

and Methods of Financial Reconstruction Work."

From this, three points may be selected for special emphasis. In the first place, while all decisions have been approved by the accredited representatives of the countries concerned, this approval has been almost invariably formal. At each stage the way has been prepared by impartial inquiry and investigation by experts appointed by the League, and by preliminary conversation of an unofficial character. In each case the Commissioners appointed by the League have been subject to veto or appeal to the Council of the League by the nation concerned, thus preserving that nation's sovereignty and independence. In no case has it been found necessary to exercise this right in practice.

Finally, the method of League action may be compared with what sometimes happens when loans are negotiated directly between governments in a weak position and private lenders. To quote the report: "The plan in such a case has not been prepared, on either side, on an impartial prudent basis designed to attain the permanent restoration of the country's finances. On the one side, the banker wishes to get the highest interest and the maximum security. The government requires money at once to get it over its immediate difficulties. Such a plan is more likely to break down. One of two things happens. The government repudiates its obligations and bondholders lose money; or else the bondholders and bankers move their government to intervene by force and extract payment or step in and administer the finances of the country." And to conclude, "financial reconstruction . . . is action which, in the first place, should be directed to the interests of the country concerned. But it is not only the concern of that country or its government. By reason of the League's existence and by virtue of its methods, financial reconstruction becomes a common task carried out in the interests not of one country but of the order and peace of the Society of States."

It is also of interest to note that while the League has not pursued precisely the same method in each case, and indeed the novelty and complexity of the situations would have rendered any attempt to do so both foolish and dangerous, in fact a great deal of similarity can be traced in the procedure. In all cases five stages may be distinguished, which, while they have not followed each other in the precise order given in each instance, have been common at

some stage or other to all reconstruction schemes. These are:

1. Private conversations between the government concerned and members of the Secretariat and/or of the Financial Committee.
2. Formal request to the Council of the League for an inquiry and formal authorization by the Council to proceed.
3. Official inquiry in the country concerned.
4. Discussion and negotiation in the Financial Committee and, sometimes, by a special sub-committee of the Council of the League.
5. Final report by the Financial Committee and preparation of formal instruments which are first sanctioned by the Council and then ratified by the country concerned.

We have in these instances two practical cases of international planning of different types. In the first instance an ordinary problem of co-ordination, such as might occur between departments in any great business, is brought to a successful issue. But, in the absence of any international mechanism with the defined function of bringing the parties together, such a problem would probably result in considerable inflammation, the operation of cutting down through a tissue of national emotions to the practical issue being tacitly avoided.

The second case is more akin to that of a business having one or more weak departments which are a danger to the structure as a whole. Here we find a technique closely resembling that of the management consultant. But domestic pride would, as so often happens in business, hinder the employment of the appropriate advice were it not that appointment by the League side-steps the question of nationality. The members of the financial committee are not delegates of their government but experts nominated by the Assembly of the League and the same applies to the Commissioners and officials of the Secretariat. They are international. Technical issues are thus segregated for treatment in the light of the facts. At the same time reference to the Council of the League for formal approval enables political considerations and susceptibilities which may be involved to be handled by the proper political authority at each stage.

Once more we find the principle of functionalization operating to advantage. Is it an exaggeration to discover also in the success of these procedures illustrations in a wider sphere of two other prin-

ciples? Surely in dealing with individual countries first, the League is, "in starting to make a change, centering the energies of the management on one single workman." In sending its own officials and commissioners into the countries, it is merely demonstrating "that the work called for can be done."

Apart from these examples of action, it must be recognized that the Economic Intelligence Service of the Secretariat has done a great deal of the preparatory research essential to any large-scale attempt at international planning. The work of unifying international statistics is being carried forward steadily if slowly by its officials and by the International Labour Office. Its international statistical year book and monthly bulletin, its frequent memoranda on production and trade, on public finance and on balance of payments are models of scientific accuracy and have a high reputation. The efforts of many special committees are gradually mapping out the available information in the extremely complex field of international economic activity.

Nor are signs lacking that leaders of business thought are appreciating the necessity for this type of preparatory effort, not only in the United States, but throughout the world. The Secretary-General of the Fascist Confederation of Industries recently wrote in the quarterly journal of the International Chamber of Commerce:

The violence of the present economic disorder is certainly creating a universal desire for more knowledge on which to base a conscious direction of economic activity. The growth in the size of industry and trade, the spread of economic interdependence between nations, have given birth to forces which are proving the need for more knowledge. The first step must be the accurate measurement of these forces, and it is from such measurement that will be evolved a wiser formulation of policy by the individual, by the state, and by world economy as a whole.

What remains to be done is most clearly illustrated by glancing for a moment at the other side of the picture. Wherever, in economic questions, the League has attempted to initiate large-scale action by states, issues where technical and political considerations cannot be segregated or where the immediate practical need is not sufficiently apparent to overcome traditional attitudes, the results have been uniformly disappointing. Despite the careful preparation, the unquestioned authority, and the unanimity of the World Economic Conference of 1927 its resolutions have remained practically a

dead letter. The International Management Institute remains almost the sole practical expression of its wishes—an Institute which owes its inception to American initiative and draws more than three quarters of its income from private sources. Recent conferences on tariffs and on the treatment of foreign traders have been a series of deadlocks.

It is possible to assign a number of reasons for this situation. It is sufficient to touch on the most important. The League has hitherto failed to win the co-operation of the United States. While that country is represented on the Economic Committee, the lack of full collaboration is particularly felt in the economic sphere where the outstanding importance of America's participating in the total economic situation gives all discussions of an international character at which it is not represented an air of unreality; there has been a drift back to the pre-war point of view. The organization of international economic life is essentially an administrative and technical question, dependent for a successful solution of the problems involved on a strict application of scientific methods and standards of thought. But each question which is tabled at Geneva tends to be discussed primarily from a diplomatic angle, by men who, whatever their functions in their own governments, are dependent for their positions on a fine balancing of political considerations.

In the case of the majority of the states members of the League, their national economies are primarily individualistic. That is to say, the constructive power in economic life rests not with governments, but with the leading men in private business. And within the countries themselves the technique of co-ordinating private business interest with governmental action within the framework of a national policy has made comparatively little progress. Responsibility is not accompanied by its corresponding measure of authority.

This last point constitutes, indeed, the most serious single difficulty in the whole situation. As has already been indicated, any objective consideration of the present position must throw into relief effective consumer demand and the organization of distribution as primary questions for investigation. Till we know a great deal more about the facts and possess finer instruments of measurement in these fields any serious attempt at international planning is unthinkable. But the lack of mutual understand-