

If banks were to put fresh money into circulation in the creditor countries by buying securities until prices rose and until the balance of trade were in favour of the debtor countries, the discrepancy would be reduced. This method might entail, however, some danger of the credit putting up stock-exchange values unduly instead of raising commodity prices.

The gap could be reduced by a reduction in Reparations and Allied Debts, but the sum of these debts amounted only to a little more than four hundred million dollars or one-fifth of the total gap.

Whatever was done in these and other ways, the greater part of the gap would still remain to be bridged. And it could only be bridged by means of loans and credits from countries in a position to export capital. The Committee came therefore to the question of how international investment could be resumed.

Before any appeal was made for new credits, it was urged, a check would have to be put on the withdrawal of existing short-term credits. The financial crisis had been precipitated by the run on these credits in Germany. Afterwards conditions would have to be created on which new lending and investment, particularly on a long term basis, would be possible. These conditions were a restoration of confidence by the improvement of political relations, and an early settlement of governmental debts on a basis within the capacity of the debtor.

If confidence could not be sufficiently restored by these methods to attract the investing public, a remaining means existed in the governmental resources of creditor countries being made available as security for loans to debtor countries. Of course, the governments of the creditor countries would act as guarantors of such loans only if a prolonged atmosphere of peace were to prevail and if there were guarantees that the countries benefiting from the arrangement would not use their credits in order to relax their internal financial discipline or to allow themselves the luxury of foreign investment. With a view to the success of these loans, the Committee recommended that the Assembly should urge governments to do all in their power to promote international understanding and such domestic, social and political conditions as would facilitate the movement of capital.

The Committee welcomed the proposed extension both in scope and in method of the League's work in helping and guiding loan schemes. The League must not only reinforce the reconstruction already undertaken of Austria, Hungary and some other countries; wherever emergency aid or advice was required, the League must be prepared and equipped to give it. The necessary resources for this purpose must be put at its disposal.

The Second Committee further welcomed the fact that the League was now authorized to give help to schemes not only of reconstruction of public finances but of economic development as well. It expressed its appreciation of the work already done in that direction, noting with special satisfaction the Convention for setting up an International Agricultural Mortgage Credit Company.

The Committee requested the competent organs of the League to consider, with the assistance of the author, another proposal, submitted by M. Francqui (Belgium), to establish an institution for long- and medium-term credits, and, in the event of any practical scheme being recommended under the auspices of the League, to ensure that, as requested by overseas representatives, it would be open for all countries to participate on an equal footing.

With regard to this question of international loans, several delegates urged one point very strongly indeed. This point was that it will be just as important in the future to discourage borrowing for wrong purposes as it is to help borrowing for purposes that are in the public interest. In this connection it was suggested that the Financial Committee should draw up and publish the principles which should govern public borrowing and that the principal financial