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NEW TENDENCIES IN INTERNATIONAL TRADE POLITICS

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THE discussion as to the nature of the world economic crisis, the course of which is displayed with cruel matter-of-factness by export statistics, may now be regarded as decided. It has nothing to do with those periodically recurring market cycles which can be rectified by another turn of the wheel, but results from the so-called world economy which (and this seems to be the general opinion) has been destroyed by a defect in its structure, and consequently economic co-operation can only be renewed by escaping from this structural defect. The more exactly and intensively this defect is studied the greater is the hope of rebuilding a new and solid structure for the future.

It is not sufficient, therefore, to regard the raw material crisis as the cause of this break-down, which made a sharp cleavage between agricultural and industrial prices, and resulted in a catastrophic diminution of purchasing power, in a far-reaching stoppage in production, and in a state of unemployment hitherto unheard of. It is not sufficient either to throw all the blame on the Great War, though it did destroy the economic and financial balance and has caused, by the abnormal development of new industries in the so-called market countries, an intensification of competition and, at the same time, a restriction of the market. There is no doubt that the War has accelerated this state of affairs which has so completely upset the statesmen and captains of industry, but this state of affairs was bound to come without the fatal years 1914-18. The roots of this break-down and of the destruction of the world economic system lie much deeper and go back for centuries.

The discussion of the crisis on all sides and in all countries has, with general agreement, shown that the farming population, for whom so little regard, if any, was shown in the times of prosperity, has always been and still is the foundation of the political and economic structure of both the European and overseas countries. Any one looking at the historical development from this point of view will find more and more that right up to the eighteenth century the peasant foundations and the agricultural basis remained more or less

unchanged, and I need not go into the different forms this development has taken in the various countries.

One thing, however, is certain; the expansion of the European horizon, the colonization of the overseas countries, America, Australia, New Zealand, and South Africa, has been achieved by peasant means; the new white peoples in these areas are rooted in the European farming population. Historical events which took place in the Middle Ages in eastern and central Europe have been repeated on a gigantic scale, namely, the formation of a new peasantry favoured at that time likewise by German and Slav rulers.

The intrinsic idea of every peasant colonization is the union of people and soil, and the cultivation of the soil for the preservation and increase of man attached to the soil. It is the historical significance of Oliver Cromwell, the Lord Protector, himself a country squire, that he pointed out to the Anglo-Saxon farmers the way across the seas, and by that means laid the foundation of the British Empire and of its offspring, the United States of America.

In the eighteenth century, however, a new era commenced, namely the penetration of Liberalism in all parts of the political, cultural, and economic life, and consequently the conception of the autonomous importance of the individual, having the right to live according to his might without the slightest consideration for the community. Thus in an economic world, which up till then had thought and acted more or less from the point of view of the farming population, a new ideal was created, namely, unrestrained enrichment and accumulation of profits, while all other factors, such as the soil, were nothing but ways and means to this end.

Thus industrialization, helped by mechanical inventions, grew, and its ever increasing production could only be consumed by the continuous opening up of new markets. It swept agriculture with it and in order to obtain the raw materials for its finished and semi-finished goods and the foodstuffs for the swelling millions of workers who had lost contact with the soil, industrialism changed agriculture in many countries and especially in the New World from a system of producing for domestic consumption and for the needs of immediate neighbours to a complete system of production for the market.

This method of economic development destroyed the economic organization of the various countries. Agriculture, industry, and trade were carried on solely for their own sake, to achieve the amassing of money and power, without the slightest thought for the necessities of and the harm done to others. In the shape of the modern captains of industry this tendency has found its realization. Its uncon-

scious model was the *condottieri* of the Middle Ages and the Renaissance. In exactly the same way as the *condottieri* knew the art of war and everything which had to do with the art, in the same way as these *condottieri* developed their occupation to a fine art, so the captains of industry have become supreme experts in all methods of trade in order to win the great battle of competition. Both *condottieri* and captains of industry, however, followed their vocations for their own sake, for the increase of their own income, and in no way in the service of an ideal.

This development was doomed to break down at the moment that the expansion of the markets reached its limits. The industrialization of these countries during the War accelerated the end. The famine in all kinds of goods caused by the War, and the glut in credits, postponed this end for a number of years. In 1929 the great break-down became inevitable and the thought which may have passed through the mind of many economic *condottieri*, 'Après nous le déluge', was realized and a deluge of distress inundated the world. In repetition, I may say that the cause of the break-down was to be found in the ridiculous increase in agricultural and industrial production without any consideration of the possibilities of consumption, and in the artificial inflation of trade with its attempt to disregard all the laws of dimension. At the same time the purchasing power was diminished by reduction of wages and the prices of raw materials and by the replacement of human labour by machines, and the number of customers essential to the upkeep of the system grew smaller and smaller.

When all predictions of the end of the crisis failed and, on the contrary, one country after the other was drawn into the whirlpool, nobody wanted to give in to the terrible catastrophe without putting up a fight and, together or alone, remedies were sought after. The London Economic Conference was the last and unsuccessful attempt to master the crisis by combined effort. Its absolute failure set, as it were, the official seal to the fact that world economy and world trade had completely broken down.

In 1932 the attempt was made by the British Empire to solve the problem by a regional agreement between the home country and the colonies with a system of commercial preferences. This pact, usually called the Ottawa Agreements, has certainly had the effect of preventing a further diminution of trade between the home country and the Dominions. Built, however, as they are, on the principle of division of labour, namely, export of raw material and foodstuffs from the Dominions, and of manufactured goods from the home country, they

have brought a great disadvantage to the latter, for while the Dominions have given preference to the imports from the home country by reduction of tariffs, without sacrificing their own industries, agricultural interests in Great Britain have been sacrificed, and it is the great problem for the present Minister of Agriculture, Mr. Elliot, who is anxious to save and strengthen English agriculture, to fit these tendencies into a new and revised Ottawa Pact.

In the U.S.A., a country which was attacked by the great world crisis later but more terribly than others, President Roosevelt has gone on new lines; production is to be diminished by agricultural planning, and part of the farming population which hitherto operated entirely for the market is, under a new settlement scheme, to be organized in so-called manufacturing villages, where it will find its livelihood partly in agriculture and partly in manufacture. The devaluation of the dollar, which had the object of easing the debt burden and of restarting the wheels of industry, has already lost its effect, the price disparity between the products of industry and agriculture is still not adjusted, and the dependence of the prices of agricultural products on the fluctuation of the exchanges with their natural and artificial factors remains a continuous menace to the grand scheme of President Roosevelt. One of the greatest dangers, however, the problem of disposing of the surplus of export commodities, necessary even in years of a normal harvest in spite of all restriction of cultivation, is still a problem of grave consideration, especially to the Secretary of Agriculture, Mr. Wallace.

These various problems of the world crisis: the convulsion of the foundations of agriculture, the problem of unemployment, the destruction of the network of foreign trade relations, are problems which had also to be faced by the National-Socialist Government of Germany. The German idea and the German system of mastering these problems are fundamentally different and are consciously pursuing quite another line.

In like manner to the U.S.A., the German Government started with the idea of first putting its own house in order. For this reason, first of all, the farming population had to be saved from utter ruin because the new German Government—and this view is held in other countries as well—sees in the farming population the economic and biological foundation of the state and the only actual guarantee for its existence. This has been achieved by two fundamental laws, the Law of Hereditary Farms (*Erbhofgesetz*) and the *Reichsnährstand* law, both of which have the tendency to set agricultural property and agricultural production apart from the capitalist economic system

and thus to safeguard them. The Law of Hereditary Farms makes it impossible to buy or to sell a farm, to mortgage it, or to bring it to a forced sale. By this means the land is no longer merchandise, which it had become by the practice and by the laws of the economics of the liberal period. By the condition that the land can only be inherited by one heir and that the others may obtain a home but no compensation, the size of the farm as well as its possibility of production remain completely unchanged.

The farming production is taken out of the capitalist system of economy by regulations which replace the prices determined by the exchanges by an economically sound and just price for all products destined for the market and not for immediate consumption on the farm. This is made possible by the *Reichsnährstand* law which has merged the farmers and those parts of industry and trade dependent on the farming population into one big organization. The sub-title of this law, namely, 'measures for the regulation of markets and prices of agricultural products', shows how, in this organization, the aim of achieving a price which is a fair return for labour and expenses incurred by the farmers is attained. This system does not mean planning, as it is not official interference with the form and extension of agricultural production. It means nothing more than a firm control by a centralized organization of all factors interested in this market. This control is made possible because the whole *Reichsnährstand* is subdivided into regional organizations which regulate the sale of agricultural production, corn, dairy produce, fats, eggs, cattle, &c. The surplus destined for the market is controlled by a government authority, through which it is possible indirectly to influence the quantity and quality of production, as the whole output can be brought on the market only if it has been registered with this government authority and a certificate of acceptance has been issued. As these bodies are under no obligation to issue certificates for all commodities and for all quantities of them, they can prevent a flooding of the market. On the other hand, as the demand must be registered with the government authority, there is a possibility of interchange between surplus and deficit territories. There is also the possibility—to which I draw your special attention—of an exact control of the quantity and quality of food which must be imported from foreign countries.

You will realize, therefore, that there is absolute control of the market and a possibility of preventing fluctuations caused by too big or too small an output, and also a possibility of fixing prices at a level fair to both the producer and the consumer.

The internal regulation of markets and prices in Germany has by no means been only for the purpose of national self-sufficiency. On the contrary the German Government has used it for the successful reconstruction of trade relations with foreign countries. The German Government has not chosen the method of calling a conference of all states concerned in the market, or of those grouped together in a natural economic unit, but has chosen the method of negotiation which may be called bi-lateral. In the same way as it has been done in Germany itself, the German Government has taken foreign commercial relations in hand from the point of view of agriculture and has found in the economic difference of agricultural exporting and importing countries the possibility for successful negotiations. So long as Holland, Switzerland, and especially eastern Europe from the Baltic to the Black Sea are reckoned as agricultural exporting countries, Germany, with its present standard of living, will hardly ever reach self-sufficiency in normal times, although every possibility for safeguarding the supplies from home production is used. If, however, the country is forced to greater self-sufficiency, then this will always be at the cost of imports. In the ordinary run Germany will always remain a food-importing country and will be able to help the agrarian states of Europe to get rid of their surpluses. But on no account must our own agriculture be damaged—as is the case with British agriculture under the Ottawa Pact—in the sale of her production and by prices, nor the security of the internal German market be shaken. This will be avoided if all foreign imports come under the German market regulations and are subject to the same limitations and, as compensation, enjoy the same guaranteed advantages. For, as I said before, the kind, quantity, and timely limitation of all desired or possible imports can be determined by the government authority, and under these conditions certificates similar to those issued for inland goods may be issued for a limited period for imports from outside the customs boundaries.

In such cases, the sale of these products must take place at the fixed prices of Germany's internal market, so that the world market prices determined by the exchanges which may still be valid outside Germany have no effect on the agricultural products brought to Germany from foreign countries.

This procedure will, in my opinion, be a guide for the future; for the supply of non-German markets which are still under the sway of the world market is in part only possible by the issue of export bounties, which are given in Poland for grain, and in the Baltic States and Switzerland for all dairy products. While, therefore, the trade

with Germany yields a fair price—and thereby raises the national income—the farmer in those countries with export bounties can only exist through government subventions which the general public has to bear. The Baltic states have realized that in spite of an increase in supply to the British market a decrease in monetary values is recorded.

German National Socialism carries the motto 'Patience' on its banner and makes its calculations for a distant future; in the same way as the importance of the farming population, which National Socialism realized long ago, is now everywhere being accepted, so it can be taken for granted that internal regulation of the market and of prices will some day be recognized as a matter of course.

It almost goes without saying that these bi-lateral agreements are formed entirely on the basis of 'compensation' and that Germany pays for its agricultural imports with manufactured goods. As the above-mentioned difference in prices between the world market and the German market is to the advantage of foreign farmers, and as in this way an increase in their purchasing power can be produced, an economic cycle is started which may go on developing more quickly and intensively, for the increased purchasing power on the one side will have a reviving effect upon industry on the other. The increase in the standard of living of those employed in industry and commerce will react to the benefit of their own agriculture and at the same time make a higher rate of foreign imports possible.

Thus this new method of commerce differs fundamentally in two main points from the former method. It is built not upon the system prevailing during the 'liberalist' period of supply and demand artificially created by advertising, but upon the real requirements of a country as determined by the close study of the market combined with an orderly marketing system. That those industrial products exported by Germany under the compensation agreement to other states also satisfy a real demand, every one will understand who has studied, for example, the state of affairs amongst the farming population of eastern Europe. In addition, the foundation and development of home industries as desired in agricultural countries, and the extension of transport facilities equally important for agriculture, industry and trade in those countries, can only be attained by these means.

The principles of Germany's internal legislation connected with the *Reichsnährstand* have been applied with great success to foreign trade relations. Orderly co-operation has replaced competitive struggles and unbridled disorder. To produce, to keep going, and to extend this procedure successfully is the duty of commissions which

consist of men actually engaged in these matters, producers, manufacturers, and representatives of traders in both countries, and who meet to discuss together the supply for the market, the allocation of quotas and the actual prices. That this system of working together and the merging of the separate national economic interests can work successfully is shown by the readiness of Polish, Hungarian, and Yugoslavian agriculture to adjust their production in accordance with the requirements of their German trade-partner by increasing their production of oil-fruits, flax, and wool, as Germany is and will continue to be a good customer for these products.

Furthermore, the trade agreements have followed the German internal model of inviting the co-operation of the honest traders who are necessary in the national economy for the movement and distribution of goods and have allotted to them a profit in accordance with their service. But all irresponsible and unjustifiable traders are to be eliminated, who would love to pocket the already mentioned difference between the prices on the world market and the German market, while the farmer would go empty-handed not only to his own loss, but also to the detriment of the economic conditions of both countries concerned. Above all, it is entirely in keeping with the spirit of the *Reichsnährstand* that the trade agreements should be discussed by the farmers' representatives and a decision arrived at in a manner desired by both countries.

The first almost timid attempts at an approach to the farmers were undertaken at The Hague, when in November last the trade agreement between Germany and Holland was about to be closed. But this novel method proved particularly satisfactory in the regulation of the economic relations with Poland and, through the negotiations of the farmers' leaders, the way to the transition from trade-war to collaboration was found. Shortly before the new Polish tariff was to come into operation, the representatives of German agriculture offered to bring the tariff-war, which had existed for years, to an end. Already at the first meeting held at Warsaw for the discussion and agreement as to a tariff-armistice, it was found that both parties desired to uphold trade relations and possibly even to extend them. The rye agreement of November 25, 1933, which settled the export of both parties, must be regarded as a success of these efforts. The farmers' delegates cleared up all open questions in this matter and thereby took the first step to an economic approach of the two countries. The conclusion of the tariff-peace on March 7, 1934, was followed by further discussions in April and May at Warsaw and at Berlin, at which the general situation was reviewed and means to

fight the economic crisis were discussed. An astonishing agreement in principles was found, and, in the German market control and the Polish export organization, means were provided for collaboration, so that discussions of concrete and detailed questions could start with hopes of success.

As confirmed by experience in Denmark, Hungary, and Yugoslavia, a surprising conformity of ideas showed itself everywhere, and a similarity in the trend of thought and opinion springing from the common peasant nature. Perhaps it is to be hoped that by this means a political *rapprochement* of the European states may result, for it has certainly been proved that the peasant or farmer, whether he ploughs his furrow in northern or eastern Europe or in France, does not lend his ear to imperialist music, and it also has been proved that he has in his political outlook stuck to his old ideas, which are by no means always in accordance with those expressed in Parliament or in the Press.

It is a well-known fact that Germany has concluded quite a number of these commercial agreements with its direct and indirect neighbours. The agreement with Holland was followed by those with Switzerland, Poland, Denmark, Finland, Esthonia, Hungary, and Yugoslavia.

As the British Dominions supply the British Isles with raw materials and foodstuffs, so these European agricultural countries exchange their farm produce for the industrial products of Germany. But these imports do not, as in England, harm the farming interests of the country, nor do they upset the German market. One may say that the commercial connexion between Germany and these farming countries is even closer as the result of their fitting into the German market regulations and by their participation in the fair price allotted to the German farmer.

This trade based on compensation is in reality a genuine exchange of goods which successfully combats the over-estimation of money created by the liberal system of economics. The holding of foreign exchange can have no constructive or destructive influence on trade if the balance of trade is made through merchandise. The Americans openly concede in their studies of the economic situation that their insistence on an active balance of trade, which had to be equalized by gold, has ruined their foreign trade after they had, as a result of the War, become a creditor instead of a debtor nation. The granting of credits for the increase of American exports has made matters worse rather than better. The leaders of the Polish peasants point out that for their country, which is lacking in capital and is still in a state of

construction, the payment of imports in foreign currency is absolutely impossible and that these payments can only be made in kind.

The crowning of this new system would be the conclusion of such agreements with more than one partner at a time. The sooner the various states in Europe are converted to a system of internal marketing as in Germany the easier it will be to come to such a general understanding. The regional system would thus take the helm in economics and the variety of requirements and the manifold export goods would certainly dethrone money as the regulator of international commercial relations. The above-mentioned adaptation of the agricultural exporting countries to the needs of other nations may in this grouping be of far-reaching importance.

In what manner the regions will be divided cannot yet be stated, but it will be desirable to have the smaller European areas such as the Danubian, the east European, and the Balkan countries united in a large European area. It will be of the utmost importance, however, that imperialism should be completely eliminated. As a shrewd Polish peasant leader said, 'the necessities of Europe ought to be covered by Europe itself'.

As Europe will always need imports from overseas there will always be sufficient possibilities for commercial intercourse with other continents. But the principles upon which the new German economic system is built, self-government, collaboration, genuine demand, fair price, which form the foundation of the new German commercial agreements, must also form the foundation of the reconstruction of the world's trade.

European trade and world trade will have the necessary stability and security in a crisis only if it is based on the farming population of the countries concerned and if it is set in motion by the leaders of this farming population. If the financial and the general business interests give their assistance to these efforts they will gain for themselves the lasting merit of having brought about the final end of the world crisis and the creation of a new and secure epoch of economy.