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THE WORLD ECONOMIC CRISIS

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THE Executive Committee have instructed me for to-day, as they did four years ago, to give an introductory speech on the world agrarian crisis. Unfortunately this subject is still of very immediate interest. An unprecedented fall in prices for agricultural products and raw materials is still combined with an industrial, credit, and currency crisis. There is an intimate connexion between all these difficulties, which I cannot and must not break up in my account.

It is true, since last year, certain tendencies towards an upward movement have made their appearance, but the forces making for recovery are effective only in a number of countries—particularly in England and in other countries of the Sterling Bloc—where a depreciation of the currency has taken place. Plans for creating employment, which the United States and Germany have embarked upon with great energy, have also had a stimulating effect on the economic life of the two countries. The efforts of the American Government to get rid of unsaleable stocks by reduction of acreage have been greatly assisted by the all too-bright sunshine of the present year. It seems that, in this way, unsaleable stocks will lose their menacing character.

But how great the economic distress is which still afflicts civilized countries is shown by the figures for unemployment. These have indeed fallen, but including the United States still amount to more than 30 millions. Thus, if we include dependants, there are still 100 million people who have to be content with the pittance provided by public assistance. And so we have cause enough to reflect again on the world-wide economic crisis. I will first attempt to unravel its most important causes in order to obtain viewpoints from which we can seek to combat it, and this is the chief subject of our deliberations—as it was four years ago.

At that time few of us believed that a shrinkage of the inter-state exchange of goods and reorganization of the traditional legal and economic order would result from the struggle to overcome the crisis. These things suggest to us the idea that we may be at the beginning of a new age in social and economic history. I will reserve until later a few remarks on this subject. Individual countries have

been affected to a varying extent by the economic depression. But the world crisis is uniform in so far as all its phenomena have their roots in the world war. Every great war which has lasted a long time has upset economic equilibrium.

The immediate devastations wrought by the War were, it is true, repaired by about the year 1926. Also the extensive transplantations within the German frontiers, which the loss of territory and natural resources made necessary, were completed by the year 1928.

But a serious state of tension has remained throughout the whole of Europe, and the new distribution of power and wealth resulting from the War waged by the allied world empires against the countries of Central Europe has also remained. I have described these things in greater detail in the report which has been put into your hands, and I will only remind you that Germany, by the loss of an eighth of her territory and of all her colonies, has become the poorest industrial country in the world as regards raw materials. Finally war, reparation, and armament debts have remained. A new grouping of creditor and debtor states has come about, and this change has become highly important for the economic history of the post-War period. Here we have the explanation of the immediate causes of the price crisis. In brief, these causes lie in the fact that the great capital powers embarked on an over-rapid expansion of agricultural and mineral production, while at the same time the purchasing power of densely populated Central Europe had been seriously diminished by the War and its results.

Before the War all densely populated industrial countries of Europe had been providers of capital for sparsely populated agrarian and raw-material countries, which were poor in capital. At the head of the creditor states, according to the amount of money lent, stood England, France, and Germany. The War eliminated Germany from the ranks of these creditor states and brought in the United States. The War itself, the great confiscations of German property—especially all available German foreign investments—and tributes levied from 1924 to 1931 have put Germany in the anomalous state of being an industrial country very poor in capital. Whilst Germany before the War had claims abroad to the extent of 20-5 thousand million gold marks, in July 1931, at the time of the great bank crisis, she had a debt to foreign countries amounting to 29 thousand million Reichsmarks.

The United States, on the other hand, which before the War had been in debt to Europe, was, by her deliveries of goods during the War and her large share in the financing of the War, not only freed

of debts but put in possession of big foreign holdings. These were still further greatly increased by the surplus on the balance of payments during the 1920's. In the year 1928, about the highest point reached by these loans, these foreign holdings, together with the political claims which had generously been reduced by about a half, i.e. to 6 thousand million dollars, amounted to 14.5-15.5 thousand million dollars. In the same year England had, with 20 thousand million dollars, reached approximately the pre-war level of her claims abroad. Finally France has, after the war and the loss of her great Russian loan, kept her long-term loans to foreign countries within narrow limits, but since the stabilization of the franc in 1926-8 her influence on international markets has been all the stronger through her short-term loans.

Foreign claims before the War had arisen, according to all the rules, from productive investments. Corresponding to the utilization value of the lent capital, the rate of interest rose step by step from the centres of capital in Europe to the periphery of cultivation in east and west. The rate of interest was: in England and Germany 3-4 per cent., in the east of North America 5-6 per cent., but in the west up to 10 per cent. and more.

But the War reversed the situation as regards the scale of interest rates. The yield on fixed interest-bearing securities at the end of 1931 was: in the United States 4.27 per cent., in England 4.83 per cent., in France 3.79 per cent., in Germany it was no less than 9 per cent. The loans which flowed into Germany and the states on her eastern border are for the greater part to be considered as unproductive. Of the loans granted to Germany, 10.3 thousand million Reichsmarks (according to the Layton Report) were simply handed on as tribute. The loans also which, whilst contributing to the improvement of the productive process, had an interest greater than the yield or surplus yield obtainable with the help of the loan, were to that extent unproductive. According to the well-known Thünen Rule, every added bit of capital invested in an undertaking or business or in agriculture yields less in proportion than that previously invested. Thus, in old civilized countries, with a highly intensive economy, yields are less than in new countries. The whole apparatus of production in western Europe was before the War accommodated to an interest rate of 4 per cent. If the interest on foreign capital was 6-7 per cent., and if the private debtor therefore had to pay more than double the pre-war interest, the additional amount, apart from exceptional circumstances, could not be obtained. Personal credit cost the German farmer, before the catastrophe of July 1931,

in the east 12-18 per cent., in the west and south 10-14 per cent.; mortgages bore in the east and west, including amortization and incidental costs, 9½-10 per cent.

Since that catastrophe the granting of mortgages has broken down altogether. Whoever takes up loans at such interest rates will never get out of debt again; he will always have to borrow afresh in order to make his yearly payments. The yield of his work has to go as tribute to his creditors, and what is here true of the individual farmer applies also on the large scale to the loans as a whole which have flowed into the country. They have to be paid for from wages and salaries. In so far, therefore, as they exceeded the old normal rate of interest, they, together with the tributes, produced simply a fall of purchasing power.

Our eastern small-peasant neighbour states are in a similar position to ourselves; with them, too, a large part of the high-interest credits received are unproductive, because they were used for armament purposes. And so a Central European block of impoverished nations with 180 million inhabitants stands over against the victorious creditor nations, rich in capital. And to these we must add the smaller countries rich in capital, as Switzerland, Holland, Belgium, and Sweden, which were also enriched by the war. Russia takes no more part in the international circulation of capital.

The spirit and manner in which the available capital resources of this creditor block were administered were determined to a quite considerable extent by the big banks in the United States. They set the pace of economic development for the whole world, and that pace was wild enough. On the New York stock exchange and other American stock exchanges in 1920-30 there were no less than 57 thousand million dollars in bonds and shares issued for America and 9.7 thousand million issued for abroad. In his brilliant pamphlet *America Must Choose*,¹ which is as clever as it is frank, the Secretary of Agriculture, Henry A. Wallace, writes: 'When we embarked on our terrific post-war expansion of foreign loans, we did not plan. We plunged in blindly, and soon any reasonable observer could predict that the whole thing was bound to blow up. In contrast to England's policy after the Napoleonic Wars, our own adventure was only from the short-time profit consideration.' Every word of that is certainly true. But it must be emphasized that the main direction of internal investment in North America after the war was determined by *measures of planning*. The United States carried out after

¹ Henry A. Wallace, Secretary of Agriculture, *America Must Choose*, New York, 1934, p. 2.

the War the greatest road-making scheme in the history of the world. According to a uniform plan, and applying legal measures of compulsion, the federal, state, and district authorities covered an area the size of Europe with a network of the very best concrete and macadam roads. Federal and state authorities spent between 1921 and 1932 altogether 13 thousand million dollars on this scheme.² From this foundation the American automobile industry with its auxiliary trades became the greatest industry in the continent. The whole state of things as regards the distribution of the population was completely changed, and just at the highest peak of the boom and in defiance of all the capitalist rules of the game enormous works of building were undertaken.

Economic planning, therefore, bears a fair amount of the blame for the serious economic confusion arising from the investment policy. The highest profits could be obtained from the loan capital in the new industries and in the opening up of virgin country with the help of a whole series of new technical processes. Such new technical achievements were—to mention the most important ones known to you all—the tractor and the ‘combine-harvester’ with which it was possible almost without men and horses to get the best grain from the great semi-arid districts in the centre of the North American continent, in Australia, in North Africa, and in Russia. You all know that new mechanical processes have made the production of cotton and other fabric materials cheaper. The flotation process and electrolysis for the winning of ores from deposits which had hitherto been considered too poor and remote to be worked must also be mentioned.

American investments and American enterprise took possession of the whole of the Western Hemisphere from Pole to Pole. Also in eastern Asia and even in Australia the Americans pushed back British finance capital and British trade.

In those wide districts, on the other hand, whose most important gateway is the Suez Canal, Europe has, under the leadership of Great Britain, maintained its dominant economic and political position and strengthened that position by means of investments.

The result was that the production from the land of foodstuffs and industrial raw materials was precipitately increased.

But capital also saw to the creation of purchasing power in the Central European countries which has been reduced to poverty by war and the payments of tribute.

² G. Edw. Grant Buckland, President of the Railroad Credit Corporation (*Proceedings of the Academy of Political Science*, Jan. 1933).

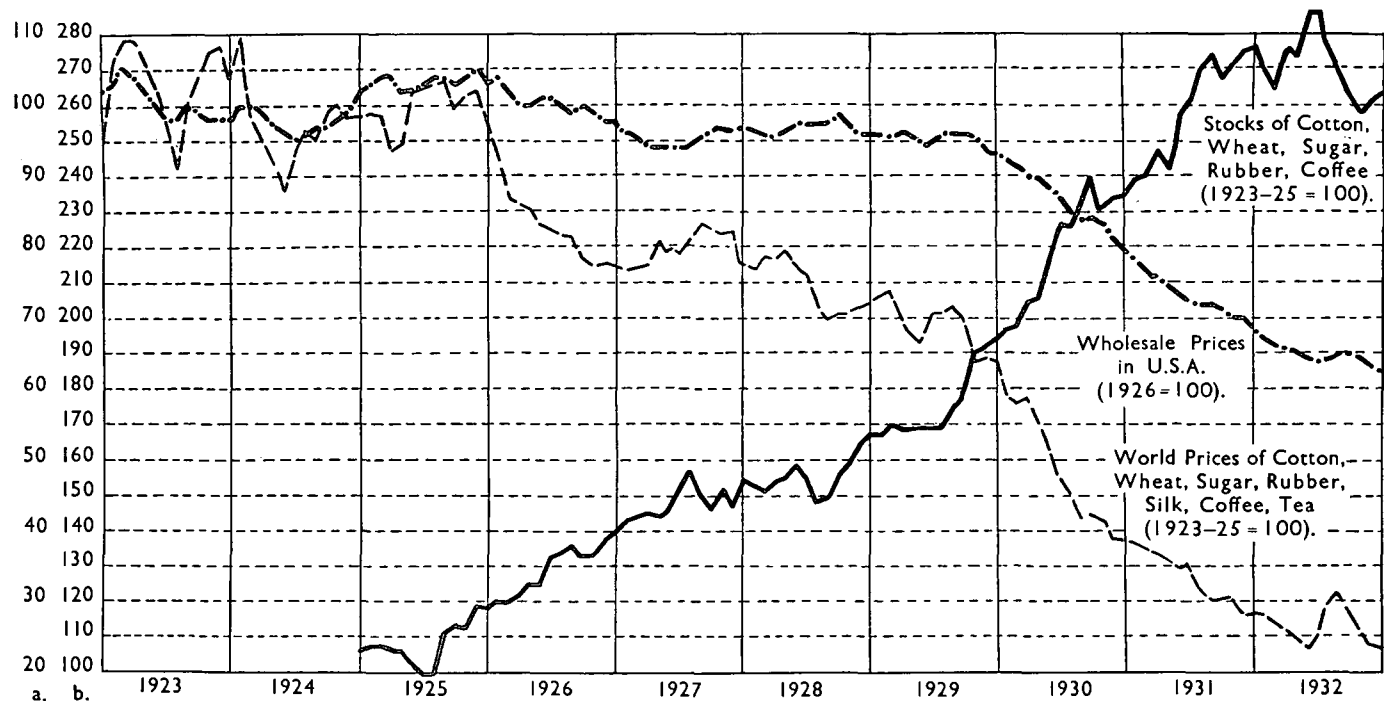
By far the broadest stream of foreign credit flowed from 1924 to 1929 to Germany. It was this stream of credit which made possible the transfer at that time of the German tribute fixed by the Dawes Plan and in addition made it possible for starving Germany to import very large quantities of goods. The first of the diagrams before you (Figure 1) shows the effect of these things on the development of prices. The top line gives us wholesale prices including finished goods in the United States. It keeps fairly horizontal up to 1929 and indicates the fact that although costs of production were lowered, prices of goods for mass consumption were deliberately kept at a uniform level. It was imagined that a means had thus been found of making prosperity permanent by an ever-increasing mass-purchasing power.

The second curve shows the world trade prices for the most important agrarian products: wheat, cotton, sugar, rubber, silk, coffee, tea. Here we observe that up to 1929 there was a considerable fall in prices compared with general wholesale prices. Agriculture lacked price-agreements and cartels, by means of which industrial prices are systematically controlled. The gradual fall in prices of agrarian products up to the year 1928-9 expresses the genuine fall in costs of production in the most favoured producing districts and can, to that extent, be regarded as a permanent phenomenon.

The third curve shows that up to about the year 1928 the accumulation of stocks was rising slowly. But demand could not keep up with the rate of increase of production to a sufficient extent; for the increase of population was slowing down, and in time of increasing prosperity consumption habits changed, particularly through a lowering of bread consumption.

The whole situation was changed abruptly after the middle of 1929. In America the industrial boom which had developed almost in a straight line since 1922 came to a natural end in 1929, after great excesses of stock-exchange speculation, when the great network of roads had been completed and every family provided with a car. It might well have been possible to mitigate the consequences of the boom, but no economic planning could have prevented it from taking its natural course.

The outbreak of the American industrial crisis involved all the rest of the world. In Germany alone the crisis had already begun, when, from 1928, American credits had begun to run dry because capital flowed to the New York stock exchange during the boom. But the industrial crisis would have carried with it its own remedy if it had not coincided with the outbreak of the most serious agrarian and raw material crisis in history.



a. b.

a. Index of Prices. b. Index of Stocks.

FIGURE I. Prices and Stocks. Index numbers.

The curve shows how agrarian prices fell rapidly on the world markets from the middle of 1929, and how unsaleable stocks accumulated in enormous quantities. Prices fell below production costs of the most-favoured production-districts, so that since 1931 there has been terrible distress among the farmers of export countries, also among wheat farmers in newly opened-up semi-arid districts. They could no longer pay running costs and much less interest on credits which they had taken up. The whole of Central and South America went bankrupt. The fall in prices was therefore produced by over-extension of acreage; the United States, for example, had from 1925 to 1929 increased their wheat acreage by 10.9 million acres, i.e. an area double that which Germany has in wheat in 1934. In addition to this there came, as is well known, the further impetus of the record harvest of 1928. But the enormous supply coincided secondly with a shrinkage of purchasing power and demand on the part of great consuming masses. The purchasing power of the 65 million Germans suddenly and simultaneously shrank as a result of the cessation of new foreign credits and the terminations of old ones. There began simultaneously a systematic protection on the part of all import countries against agricultural products, the prices of which had lost all connexion with production costs. Defensive measures taken generally against cut prices of agrarian countries were the beginning of a process which meant nothing less than the breakdown of capitalist world trade.

No nation in the world could allow its country population to be ruined by a price revolution which made impossible any reasonable management. All those relief measures arose which are to be discussed at this Conference: tariffs, quotas, monopolization of foreign trade, 'linked purchasing' regulations, and other measures of internal planning. The result was that in importing countries, agricultural production, especially of wheat, rose sharply, whilst in the United States and other exporting countries unsaleable stocks increased to a disastrous extent. The wheat acreage on the continent of Europe, apart from Russia and the Danube countries, rose between 1928 and 1933 from 51.8 to 57.3 million acres, and its yield from 1 to 1.4 million bushels.

But to set up an emergency system of agricultural protection was not considered sufficient; a policy rather was pursued which made the export of industrial products more and more difficult. This policy was pursued by the old industrial countries which had a division of labour and a lively exchange of goods among themselves. One reason for England to extend her restrictions on German com-

petition, which had been set up in the war atmosphere, to a system of industrial high protection was the fact that Germany was forced, when American credits suddenly came to an end in 1928-9, to pay the tributes from her own resources. She had to resolve to cut down consumption by means of a hard process of deflation, to limit imports, and to expand exports. Chancellor Brüning was convinced that nothing else could persuade the world of the impossibility of German tribute payments.

The graph on p. 32 (Figure 2) shows to what extent the German imports of materials and foodstuffs were cut down from 1929 and how the big surplus of imports was at one blow transformed into a considerable surplus of exports from which tribute and interest could be paid. This happened while German exports were falling and in the midst of a general crisis in the international exchange of goods which diminished the value of world trade between 1928 and the end of 1931 by almost half. It was a terrific achievement. It was paid for by the impoverishment of the German worker and by vast unemployment in Germany, which also caused a shrinkage of the internal market and caused prices for high-quality products of German peasantry to fall precipitately. Germany's enforced famine exports called forth everywhere defensive forces. As in England, so in other countries, tariff walls against foreign industrial goods were set up.

But what had still more serious results was the fact that the great creditor countries, headed by the United States, had for a long time led the way in keeping out industrial goods. They demanded the payment of interest and amortization on their loans, but blocked at the same time the only way by which the debtors could fulfil their obligations. They closed their frontiers not only to the debtors' services and goods, but, like Australia and other new countries, closed also their frontiers to the surplus of population. Far be it from me to criticize the immigration restrictions. But the political economist must call attention to the importance of Italian and Spanish emigration for the balance of payments of the emigrants' native countries. The closing of the creditor countries' frontiers to the goods and services of their debtors is perhaps the most contradictory phenomenon of all the crisis years, years certainly not poor in economic impossibilities. America continued to keep to this typical debtor's idea of striving to maintain an export surplus when she became, after the War, the great creditor of Europe. In the year 1922 was the first, in 1930 the second, raising of American industrial tariffs.

GERMAN FOREIGN TRADE 1924-34

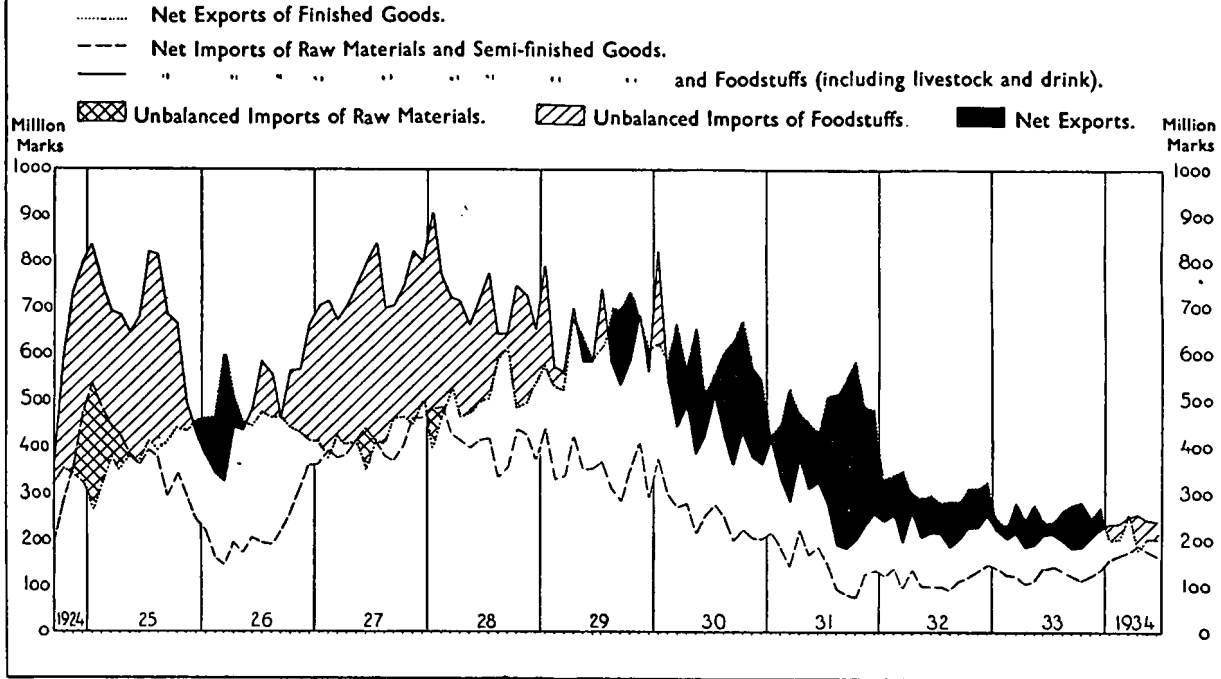


FIGURE 2.

In 1926 representatives of American economics from Columbia and Princeton Universities called attention to this anomaly in vain, and their efforts to obtain the cancellation of political debts remained without success. Similarly, in the year 1924, the attempt on the part of the 'Verein für Sozialpolitik' (Society for Social Politics) in Germany to make way for freer trade in the whole world was a failure. We are still told that we wished to sacrifice the German peasants to the free-trade ideal, but in reality what we wanted to do at that time, when the German masses were so impoverished that they could hardly absorb the products of home agriculture, was to stimulate German exports in order to increase the purchasing power of the German industrial population and thus to procure good prices for high-standard farm products. We wished to prevent the collapse of world trade on which Germany, more than the other industrial countries, depends.

In the year 1930 import restrictions in France were also greatly intensified once more. The example of the United States infected the great agricultural and raw material countries. The strong protection which the latter had introduced for their industries which had arisen in the War had to be paid for, as in the United States, by the farmer. The scissors formed by industrial prices, which had been maintained above the level of the world market, and agricultural prices, which were fixed by the world market, opened wider and wider and made the farmers completely bankrupt.

The closing of creditor countries to imports led to a more rapid shifting of the stocks of gold from debtor countries to the United States and France.

This concentration of gold compelled debtor states to pursue a more and more extreme policy of deflation and deprived them of all their currency reserves. This was the state of things from which the credit crisis of 1931 arose. From 1928, as the long-term international loans gradually diminished, short-term money, particularly the French, had become increasingly important. If these short-term loans were suddenly called in, either from lack of confidence in the currency of the debtor state or from political reasons, a complete collapse became inevitable because the credit panic which had started in one place quickly ran through the whole chain of credit relations. As is well known, the chain broke first at its weakest point: in Vienna (May 1931). The panic wave advanced by way of Berlin to London and compelled England to leave the gold standard.

What happened here under compulsion was done by the United States in 1933 of her own free will. She devaluated the dollar, chiefly

to relieve the farmer of the burden of debt which had become oppressive after the outbreak of the price crisis.

Only a handful of states have been able to maintain the gold parity of their currencies in the world crisis. These are the countries of

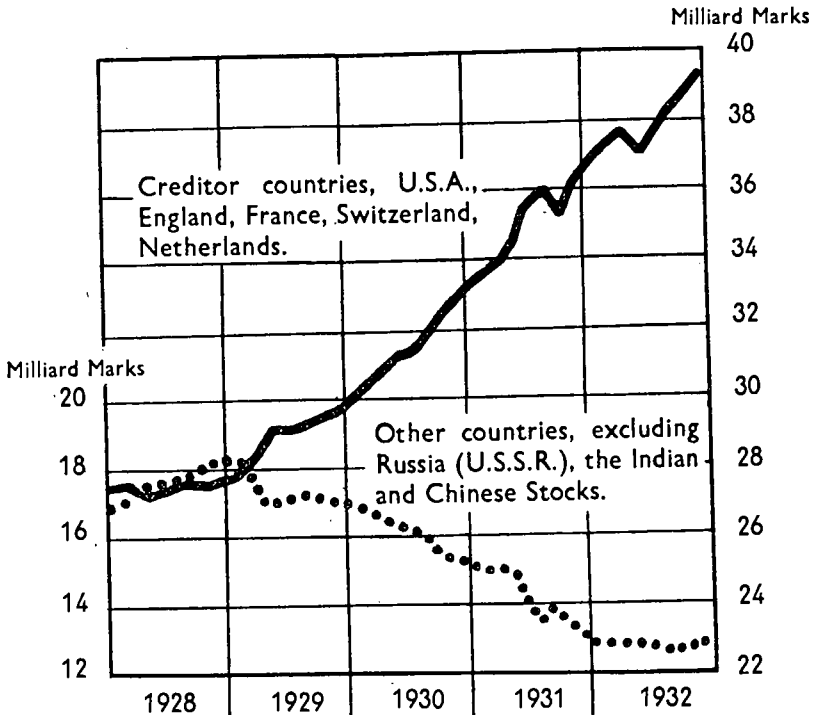


FIGURE 3. The Gold Stocks of five Creditor-countries and the rest of the World. 1928 to 1932.

the gold bloc—France, Holland, Belgium, Switzerland, Italy, and Poland, and, with great difficulty, Germany. But of these also, only two, Holland and Switzerland, have been able to maintain *pre-War parity* up to the present time.

Devaluations of currency have undoubtedly, in most devaluation countries, slowed down the fall in prices and, in some, have led to a not inconsiderable rise in prices. But, on the other hand, they have intensified the pressure on the prices in the gold countries, and have compelled the latter to protect their balance of payments by means of new trade restrictions and the cutting down of consumption. Thus the currency chaos has resulted not only in increased insecurity of the international exchange of goods, but also, for a part of world trade, in further shrinkage.

The effect of all these facts can be expressed by a single figure. In 1933 the value of world trade was only a little over one-third of its value in 1929, its volume about two-thirds that of 1929.

SUMMARY

The fundamental facts which have upset the economic equilibrium of the world and have brought with them all the other difficulties were: (1) the Peace Treaties, which were dictated by the mercantilist spirit and contempt for human beings, and which broke up the highly developed economy of a great people, and compelled it to take up debts, the interest of which it had to pay from the wages of work; (2) capitalist anarchy, which, at the time of improving trade, planlessly invested large capital sums where there was a prospect of monetary profit, and produced a chaotic overproduction of many commodities. In the time of depression this anarchic system just as planlessly withdrew the capital sums in order to bury them again in vaults in the form of paper notes or yellow metal.

CONCLUSION

The general revulsion from a world economy directed by private capitalism means a return to the idea of a closed national economy which was dominant until the nineteenth century. In such a system the authority of the state sets definite limits to the powers of capital and exercises a strong influence on prices and the circulation of goods and capital. If this movement continues, a new age is dawning in the history of the civilized world. In this movement it is not merely a matter of a fight against the economic distress of the moment. Ever wider circles are militating against the view prevailing hitherto, which has seen in strict economic rationalism, as enforced by competitive free economy, the guiding light of the economic and social order. Wide circles feel the insecurity, the rush and scramble of the competitive system, to be unworthy of human beings, because those values are thereby lost which alone make their life worth living. Emphasis is being laid on the economic, or rather supra-economic, importance of the family economy, which provides a secure, even if modest, living, and holds aloft the moral goods handed down from ancestors.

The coming order is at once nationalist and planned or, in this sense, socialistic. It is nationalist because the special danger to agriculture in the present crisis has everywhere, except in Russia, awakened the realization that the agricultural population is the foundation of the whole social structure, as producer of the means

of existence, as a physical reserve of force for the whole people, and as the guardian of all those virtues which are rooted in the family system. Everywhere, even in England, their preservation is recognized to be the fundamental aim of national economic policy, and this task has been put before all others. This is an aspect which gives the new movement a conservative character, and is to be regarded as permanent. It will of necessity strongly affect the international division of labour, and diminish the stream of commodities, which has hitherto given the direction to the exchange between continents, the exchange of surpluses yielded by the soil of spacious and thinly populated countries for the industrial products of thickly populated, old countries.

Most countries have, more or less of necessity and often without even noticing it, come into the path of socialist planning. Most of them, in the fight against the economic crisis, have groped their way from one emergency measure to another. As soon as one hole was patched up another opened, and soon the need was realized of finding a permanent solution. In other countries, particularly in Germany, socialistic ideas have consciously been made fundamental in economic policy, particularly in the sphere of agrarian markets. Already practically the whole of the agrarian market system has been more or less socialized. In the meanwhile, the remedial measures taken in the United States, which were introduced not because of any principle but to deal with the bad effects of a planless credit and agrarian expansion, have made just as great a breach in the traditional economic order. In America it is well known that crops and animal production have been systematically restricted, and this regulation calls also for a permanent solution. Secretary of Agriculture Wallace considers a 'social machinery for crop control' essential in order to reduce acreage and prevent excessive expansion when the trade position improves. Here, as he convincingly shows, there is an intimate connexion between internal and external economic policy.

In fact, internal measures of planning will always make necessary parallel measures in external trade. The action of one country compels the other country, connected closely with the first by trade, to go the same way. Whether the national planning schemes include the whole national economy or only individual branches, these schemes must be brought into harmony with one another.

Hardly anywhere do responsible people still believe in complete self-sufficiency. World trade will, therefore, in any case continue in the sense that the trade relations of the states concerned will be regulated to a considerable degree.

It is well known that it has been easiest to come to agreements on the staple commodities, such as grain, rubber, coffee, sugar, &c. But international trade can never be restricted to the exchange of such uniform mass commodities. Above all, the countries of Europe which have not much free space, the small and medium-sized states, among which Germany must now be counted, are dependent on common action. Here, as in South America, a strong urge towards the creation of greater economic areas is noticeable. Whoever, then, keeps out of such an area runs the danger of becoming completely dependent on the great Powers, rich in capital. But also spacious countries, as the United States, see themselves prevented from carrying the idea of self-sufficiency too far if they do not want to leave their great wealth of land unused and to lower very considerably their standard of living. And so Henry A. Wallace comes to choose a 'planned middle course', which would involve the withdrawal from cultivation of some 25 million acres of good plough-land, instead of 40 million as required by the nationalistic course, and would at the same time so lower customs duties that the United States could import annually 200 million dollars more of goods than hitherto. Although herself a great industrial state, she will maintain nevertheless the trade with the very much more densely populated industrial nations of Europe by keeping out less than hitherto the products of their highly skilled labour.

But if we are really at a turning-point in economic history one must not forget that it is not merely a question of the external order, of institutions and international treaties.

If, as has been shown, the general economic distress arose to an essential degree from the political oppression and exploitation of great nations, then the restoration of international trade in new forms presupposes the development of a strong feeling of solidarity and equality of rights and of esteem for each individual nation. So long as irreconcilable hatred and distrust poisons the relations between peoples there can be no cure for economic distress. The tense atmosphere which makes a profitable collaboration impossible must be done away with.

I consider it to be one of the most essential tasks of this Conference to awaken the consciousness of a common destiny and of international solidarity.

The systematic regulation of international trade makes higher demands on the nations' feeling of community than free trade, but planned internal economy makes very much higher demands in a moral sense on each individual concerned than the economy of free

markets. Every individual engaged in trade or industry must be inspired with the feeling of national solidarity, and every member of the planned organization must rise above the average in impartiality, fairness, honesty, and expert knowledge. For planned economy in itself gives us no guarantee that the management of economic affairs will be effective and better than the preceding state of things. I may point out that in the United States public planning was as much to blame for the precipitate investing in the newly opened-up districts as the profit interests of the capitalists.

The state must take care not to prevent the orderly activity of private enterprise by its interference. The state must not smother the creative energy of the individual and not interfere to a greater extent than the forming of national economy to a harmonious whole makes absolutely necessary. The planned economy must also be guided by reverence for the spiritual and moral forces which have formed the nation and created its culture. There must be spheres which remain in principle closed to public interference. And to these belongs above all the ultimate life-giving cell of the people, the family.

Under the pressure of the world economic crisis the central powers of the state have in many countries been enormously strengthened, and the tasks of the legislature transferred to the executive. The chaos of parliamentary discussion and the conflicts of party and class interests have been held to run counter to the need for removing quickly and thoroughly the general distress.

It is also understandable that men who have to carry out far-reaching measures in a hurry have acquired a strong dislike to public discussion in the daily press and interested circles, as was formerly the custom, and have, in many countries, considerably restricted that freedom. But the community has all the more urgent need of research work in the economic and social sciences. Without this the danger arises that even the responsible authorities may be led astray in their knowledge of the facts and of the connexions between the facts. Quite apart from this, science represents an independent cultural value. One notes with satisfaction to what a great extent, particularly in the United States, the economic and social sciences have been called in to help in finding the solution of the very great difficulties of the present time. That in Germany, too, the work of science is recognized as necessary is proved in a concrete manner by this Conference. We have here no other duty than to seek for the truth and with all frankness to express what we have, after conscientious examination and self-criticism, found to be true. There

is only one obvious limit which we must set ourselves, proceeding immediately from the respect due to the individuality of every people. There must be no attack made on the form of government of any of the countries here represented, and no attack on the leading men of those countries.

As men of science we shall treat our subject somewhat differently to the many recent international conferences which have made agrarian questions the subject of their deliberations. We will not limit ourselves to the examination of the value of the individual measures taken. We will, considering the whole world and calmly pondering on all the relevant facts, try to answer the question: Whither does the policy started during the crisis lead? Where are we to draw the boundaries of a public-planned economy, the boundaries for the socialization and nationalization of industry? The programme for this meeting has been drawn up by the executive committee in this sense. May it be of value to all the peoples represented here and to humanity at large!