

League of Nations Union

ADDRESS

BY

MR. HENRY BELL

ON THE

BRUSSELS INTERNATIONAL
FINANCIAL CONFERENCE

Wednesday, December 8th, 1920.

A MEETING under the auspices of the League of Nations Union was held on Wednesday, the 8th December, 1920, at 5 p.m., at 15, Grosvenor Crescent, S.W. 1, to hear an Address by MR. HENRY BELL (Director and General Manager of Lloyds Bank), one of the British representatives at the International Financial Conference, Brussels, on the proceedings of the Conference.

The RIGHT HONOURABLE SIR WILLOUGHBY HYETT DICKINSON, K.B.E., D.L., J.P., occupied the Chair.

MR. BELL, who was cordially received, said:—Mr. Chairman, Ladies, and Gentlemen; I intend rather to talk than to read to-night, and if you wish to ask me any questions afterwards, I will be happy to answer them as well as I can.

You will remember that the International Financial Conference met at Brussels during September and October, 1920. We sat there for rather over a fortnight. We had been deluged beforehand by papers bearing upon every kind of financial problem. And a statistician would have revelled in returns upon these, among other things—Public Finance, Note Issues, Taxation, Expenditure and Revenue, Foreign Exchanges, Imports and Exports, Gold Reserves, the position of Silver, Discount Rates, Commodity Prices, Coal, Transport, and

Relief and other Credits. I doubt if anybody could possibly have carried in his head even the larger outlines of subjects so diverse as these. However, it was a duty which we felt we ought to take upon ourselves to read them, we read those immense volumes of statistics—and though we could not carry the figures in our heads, we did have before us this information to refer to, if necessary.

Every morning we had the whole of the proceedings of the day before published in excellent form, and laid before us, and there again there was a mass of things to be read and looked over which could not always be overtaken at the time. The three British delegates—Lord Chalmers, Lord Colwyn, and myself—were seated just behind the Belgians in the seat but one from the front, and the German and Austrian delegates were seated on our right. They were exceedingly quiet during the whole Conference, and took—except in Committee—not a great part in the discussions; the Austrians especially were quiet to a degree. One of the German banking delegates sat upon the Committee, which I shall describe a little later on. Our first business was to listen patiently to the different representatives reading a short statement of their country's financial position. That had to be kept in check as to time, and we had, I should think, one of the most remarkable men in Europe as a Chairman, in M. Ador. I tried all the time to analyse where his particular power lay. He sat up on a very high seat, with his assistants round him. That old man, who did not speak English, as far as I could learn, had a way of speaking, putting his statements *staccato*, as it were, and his age, the tone of his voice, his character, and the fact that he was the only person whose name had appeared, as a person, in the Treaty of Peace, gave me the impression of him as one of the most remarkable chairmen I had seen. He absolutely kept that Conference in hand; he never moved from his decisions, nor were his decisions challenged. Everybody wanted to know M. Ador; he was an astonishing personality.

We were surrounded by reporters seated up above us in the gallery, who, I am afraid, rather lost interest in the proceedings after a day or two. Three or four days were taken up by a *resumé* of the position of the various countries which were represented. Lord Chalmers told the

Conference what the British Government was trying to do in the way of currency, and public finance. And although I would not like to say it outside, I think I can say it inside—on the Continent, people are looking to Great Britain for a lead and for help. They have an enormous belief in our boundless wealth, in our possibilities of further taxation, if necessary, of our ability to help them with large sums of money. They do not believe in the least that we are a crippled and embarrassed nation, as we really are, financially.

As I say, those three or four days practically tired out the attention of the reporters, of whom I have spoken. I do not wonder. A few of the delegates were tired out, and disappeared sometimes in the afternoon. I made it rather my duty never to be away, and sat there, as did my two companions, unless we were away on Committee, listening to the various speakers.

I do not know whether I would have done it with so much zest, if that word can be used for that period of listening, three or four days—if it were not that I had gone out upon a certain track. In reading through the reports which were sent us before we went, I got on to a certain track, and it was my object to follow out this track when each of these different gentlemen went forward to give his statement.

The way in which these statements were read to us was by the particular speaker speaking in French or English. There was no attempt made to speak in other than French or English; everybody could speak in one or the other; in the case of the *exposés*, we had generally the English version, and, therefore, it did not require to be translated to us, but in everything throughout the proceedings of the Committees, and of the Conference generally, there were the two languages used. If the President said anything in French, or any of the delegates said anything in French, it was spoken again in English. This threw up a remarkable set of people. The translators there—for whom I should like to say a word—have gained the faculty of saying precisely in French what has been said in English, and precisely in English what has been said in French. Although they take notes, they are not at all slavish to note-taking, but they do repeat almost precisely the words, and almost exactly the same degree of meaning. I asked one of them how he did it. He said he did not think he was

born to it, but he had gradually grown to doing this. It seems to me that, whatever else Conferences have done in the world, they have produced those peculiar people who are able to express themselves in two languages equally well.

We had statements before us—as each delegate spoke—and I want to interest you, if I can, in the same track that I was interested in, as I sat listening patiently hour after hour, and day after day, to these particular *exposés*. I must explain that these Budgets, which we were given in printed form, were mostly for 1920, a few of them for 1919. They were in many cases extraordinarily inaccurate. I have done my best to get out the figures, but we sometimes had notes in the printed Budget to say, "Since this Budget was drawn, certain supplementary estimates have been so and so, which have led to so and so." In some cases, as in a balance-sheet, the items were differentiated and you could find what amount of expenditure was for war, and what amount of expenditure was for civil purposes, and you could distinguish between the latter kind of expenditure and the expenditure of which I was on the track.

As far as I have been able to find out, these are fairly—I will not go further than that—accurate figures of the Budgets of 1920, except where I shall mention 1919. I took these, I am afraid, in any kind of order from my tin box. I did not do it for the purpose of drawing the moral, but the moral had been forced upon me, first by my reading, and then by listening to the gentlemen speaking.

There are in them three things I want to give you for each country, *viz.*, the expenditure other than war expenditure; the expenditure on armaments, or arising directly out of the war; and the deficit. The figures are as follows:—

Nation.	Expenditure other than war in 1920. (In Millions)	Expenditure on armaments or arising directly out of war, 1920. (In Millions)	Deficit 1920. (In Millions)	Coins in terms of which figures are given.
Estonia	900	640	443	Marks
Lettonia	3,133	1,400	1,000	Roubles
Czecho Slovakia (for two years)	9,000	2,500	3,600	Crowns
Italy	27,000	7,000	14,000	Lire
China (1919)	500	200	57	Dollars
Belgium	8,900	6,000	5,000	Francs

New Zealand	52	28 (estimated)	25	Pounds sterling
Spain	2,700	*	861	Pesetas
Switzerland (1919)	700	274	407	Francs
Sweden	870	†	171	Krone
Norway	760	—	76	Krone
Germany	52,400	(not known)	24,500	Marks
France	49,000	35,000	27,000‡	Francs

Now, if you notice that the expenditure of a country upon its judges, its policemen, its education, hospitals, and the thousand and one things that go to make up the civil expenditure, is so much, and alongside of that is the expenditure on the army and the navy and the war, which is so much—in some cases you see that the amount spent on war is just about as much, at other times about a half, at other times two-thirds, and that the resultant deficit ought to be compared with the amount spent on war-like expenditure. That is to say, if you could cancel out the war expenditure you would cancel out the deficit in many cases. If you could cancel out the army and navy and other war-like things, you would cancel out half the deficit or two-thirds of the deficit; in other cases it would be less, where the nation had not spent so much.

Ladies and Gentlemen, this is a statement so grave, so terrible, that no words of mine are required to emphasise it. What is the stark moral of it all? I myself, as a banker, hear of all kinds of difficulties which are growing, and all kinds of things which are supposed to be at the root of them. There are certain causes, doubtless; there are the difficulties of the exchanges, there are questions of wages, and a hundred and one things, but, after talking with Prime Ministers, Chancellors of the Exchequer, bankers, business men, and everyone else that I can talk with, I am perfectly clear of this. We are being told—if you believe in Providence, as I do—we are distinctly told, "If you people, you funny race of men living down there cannot get on among yourselves without spending thousands of millions of your little coins—which mean, of course, work and energy—to make ready to fight and kill

* When the Spaniards went into the box they rather pointed the moral that a country which had been neutral and outside the war was much more to be pitied than one of the war-like victims. No war expenditure was mentioned, but there was the deficit.

† Sweden did not say what their war expenditure is, but they say that, during the war, the price of bread was very high; and that they had to make subsidies, as we had to do here, to provide their people with bread and other things at a reasonable rate.

‡ That is taking into account a further sum of 21,000,000,000 francs as recoverable from Germany, which, of course, may or may not come.

one another—you will be bankrupt.” There is no question about that.

I am not a pacifist in the commonly accepted use of the word. For instance, I would be a bankrupt ten times over rather than suffer overthrow by Germany or any tyrant Power. There are worse things in the world than bankruptcy; I must defend myself against aggression. There, no doubt, I differ from some of you who went the whole pacifist length. The one moral that forces itself upon the world to-day is this: If you cannot live in peace you will go into bankruptcy. That is clear. We are going through this said experience at present. Not only do the people die through war, but their survivors are going to die. There is no question about it; the people who escape from the battlefield and the stay-at-homes are not going to escape by any means. War is not to stop when you sign an armistice; war is going on, possibly, in a more acute way. To-day we are doing a strange thing. We are saying to Germany and Austria, “You must disarm; you must not spend anything on armies and navies. We will look after you, however, in the meantime”—because, even though I dislike Germany, I would not attack Germany, I would not let anybody else attack her in a defenceless state, and we say, “You must not do the stupid things that we are doing. We look after you; you shall not be attacked, but you must not spend anything on the army and navy.”

Well, that is going to be just the very finest thing—humiliating, I admit; I am talking purely from the point of view of economics—it is the very finest thing for Germany’s recovery if they are saved expenditure on the army and navy.

After four days of the making of Reports, four Committees were set up on Public Finance, Currency and Exchange, Trade, and Credits. Each Committee had a President, and as each President addressed the whole assembly, he went up alongside M. Ador. Mr. Robert Brand, a gentleman from England—son, you know, of a former Speaker of the House of Commons—gave a remarkably able address upon Public Finance. I was extremely glad that this extraordinarily weighty and able contribution, read to the assembly, was referred to as a very fine and remarkable deliverance.

Each Committee had long and frequent meetings. Reports were drafted and considered by the Presi-

dent, with a small Committee to assist him. These Reports were afterwards handed up to the President, who went through them all on the final day of the Conference, and the strange thing is that the whole assembly unanimously agreed to every one of them; there was not an amendment made. Nations who obviously could not fulfil the recommendations of those Reports were quite ready to admit that that was the right thing to do, at all events, although they were unable to do it.

I advise you to read those Reports. They are the result of wholly disinterested thought and labour. I think I have heard whispers of “Capitalists’ Meeting at Brussels,” but if you had been there, you would not have thought so. Everybody was doing his best to state what he thought were sound and reasonable things. We heard very strange and wonderful things. In all these Reports there is not one easy palliative or gloss upon the stern truth of things as we saw them. It is exactly as though a patient sick unto death should call upon his doctor for a quick cure as he has an appointment to keep on Monday week and the doctor—if he is an honest doctor—says this: “Your sickness has come about after years of concealed illness and if you tell me you have an appointment on Monday week in the city, I tell you you will not keep that appointment for a year. I tell you, if you leave your bed, and you want to be cured in a week, it cannot be done. If you like, you can bring in another doctor; if you do not believe what I tell you, do so by all means. I, as an honest doctor, tell you that you cannot get better by Monday week; nothing will patch you up unless it is time, care, and patience; medicine, certainly, and, more than all, what you yourself will do.”

Now, every one of us who has been ill physically, if I am right in the comparison, knows that that is absolutely true. It is literally true. We must put these things in order. More banknotes cannot staunch the wound, or more loans restore the lost health. Convalescence will come, but the patient himself must, in the main, work his own cure—often in pain and suffering.

In Austria to-day, for instance, a shattered and broken country, there is not the old work for the members of the army to go back to. There might be, of course, broken machinery and ruined mills, as in France—in Austria probably that was less so, and much of the trouble was

due to lack of the raw material, or there was no work to be done, and those people had to be kept. Where one railway porter was necessary, they would have twenty. They would have to pay out the money-wages, and then they found that they had no money to pay, so they went into the next room where machines were turning out bits of paper. As those machines turned out the pieces of paper, so much less would a man give for them. If you give a piece of paper to a man selling tea, he will take it—so long as there is not too many of them. It is the most simple rules of elementary economics.

I had a man in the bank during the last two or three weeks who had been just lately released from Russia. He said he paid £36, pre-war value, for a glass of milk; he paid £400, pre-war value, for a white loaf of bread, which is a great delicacy there; his living expenses, house rent and the rest, were £8,000 per month—that was at the rate of £96,000 per year. He told me that instead of their turning out a vast number of notes, they are now printing their notes in denominations of 25,000 and 50,000 roubles; so you have not to take one hundred 250 rouble notes, making up to 25,000; it is more convenient to have one 25,000 rouble note. Well, we told them that just to make pieces of paper in the next room does not help matters; it does not make more things; it makes more notes. Those people said: "How are we to keep these returned soldiers if we are not to give them something?" Well, we admitted the hard case and we came then to the one ameliorative piece of work—or hoped for ameliorative piece of work—of the Conference. I was particularly appointed for that work, which was the Credit System. "Credit System" means you give credit to somebody. All banking terms are simple: foreign credit means that you give credit to a foreigner; you let him draw and have some money until he can pay you back. That is foreign credit. The idea was: How could we allow people, encourage people, and help people to buy raw material so as to set the men working in the cotton mills which they have there, and which are filled with good machinery? Then the question was: How are they to get coal to get the machinery to work; how are they to get the cotton from the ports, and—a very sad thing indeed—how are you to get over the corruption, which I suppose is never worse than following upon war?

I was told that the American food which went into

Austria, landed at a port and which was destined for, say, Vienna, where the children were dying, could not be got from station to station unless you bribed station masters on the way. It is probably true to-day. I will not say that the old governors were necessarily better than the new governors, but the new governors are more or less unaccustomed to govern and, I am afraid, very badly paid. In Austria, an official gets enough in one month to buy a suit. That is what he gets. That is to say, if my suits cost me £6, that is what I would get; that is the equivalent of what they are getting, many Austrian officials to-day, and they have to "squeeze" on the way, they have to get something out of everything that passes through their hands, if they can. The venality of government officials, I am sorry to say, in Europe is so great that it is a constant menace, and if you will read the Report of the American Commission who took over the food, you will realise this.

We tried to explore questions of aid to these distressed peoples, and there was a remarkable gentleman there, very modest but extremely able, a Dutchman—Mr. ter Meulen, a partner of Hope and Company, made this proposal. I will not go into detail, but it was briefly this:—

A merchant, say, in Czecho-Slovakia, knows that his neighbours want ploughs, that if he had fifty ploughs in his particular area he could sell them at once, and that he would probably get paid for them when the harvest was gathered six or twelve months hence. But he cannot get any ploughs if he comes along with those masses of local notes; there is not a British manufacturer who will take a table full; he says they are no good to me, I cannot pay my workmen with those, I cannot buy raw iron, I cannot pay them into the bank. Therefore, until the merchant can get exports out, there is nothing to pay for what he wants—ploughs.

Mr. ter Meulen proposes that he should go to his own Government and say: "I will give you any security you like, my house, my fields, my warehouses, and I promise, if you aid me in the way I am to mention, that I will see you are paid back when I get the money for the ploughs which I am importing from England, that is to say, after the harvest is gathered. I want you to let me have a bond, but it must be a good bond, because when I take it to

England for my ploughs, it is no good Czecho-Slovakia promising to pay £100 in forty years, it must be something which is covered by some definite located revenue. For instance, that bond must be in priority to all your other bonds, and it must be secured upon, say, the Customs Dues. Also, a definite specified revenue is required which is coming in regularly and from which you will be able to pay the interest every six months promptly and as a first charge.

If the Government think it worth while, or sufficiently important to help the merchant to buy the ploughs, to get the work going, they may give such a bond, and it was proposed that the League of Nations should form a Committee *ad hoc* for looking into these bonds and for the due securing of these bonds which the nations should issue.

Supposing such a bond were issued in Czecho-Slovakia; the man to whom it was issued would put it in his pocket and come over to Lincoln, and would go to a plough maker. The plough maker, possibly, cannot sell his ploughs to-day; they are rusting in the yard. Probably our textile manufacturers and others cannot find a market for their goods. It is one of our great difficulties that, although we are turning out goods, or were turning out goods, the buying has ceased. So, there is pressure to sell, if sales can be made at all safely. When the Czecho-Slovakian calls on him, the Czecho-Slovakian says: "I am a respectable man and a man of some position in my country. I want to buy fifty ploughs. That will run into, say, £50 a piece—£2,500. I have brought a bond from my Government; that bond has been seen by the League of Nations; this is a special transaction that has gone through the League of Nations and they have approved it. I want you to sell me those ploughs holding that bond. You must not sell it; hold it as a security, like a pawnbroker holds it, until in six months' time, or twelve months, I have paid you, and then you send me back my bond."

Now the League of Nations will have a big task if they undertake the kind of work I have mentioned. They would have to open a big ledger, and they would put: Czecho-Slovakia—Bond issued to so and so; they would have to say how much these bonds added up to, and they would not allow more than an agreed amount. They would see that all the things were necessary things; that the

bonds were not to be issued for the purpose of buying pearls in Bond Street, but they might be issued to buy necessary things—gas engines, ploughs, textiles, and so on. Then they would see that every week or month came the amounts due for interest, sinking fund, and those things. If those were not remitted, the League would step in and stop further transactions. If the Englishman chose, rather than see his ploughs rusting in the backyard, to take a fair business risk with this bond, he would hold his bond till repaid, and so the nations would get back, slowly and painfully, to working with one another.

Now, I do not know if that is possible. The League of Nations called a Committee after they read our recommendations. This committee is considering giving this thing a trial, and the question is, of course, the personnel which would be necessary to put such a delicate thing in order. You require very good business men accustomed to credits, men of some weight, and so on, and the question of getting those one or two men who could do that thing in the world—because they are extensively run after—is very difficult.

Now I am coming to an end. We came across these anomalies. I am a strong Free Trader—but we did not go out as Free Traders or Protectionists; that was not our business, but we all felt it was well to be as "Free Trade" as we could. In Vienna the children were dying for lack of milk. Forty miles away from Vienna, just across the borders, their neighbours were feeding their pigs with the milk which they would not sell to Vienna. There were one or two causes. In the first place, they said, "We cannot get a satisfactory payment, the exchange has broken down, we are not willing to take a mass of notes which they turn out of the printing press." That was not the only thing. Old grudges still exist, and they said: "We are not willing to send this milk across the border." One man wanted pigs from his neighbour and the other wanted maize from him. We said this—I do not say we said it openly, but we said it in private: "The nations are now bringing at great expense, across three or four thousand miles of ocean, these goods, and you refuse to exchange similar goods over fifty miles of railway. Now, that has got to stop. It is costing a great deal of money and we are not willing to spend any more. You fellows

had better get busy and friendly, at all events to the extent of selling to one another."

That was one of the things at the Conference upon which I think we did good work.

Now, did the Conference do any good? Thirty-nine nations came together. We got to know one another, because, although you feel dreadfully unfamiliar when you get to a place of that sort and wander around, it is curious how soon you get to know people. At the end of the sixteen days people were pretty well acquainted. You meet them in London now, and they say if you are in their country they will be glad to see you. Even in a Conference like that there is the beginning of an acquaintance, and in some cases friendship which really did come from the meeting of the delegates of those thirty-nine nations. I have had, I should think, four visits here, and I have got invitations to visit them.

We were unanimous in our findings. We were quite friendly; I believe we rubbed in painful, but absolutely vital, facts about economics, that you cannot get over things merely by going bankrupt, that something more is wanted, and we all have to get down to work. That the world is much poorer through the war, not richer, and we can only get it back to its old position by being a good deal worthier, not less worthy since the war than we were before.

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