Tariff Commission, and William B. Colver, member of the Federal Trade Commission, were present for the purpose of elaborating the "most-favored-nation" philosophy and the American doctrine of "unfair competition" as embodied in the Webb-Pomerene Act. American businessmen were turning their thoughts toward general considerations of world trade. The war horizons which had limited Atlantic City planning were beginning to lift. Myron T. Herrick, wartime United States ambassador to France, in the only reference to Germany on the minutes of the meeting remarked:

"There is no question about it, I think we will all agree on that point, and I find some Frenchmen, I find some Englishmen high in office are beginning to feel the same way — that some sort of a recognition of the economic condition of Germany has got to be taken now and taken rather quickly. If, for instance, Germany goes down into bolshevism there are other nations that are going to follow, and the three thousand miles of cool sea water is not a great distance for that sort of a fever to cross, in order to infect our people. We already know that. So it is to the interest of the great business interests of America to get together quickly — this is one of the means — and see if they cannot hold up this economic structure upon which civilization really rests."

## *Paris 1920*

The organization conference of the International Chamber of Commerce, which met in Paris in 1920, marked the transition from an Allied to an international organization. This transition in organization was paralleled in the sphere of policy. The discussions of the conference show the beginnings of a return from the coercive conceptions of wartime to the normal cooperative business concepts of peace. The conference divided on these lines, some advocating a return to normal laissez-faire business procedure and others a continuation of some form of special governmental or quasi-governmental aid involving the use of political authority. This division was accentuated

ated in the discussion on financing the reconstruction of the devastated regions. The influence of the American investment market upon this question was apparent in the proposals to utilize reparations bonds as a basis for reconstruction financing. The conference's reconstruction program as finally adopted deserves comparison with the governmental decisions finally taken at conferences at Spa and at Brussels.

The conference was preceded by a series of meetings of a joint committee on permanent organization held during May and June. Although this conference was organized, as at Atlantic City, around the central purpose of Allied reconstruction, the wide variety of subjects covered in the resolutions and the adoption of the permanent constitution of the International Chamber indicated a trend of opinion among private businessmen in Allied countries toward some form of broader cooperative action such as that being considered by those preparing the International Financial Conference to be held at Brussels. It would be difficult to find a more illuminating exposé of the economic forces motivating international relations than that presented by the representatives of these forces themselves in the frank unofficial exchange of views which took place at the Paris business conference.

Representation of French industry and a large delegation of one hundred and forty prominent American businessmen served the immediate purpose of bringing American business to grips with the problem of the Allied reconstruction market. The pressing necessity, as at Atlantic City, was for some means of providing long-term credits. The finance committee of the conference, which was responsible for the formulation of resolutions dealing with indemnities, reconstruction, and exchange, was composed of leading Allied bankers, among whom were William Thys, Baron Albert Janssen, Walter Leaf, E. G. Barclay, Hugo Baring, Sir Arthur Shirley Benn, A. J. Hobson, Mario Alberti, Roland W. Boyden, Willis H. Booth, Fred I. Kent, and H. C. Robinson. This group and the conference, as is shown by the agenda, were made to face the world financial problem and all its factors. Thus, while the Spa conference was to confine its attentions in the economic field to reparations, and the

League of Nations Brussels conference was necessarily to be restrained from dealing at all with reparations, the business conference at Paris was at liberty to consider reparations as a part of the world problem of reconstruction.

The Atlantic City conference, as we have seen, had been dominated by special Allied considerations. The first item, however, on the agenda of the Paris conference was not Allied reconstruction but the adoption of a constitution for a permanent international organization of a universal character. Although delegations from other nations did not take their places in the conference and join in the formation of policy, Allied businessmen at Paris could not fail to be conscious of the larger group of world interests. The problem of reconstruction was considered by Allied business interests, which were aware of the need for wider cooperation and were impelled by the necessity of formulating a policy acceptable to the interests of the former neutrals, whom it had become their chief purpose to join under the constitution of the permanent organization of the International Chamber of Commerce adopted in the opening sessions. The Paris conference was in this sense the first economic conference of an international character to deal with the entire reconstruction problem, not excluding reparations, in its broader world significance. The resolutions finally adopted by the conference are therefore the first reflection which we possess of international economic opinion in the face of all these factors of the world problem.

The first resolution adopted dealt with devastated regions. It was introduced by the chairman of the finance committee and head of the British delegation, A. J. Hobson, and was supported by the chairman of the committee on permanent organization and head of the American delegation, John H. Fahey. The chairman of the session was the French premier, Alexandre Millerand. The resolution was intended, as Clémentel remarked, to make the first action of the International Chamber of Commerce a declaration that economic equilibrium and world restoration would not be possible or durable until the material and economic restoration of the devastated regions had become an accomplished fact.

The larger program of world restoration, of which Allied recon-

struction and reparations policy formed a part, included those subjects of universal international interest upon which the International Chamber was to represent world business up to the present day. The second resolution passed by the conference dealt with the subject of double taxation in terms which were to become familiar through years of agitation. The practical principle of tax exemption in the home state up to the amount of the foreign tax, which has since found such wide advocacy, was here laid down. The third resolution advocated a program of government economy by extensive administrative and personnel cuts. The conference explained in considerable detail a plan of advice and cooperation between local Chambers of Commerce and national and local government officials in order to assist in such a "businesslike reduction." The Chamber's advocacy of "nonpartisan counsel" through "nonpartisan committees" of businessmen gave early currency to an idea of business collaboration in the economic affairs of governments which was to lead far in both the national and international spheres.

The fourth resolution of the Paris business program urged the creation by the Chamber of a foreign credit interchange bureau; further resolutions advocated equality of treatment for foreign banks and "the creation of an appropriate body attached to each national bureau, and to be under the direction of an organization of a similar nature attached to the general headquarters" of the International Chamber for the purpose of studying "from a legal point of view all questions relating to unfair competition, industrial property, trademarks, names of origin and misleading indications" and of preparing reports to be submitted to the general meetings. From this initial resolution the extensive work of the International Chamber upon these subjects has been since largely developed.

Two resolutions on customs, tariffs, and embargoes dealt with subjects of future League of Nations conferences. One advocated the simplification of customs nomenclature on the basis of such a nomenclature as that adopted for customs statistics at Brussels before the war, and advocated "the establishment of a technical intergovernmental commission for the purpose of devising ways and means to be advocated for the unification of the customs legislation and

regulations of the Allied nations." The other asked for the gradual relaxation of embargoes "as soon as the internal conditions of each country will permit" and demanded "that in any and every case such embargoes should not apply to goods . . . shipped or forwarded prior to the date" of the embargo, and asked further that special licenses be granted for goods under lawful contract for shipment prior to the date of embargo. The resolution asked that the above procedure should be also followed in the mandated territories. These resolutions began that tedious campaign into the tangle of government trade restrictions so resolutely prosecuted ever since by the ICC.

The extensive work of the International Chamber in the field of transport and communications was commenced at Paris by the adoption of resolutions on port facilities, trade terms, passports, and maritime laws. The resolution on port facilities, dealing with current port congestion, recommended the appointment of a permanent committee to study measures to facilitate operations in the ports, particularly transportation to and from the interior, and to centralize and distribute information to shippers, consigners, and shipowners. The conference provided for carrying out the useful work of defining and codifying a highly confusing shipping terminology (F.O.B., C.I.F., and similar expressions) for publication by the International Chamber of Commerce in the form of an *International Dictionary of Shipping and Quotation Terms*. It advocated the resumption of "the work of the International Maritime Committee for the unification of laws governing maritime commerce, interrupted by the European war." The resolution on passports also initiated a task which was to necessitate years of continuous international cooperation, culminating in international conferences and conventions under the League of Nations and subsequently under United Nations auspices.

It is apparent from this constructive program that the thought of liberal business leaders in Allied countries was returning to the philosophy of cooperation held by the group of business leaders which in 1914 at the earlier Paris congress envisioned a businessmen's league of nations. A reorientation in economic thinking which was to eventuate in the restoration of Central Europe and of Germany was given tangible form in the constructive international business

planning of the Paris Organization Conference of the International Chamber of Commerce.

The beginning of this reorientation is most evident in the conference discussions on reconstruction credits and reparations. Basic issues were clearly defined. As William Thys of the Bank of Brussels, speaking on behalf of the Belgian delegation in the general session on finance, pointed out, the Belgian franc was not unaffected in the world market by the fluctuation of the German mark. "There is certainly," he remarked, "nothing to surprise us in the fact that Belgium, the creditor country, should be affected by the ups and downs of her debtor, Germany." This was the very angle of the problem from which the Dawes committee was finally to launch the successful business solution of the controversy.

Thys continued with an exposition of the problem of German inflation, which he ascribed to the "nerveless attitude of Germany." He was not sure whether threatened German bankruptcy was really to be expected or whether it was mere "blackmail." Allied financiers were beginning to appreciate their interest in German solvency and to consider the means of re-creating normal financial relationships with their ex-enemies. Thys's proposed plan of international action was in answer to German claims that reparations deliveries of raw materials and finished products, by necessitating payments out of the Reich budget to German industry, had made inflation unavoidable. It was apparent that this situation was beyond the control of the Allied Supreme Council. It required nothing less than the broadest international cooperation among business forces, including Germany. This idea called once more into play the normal business vocabulary set aside so suddenly six years previously.

The same change in point of view was manifest in the remarks of other speakers. Walter Leaf of the British Bankers Association advocated the re-establishment of the machinery of commerce: "It is tragic to think that at the present moment, while large areas in Central Europe are starving, there should be in the warehouses of England, Holland and the United States a glut of certain classes of food-stuffs of general value. The consequent fall in the price of these goods has contributed not a little to the general tension of the situation."



The assistance to European reconstruction offered by the United States government was reviewed in some detail before the general session on finance in a statement by Fred I. Kent. It was pointed out that the United States government had in the form of Treasury advances, sale of supplies on credit, and advances through the United States Grain Corporation, the American Red Cross, and other agencies, advanced a sum approximately equal to the amount of the Victory Loan of 1919. "In other words," said Kent, "after the pressure of war was over, the people of the United States paid into their government over \$5,000,000,000 of which \$4,500,000,000 was required because of money advanced for the benefit of Europe." He then alluded to the current American dissatisfaction with the way in which this money had been utilized by European countries, mentioning the fact that production and trade had actually met with greater interruption since the Armistice than at any time during the war, due to the loss of millions of hours of labor in strikes and sabotage.

American speakers brought European bankers and industrialists a realistic view of the American financial situation. Normal credit operations awaited some form of economic stabilization and the return of confidence. It should be the task of business "through an international organization" to aid "in rational stabilization." Upon such a system, operating entirely independent of governmental financial support "under sound business laws with due regard to domestic need," political order might be more rapidly built. American businessmen wished to play a real part in this task. It was to be hoped "that this participation would be helpful and profitable" to Europeans, "safe and remunerative" to Americans, and "a very definite factor in the world's steady progress."

"It is of the greatest importance," Kent pointedly told the conference, "that the proceeds of loans made to foreign countries by the people of the United States should be used to the best advantage for the benefit of both the borrowing and the lending countries and that they be not subject to political emergencies."

The difficulties which lay in the path of an immediate return to sound business policies appeared throughout the statements of French and Belgian speakers. A representative of the French union

of bankers explained with like candor and clarity the special circumstances in which the devastated countries found themselves:

"We consider, therefore, and in saying this I think I am also speaking for our Belgian and Italian friends, that the Americans and the British will discharge their obligations toward the devastated countries only when they have compelled Germany to make reparation for all the ruin she wrought and when they have assumed their proportionate share of the advances, taking into account the impaired resources of the countries laid waste."

As to the question of American credits, the speech passed quickly over the difficulties imposed by the American money markets so carefully explained by American bankers. "Our reply is that we fully understand the difficulties surrounding the task. . . . We refuse, however, to believe that the task is beyond the strength of our friends, the American bankers." In America, where banks were numbered in the twenties of thousands, "but a very trifling individual effort," the speaker contended, "would be needed to obtain immense results." The same American indifference to Europe had preceded American entrance into the war — present American apathy to European securities might be changed if American bankers should "express the opinion" that "America's real interest" lay "in helping Europe, by accepting her securities, to re-establish the economic balance."

The fullest exposé of the French stand on European reconstruction, however, was made by the great French steel master Eugene Schneider, chairman of the French delegation. It was the longest speech of the conference, and was delivered at the general session under the presidency of Premier Millerand. After explaining at some length French disappointment at American refusal to ratify the Treaty of Versailles, Schneider dealt with the menace of a German military revival and ascribed alleged German efforts to evade treaty obligations to the influence of "eminent writers" in Allied countries — "superior persons" who had made it "an ordinance of intellectual elegance" to emphasize the imperfections of the Treaty of Versailles and who had pleaded "the cause of the aggressor in preference to that of his victims. . . . Encouraged by this campaign," asserted Schneider, "Germany has not fulfilled her obligations." All proposals

for a sound business settlement of reparations based upon German capacity to pay were caustically dismissed as malicious attempts to make science a pretext and weigh the claims of the innocent and those of the guilty in the same balance — putting forward the so-called economic necessities to predict failure and final chaos as if economic facts stood all by themselves and moved along invariable curves and were not often in close relation with political and moral facts.

As opposed to the policy of cooperation, Schneider advocated the policy of "keeping a firm hand on Germany." This policy, he affirmed, contravened neither generosity nor the principles of "international stability and order" which he strongly upheld. "Germany," he asserted, "cannot escape from obedience to a law," but he believed that German "leaning to democracy" and "experience of liberty" was "not enough to enable her to discover this law in herself. . . . Left to herself," said Schneider, "she will go back to her masters who have already led her astray. This law, therefore, must come from elsewhere, from outside. A new order will not be established in Germany unless the Allies help Germany to conceive it." In the face of economic law Schneider raised the standard of political and moral law. Political and moral law must first be imposed upon Germany "from outside." What Schneider in a philosophical disquisition into Fichte was pleased to call "the new German 'ego'" could be given "enduring form only in proportion to the resistive and cohesive force of the Allied 'non ego' with which it should find itself face to face."

Schneider did not leave his American and British friends in any doubt as to his economic implications. The French industrial program was being held up by German failure to deliver coal and money. French industry needed fuel and raw materials. France looked to Germany to supply the coal and to British and American bankers to furnish the credit for the raw materials until the Germans could be made to pay the bill. French industry was at the moment waging an unfair battle against the ex-enemy. "Now, do you know," said Schneider, "that while at this moment the German iron and steel industry is producing 65 per cent of total output, the French for want of coal can produce only 25 per cent?" That Germany should thus

profit from the destruction of northern French mines in defiance of the Treaty of Versailles appeared to the French mind a "monstrous conspiracy," "a veritable refusal of justice," "a glaring abuse" that could not be prolonged. "That is why," said Schneider, "it seems to me that it is as impossible to deny us coal as to refuse water to a wounded man."

As to the world financial crisis which American and British bankers saw as evidence of the pressing necessity of a return to the normal practices of general international trade and exchange, Schneider saw rather the need for the recrudescence of Allied unity. The relaxation of war controls had meant in his view the beginning of indiscriminate economic war between all nations. "The great international agreements" which were to put an end to the money market crisis had not materialized. It had not been possible to organize credits. The American Edge Bill had not given the promised relief. Schneider challenged the fairness of American and British proposals to return to sound business principles.

It ought not to be possible, Schneider continued, for any man who chooses to hoard the riches he has inherited from nature to either keep for himself the raw materials that he happens to possess in abundance or to employ them as a valuable medium of exchange in dealings with others to draw from them all possible profit, without thought of the toil and suffering it cost his friends to acquire them. In the face of the exposé of the American financial situation to which he had just listened, Schneider frankly suggested that "in view of the enormous inequality of conditions in which peace has left the Allies, it might perhaps have been more profitable to continue the practice of allotment, distribution and reciprocal aid in force during the war."

The reconstruction debate revealed the sharp division in the conference. American bankers said in effect that it was impossible to get investors to back a continuance of the war program either through direct intergovernmental loans which would have involved taxation or through an appeal to the sentiment of the general public to support Allied securities.

These two positions were irreconcilable. One meant a continuance

of the war in the form of a struggle for markets by national industries financed by public investment and eventually by taxation. For the market immediately under consideration, the reconstruction market, the German people must be forcibly taxed by a process of international coercion. The other view demanded a return to the normal processes of the prewar world capitalist system.

The business world was still divided into two distrustful groups. While Allied business interests were forming the International Chamber in Paris, uninvited German business interests were vainly attempting to form a similar international business organization at Frankfort-on-Main under the name of the International Economic Union. The International Economic Union met in May 1920 for the purpose of forming a permanent organization which would contribute to the reorganization of the world's economy, and to the inauguration of an era of lasting peace, by providing facility for discussion, in cordial cooperation, of international economic problems. The Milan Chamber of Commerce, which was invited to the meeting, replied with a friendly refusal, calling attention to the organization of the International Chamber and pointing out that the Chamber was not limited to those countries which were then members and that its aims appeared to be identical with the aims of the proposed International Economic Union. The secretary of the Italian committee, who had attended the Frankfort meeting unofficially, later reported this incident to the Council of the International Chamber of Commerce at its October meeting.

Had it been possible to bring these two rival economic groups together in Paris at the organization meeting of the International Chamber of Commerce, the reparations negotiations might have proceeded against a background of industrial as well as financial and labor international cooperation. Complete world cooperation was re-established in both the financial and labor spheres in 1920 through the Brussels conference and the meeting of the International Labor Bureau at Genoa. The early failure of the International Chamber of Commerce to bridge the gap between these two groups was a tragedy, the bitter consequences of which were to be written at Spa, at Paris, and in London. But this was the tragedy of the war itself, an indus-

trialized war which had left its coercive concepts to bedevil the economic thinking of its survivors.

Subsequent events give some indication of the importance of the business conference at Paris as a factor in immediate international developments and as a commentary upon the springs of governmental policy. Millerand carried with him a week later to the Spa conference a clearer comprehension of the industrial demands of the reconstruction program for German cash and coal. Charles Laurent, president of the French Union of Mining, Iron and Steel Industries, whose paper on *Reconstruction of the Devastated Regions*, demanding enforcement of treaty rights, was before the conference, left immediately for Berlin to take direct charge of negotiations as French ambassador to Germany. Roland Boyden was to sit as the unofficial American representative on the Reparation Commission and as the American delegate at the Brussels financial conference. Senator Ricci, president of the Italian delegation at Paris, was to represent the Italian government at the Brussels conference. Etienne Grosclaude, who represented the French mining, mineral and fuel industries at Paris, was also to attend the Brussels conference as one of the three advisers to the French delegation. The International Chamber of Commerce itself was to be represented at Brussels by a nonvoting delegate, Jean Proix. And delegates to the Brussels financial conference were told by the president of the conference, Gustave Ador, in his opening address, that the reports of the Paris conference contained "much useful information" supplementary to the bankers' memorandum and the economic declaration of the Supreme Council of March 8, 1920.