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Economic Policy Positions and Influence of the International Chamber of Commerce during the Great Depression*

1. Introduction

The International Chamber of Commerce (I.C.C.) represented all parts of international business, including finance, industry, transportation, and commerce. It was founded by American, British, French, Belgian and Italian representatives in Paris in 1920. German industry and commerce could not join the organization at that time. Political reasons resulting from the First World War and the unsolved reparation question obviously prevented German participation until Germany – according to the Versailles Treaty – regained its autonomy in foreign trade policy in 1925. In contrast to the chiefly politically-dominated League of Nations, the I.C.C. quickly became the exclusive spokesman of the business world's interests during the interwar period. Thus, in the economic sphere, the I.C.C. constituted a sort of “business men's League of Nations”¹.

The organizational structure of the I.C.C. was composed of two levels: It consisted of an international level situated at the Headquarters in Paris (Presidency, General Secretary, Administrative Council, Committee Meetings) and a national level located in each member country around the world (National Committees). The difficulty of the organization lay in bringing into line both of these spheres in such a way as to make apparent a common position of the corporation, that is to say the unity of the national economic interests of each country on a common international platform. The founding fathers of the I.C.C. had seen this ambiguity and therefore installed a mechanism to solve this problem: When opinions diverged within the I.C.C., the Administrative Council should always take the

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¹ George L. Ridgeway, *Merchants of Peace. Twenty Years of Business Diplomacy Through the International Chamber of Commerce 1919–1938* (New York 1938) 15.

“final decision” with regard to the public². With this internal regulation mechanism the business world was given the opportunity to speak with one voice in the face of the economic problems emerging during the Great Depression.

In studying the economic policy positions of the I.C.C. during the interwar period, the following questions arise: Did the economic policy advice of the I.C.C. represent a real alternative to the policy actually pursued by the U.S.A., Great Britain, France and Germany during the Great Depression? Furthermore, could the economic policy program recommended by the I.C.C. have contributed to a mitigation of the Great Depression from 1929 to 1939?

We will start out with the foreign economic policy positions taken by the I.C.C. during the interwar period on monetary/financial matters, on the one hand, and commercial policy, on the other. Then, we will compare these recommendations with the economic policies actually pursued by the U.S.A., France, Great Britain and Germany. The subsequent section is devoted to measuring the actual extent of the influence taken by the I.C.C. using its different channels of influence. In conclusion, we will analyze the possible effects of the I.C.C.’s economic policy advice on the fight against the Great Depression.

2. Foreign Economic Policy Positions of the I.C.C. During the Interwar Period

Within the I.C.C. there were conflicting views as to what should be given priority in mitigating the Great Depression: monetary stabilization or commercial stabilization. Frederick Fentener van Vlissingen, President of the I.C.C., obviously gave first priority to the restoration of a stable monetary system and second to the abolishment of the multitude of trade barriers in the world³. However, there was also a growing number of members calling for the opposite priorities, but without any success⁴. In our opinion, the majority of the I.C.C. was right in presuming that no government would agree to give up its trade-protection measures, so long as monetary stability had not been restored in a definite way⁵. The two foreign economic policy spheres were intertwined and could not be detached from each other in pursuing a solution for the interwar depression problems.

² Archives of the I.C.C. in Saint Denis (=ASD): Document No. 4294, International Economic Relations Group. Committee on Commercial Policy and Trade Barriers, Report of the Meeting held on October 23rd, 1930, 4.

³ Bundesarchiv Dahlwitz-Hoppegarten: Reichswirtschaftskammer R 11/1354, 75.

⁴ For example Owen Jones from the British National Committee. ASD: BIB 44 Document No. 5426, Comité Monétaire, Procès-verbal de la réunion tenue les 7, 8 et 9 Mars 1934, 3–5.

⁵ Cf. René Duchemin, Headquarters of the I.C.C. in Paris (=HP): Document No. 5373, 35th Meeting of the Executive Committee, January 12th, 1934, 2.

2.1. *Monetary and Financial Policy Positions*

During the Great Depression the I.C.C. pleaded for an immediate return to the gold standard. For the I.C.C., gold constituted an important basis for the guaranteeing of stable exchange rates in a world where the financial and monetary system had been totally disrupted. Actually, the Chamber regarded its recommendation to return to gold more as a compromise, a necessary rather than a sufficient condition or a real remedy to cope with the crisis⁶. Further devaluation would have been prevented by the realization of this pro-gold monetary advice on the part of the I.C.C. But could it really have contributed to a mitigation of the Great Depression 1929–1939? Quite the reverse: Since 1985 economic historians have published evidence that the countries which clung to the gold standard were at a relative disadvantage because they had to pursue restricted monetary policies, which meant deflation rather than devaluation⁷. They showed that for countries that had devalued their currencies early on, the depression was milder and shorter. From this perspective, the recommendation of the I.C.C. to reinstate the gold standard was bad policy advice. Because the United States were unwilling to stabilize the non-functioning gold standard system by means of an expansionary monetary policy, only the renunciation of a fixed exchange rate, as the British did in September 1931, or exchange controls, as in the German case, provided the monetary leeway to surmount the crisis.

As far as monetary policy is concerned, the I.C.C. showed a certain ambiguity with respect to state intervention: In the documents submitted to the World Monetary and Economic Conference in 1933, the Chamber emphasized the necessity of keeping the Central Banks free from all political influence⁸. Nevertheless, the government's entry into the lending field was sometimes welcomed, not only by borrowers, but by the bankers as well⁹. For that reason President Franklin D. Roosevelt founded state agencies as a sort of stopgap measure until private banks would have recovered from depression. But, in general, the U.S. Treasury favored a restrictive monetary policy. It exercised a great influence on the Federal Reserve

⁶ HP: Document No. 5242, *Projet de Rapport de la Chambre de Commerce Internationale à la Conférence Monétaire et Économique présenté par M. Owen Jones, Rapporteur, au "Comité Spécial" en sa session du 21 Mars 1933*, 1.

⁷ Cf. *Barry Eichengreen, Jeffrey Sachs*, *Exchange Rates and Economic Recovery in the 1930s*, in: *Journal of Economic History* 45 (1985) 925–946; *Peter Temin*, *Lessons from the Great Depression* (Cambridge Mass. 1989) 33; *Harold James, Ben Bernanke*, *The Gold Standard, Deflation, and Financial Crisis in the Great Depression. An International Comparison* (National Bureau of Economic Research Working Paper No. 3488) (Cambridge Mass. 1991) 1; *Barry Eichengreen*, *Golden Fetters. The Gold Standard and the Great Depression, 1919–1939* (Oxford 1992) 28.

⁸ HP: Document No. 5100, *Special Committee for the Preparation of the Documents to be Submitted to the World Monetary and Economic Conference, Meeting of January 13th, 1933*, 7.

⁹ ASD: BIB 50, *The Effect of the Economic Depression on the American Banking System*. Address delivered by R. S. Hecht before the International Bankers Conference, Paris June 27th, 1936, 5.

Board's decisions with respect to the fixing of discount rates. In sum, one can say that central banks which were politically independent could have helped to carry out a policy of monetary expansion, even if it had been temporarily painful for those governments that aimed at stabilizing the exchange rate and at defending the gold parities. But, during the post-World-War-I period, neither the central banks of Great Britain and France nor those of Germany until May 1922 and of the U.S. were absolutely free from political influence; governments pushed for deflation rather than inflation. Even though the central banks did not fully share the views of their respective governments on this matter, they bowed to the official policy line as to a restrictive monetary policy¹⁰. Like the governments, the Council of the I.C.C. did not approve of an "easy" allocation of credit in October 1931. It even appealed to the members of the I.C.C. to help shunning "the illusory benefits of credit inflation"¹¹.

The severity of the Great Depression was evident in and partly caused by the falling prices for commodities. For this reason the I.C.C. recommended the increase of the wholesale price level. Pure monetary measures would never lead to such a recovery, declared the I.C.C. Council on October 19th, 1932¹². Even an intervention on the part of the state to maintain prices would aggravate rather than alleviate the crisis. Instead, the I.C.C. propagated the application of a self-imposed limitation of production, wherever the supply exceeded demand. In short: price-diminishing overproduction should be regulated by restricting output rather than prices be lifted by monetary measures. For this reason, the I.C.C. intended to promote the creation of cartels and of trusts to exercise a greater pressure on the producers of industrial goods. To be sure, this would have served the interest of the business world much better than monetary expansion. While the latter would, in principle, have lifted the general price level, self-imposed limitations of production would have improved the terms of trade of products of cartellized industries vis-à-vis other products. This would have increased their relative profits. Only one representative of the I.C.C. contradicted the official view of the Chamber. W. H. Coates, from the British National Committee, attached great importance to monetary remedies in fighting the sudden fall in prices. In his speech before the I.C.C. Council on June 24th, 1932, he established a negative correlation between the discount rate and the price index¹³. Thus, in the 1930s he was already propagating far-reaching ideas which only became popular with the writings of Milton Friedman and Anna J. Schwartz after the Second World War¹⁴. Coates' monetary

¹⁰ *Stephen V. O. Clarke*, *Central Bank Cooperation: 1924–31* (New York 1967) 29 f.

¹¹ Cited after: *New York Herald-Tribune* October 24th 1931, in: National Archives Maryland (=NA), Correspondence of the Office of the Treasury/Central File of the Office of the Secretary of the Treasury 1917–32. I.C.C. 1931–32, Box 93.

¹² ASD: BIB 43, Document No. 4940, *Projet de Declaration du Conseil de la Chambre de Commerce Internationale*, 19 Octobre 1932, 3.

¹³ HP: Document No. 4897, XXXVIIIth Meeting of the Council, 24th June 1932, 4.

¹⁴ *Milton Friedman, Anna Jacobson Schwartz*, *A Monetary History of the United States 1867–1960* (Princeton 1963).

advice was rejected by the majority of the I.C.C. The honorary president of the organization, Georges Theunis, expressed his utter disagreement with Coates' remarks in a harsh reply¹⁵.

The official recommendation of the I.C.C. to restrict output and thus to shorten supply, conflicted with a critical view of U.S. monetary policy during the Great Depression advanced in the sixties. Friedman and Schwartz considered the money supply as the key factor that had caused and could have prevented the severity of the crisis¹⁶. Their thesis was later on supported by the economist Allan H. Meltzer: "A more expansive monetary policy in the Fall of 1929, after the recession was recognized, and in 1930, would have limited the decline."¹⁷ But the Friedman/Schwartz analysis also contains some deficits. The authors did not mention, for example, that changes in the quantity of money always affect the real economy only with a certain time lag. Furthermore, they omit to analyze – in contrast to the I.C.C. – the influence of the protectionist tariff policy of the U.S., especially of the Smoot-Hawley Act, on sales and prices during the interwar period.

How little importance the Chamber attached not only to monetary but also to fiscal expansion to solve the crisis could also be seen in the following recommendation of the I.C.C.: to balance the public budget in each country¹⁸. Governments should achieve this end by reducing expenditures rather than by increasing taxes, declared the business organization. Therefore, the I.C.C. came in opposition to the "deficit spending" theory of John Maynard Keynes, already explained in some articles before having published his book "The General Theory of Employment, Interest and Money" in 1936. Keynes obviously supported various forms of economic stimulation by public investment financed by central bank credit creation. The I.C.C., however, preferred supply-side policy, like reduction of taxes and wages, rather than the demand-side policy advocated by Keynes. Despite the excitement among the younger economists created by the General Theory and their subsequent influx into Washington – especially the Federal Reserve Board under Marriner Eccles from late 1934 became the chief centre of Keynesian influence –, conservatives were firmly opposed to any expansion of the public sector. The fear of additional public debt was so deeply ingrained that the U.S. government hesitated to advocate a policy which would openly increase deficits¹⁹. Finally, in the field of budgetary policy the Americans acted exactly as the I.C.C. had recommended. At present we can say that the leeway of the public sector to boost

¹⁵ HP: Document No. 4897, XXXVIIIth Meeting of the Council, 24th June 1932, 5.

¹⁶ Friedman, Schwartz, Monetary History 301.

¹⁷ Allan H. Meltzer, Comments on "Monetarist Interpretations of the Great Depression", in: Karl Brunner (ed.), The Great Depression Revisited (Boston 1981) 149–152.

¹⁸ Internationale Handelskammer (ed.), Entwurf des Berichts der Internationalen Handelskammer für die Weltwirtschafts- und Finanzkonferenz, Drucksache Nr. 1 (Paris 1933) 8.

¹⁹ John Kenneth Galbraith, How Keynes Came to America, in: John Kenneth Galbraith (ed.), Economics, Peace and Laughter (New York 1972) 44–56; Alan Sweezy, The Keynesians and Government Policy, 1933–1939, in: American Economic Review 62 (1972) 116–125.

demand and thus counteract the crisis was underestimated in the United States. Even though it was an inhibition to some degree, the budget balancing principle actually left considerable room for manoeuvre²⁰. More acceptance of anticyclical spending during the Great Depression could have accelerated the pace of recovery more effectively than financial restraint by the state²¹. "Yet deficit financing had an important part to play, in 'priming the pump'", summarizes W. Arthur Lewis²². It did not automatically require the governments to recommend a tax increase, explained Herbert Stein²³. The opinion of the I.C.C. that taxes and wages were too high for an economic revival during the interwar period has been tested empirically by economic historians during the eighties and nineties and is not generally accepted²⁴.

²⁰ *Herbert Stein*, *The Fiscal Revolution in America. Policy in Pursuit of Reality* (Washington D.C. 1996) 16.

²¹ Cf. *Carl-Ludwig Holtfrerich*, *Vernachlässigte Perspektiven der wirtschaftlichen Probleme der Weimarer Republik*, in: *Heinrich August Winkler* (ed.), *Die deutsche Staatskrise 1930–1933. Handlungsspielräume und Alternativen* (München 1992) 137.

²² *W. Arthur Lewis*, *Economic Survey 1919–1939* (London 1970) 113.

²³ *Stein*, *Fiscal Revolution* 28.

²⁴ For Germany *Knut Borchardt*, *Zwangslagen und Handlungsspielräume in der großen Wirtschaftskrise der frühen dreißiger Jahre: Zur Revision des überlieferten Geschichtsbildes*, in: *Bayerische Akademie der Wissenschaften, Jahrbuch* (München 1979) 1–47; *Carl-Ludwig Holtfrerich*, *Zu hohe Löhne in der Weimarer Republik? Anmerkungen zur Borchardt-These*, in: *Geschichte und Gesellschaft* 10 (1983) 122–141; *Carl-Ludwig Holtfrerich*, *Was the Policy of Deflation in Germany Unavoidable?*, in: *Jürgen Baron von Kruedener* (ed.), *Economic Crisis and Political Collapse. The Weimar Republic 1924–1933 (German Historical Perspectives V)* (Oxford 1990) 81–98. *Hans-Joachim Voth*, *Did High Wages or High Interest Rates Bring Down the Weimar Republic? A Cointegration Model of Investment in Germany 1925–1930*, in: *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte* 83 (1996) 801–819; *Hans-Joachim Voth*, *Much Ado About Nothing? A Note on Investment and Wage Pressure in Weimar Germany, 1925–29*, in: *Historical Research* 19 (1994), 124–139; *Richard Tilly*, *Norbert Huck*, *Die deutsche Wirtschaft in der Krise, 1925 bis 1934. Ein makroökonomischer Ansatz*, in: *Christoph Buchheim, Michael Hutter, Harold James* (ed.), *Zerrissene Zwischenkriegszeit. Wirtschaftshistorische Beiträge. Knut Borchardt zum 65. Geburtstag* (Baden-Baden 1994) 45–95. For the opposite view see: *Knut Borchardt*, *A Decade of Debate About Brüning's Economic Policy*, in: *Kruedener*, *Economic Crisis* 99–152. *Stephen N. Broadberry*, *Albrecht O. Ritschl*, *The Iron Twenties: Real Wages, Productivity and the Lack of Prosperity in Britain and Germany Before the Great Depression*, in: *Buchheim, Hutter, James* (ed.), *Zerrissene Zwischenkriegszeit* 15–43; *Knut Borchardt*, *Albrecht Ritschl*, *Could Brüning Have Done It? A Keynesian Model of Interwar Germany, 1925–1938*, in: *European Economic Review* 36 (1992) 395–701; *Albrecht Ritschl*, *Zu hohe Löhne in der Weimarer Republik? Eine Auseinandersetzung mit Holtfrerichs Berechnungen zur Lohnposition der Arbeiterschaft 1925–1932*, in: *Geschichte und Gesellschaft* 16 (1990) 375–402; For a differentiated view: *Mark Spoerer*, *German Net Investment and the Cumulative Real Wage Position 1925–1929. On a Premature Burial of the Borchardt Debate*, in: *Historical Social Research* 19 (1994) 26–41; *Barry Eichengreen*, *Wages and the Gold Standard. Perspectives on the Borchardt Debate*, in: *Buchheim, Hutter, James* (ed.), *Zerrissene Zwischenkriegszeit, 177–203*; for the United States of America, cf. *Herbert Stein*, *Presidential Economics. The Making of Economic Policy from Roosevelt to Reagan and Beyond* (New York 1984) 385 f.

During the Great Depression the I.C.C. wanted to ensure an expansion of capital exports by creditor nations – especially the United States – with the aim of facilitating a speedy recovery in all countries²⁵. In our opinion, an increase of international capital transactions alone could not have contributed to a recovery during the interwar period. The dismantling of customs barriers would have contributed more effectively to breaking the spiral of falling world demand and export activity. With regard to the United States of America this meant: “Variation in U.S. import activity generally seems to have been of greater importance [for the supply of U.S. dollars] than variation in capital outflows.”²⁶ But a free and comparatively unhampered flow of credit was in a certain sense a precondition for the revival of world commerce. That is why Silas H. Strawn, member of the American National Committee of the I.C.C., advised in 1932 that nations should revive and foster international trade – apart from reducing tariffs – by granting loans and extending credits for sound and productive projects²⁷. It is interesting that this recommendation came from a member nation of the I.C.C., which had already been asked by other countries to expand its capital export to a certain extent. The most intense pressure for a laxer U.S. lending policy came from the British National Committee: Arthur R. Guinness pleaded for an expanded credit supply of the U.S. to other countries at moderate interest rates. That strategy could have helped Germany, above all, to abandon its foreign exchange controls during the Great Depression²⁸. Nevertheless, there had been some voices within the I.C.C., like those of Maurice Golay from Switzerland and Benjamin M. Anderson from the U.S., warning of artificially cheap money. It is no coincidence that these voices came from countries of whom more capital exports were expected. But their opinion did not represent the view of the I.C.C. Council²⁹. We share the I.C.C.’s official view. Of course, cheap money and abundant credit alone might not have overcome the depression, as the case of Japan has demonstrated in recent years. For example, when businessmen’s profit expectations remain depressed, cheap credit may have little effect in inducing investment and recovery. Expectations for

²⁵ *Bernhard Dernburg*, *Das Niveau der Preise und die Ursachen, die es beeinflussen*, Drucksache Nr. 11, Washingtoner Kongreß 1931, 4.

²⁶ *Carl-Ludwig Holtfreich*, U. S. Economic (Policy) Development and World Trade During the Interwar Period Compared to the Last Twenty Years, in: *Ivan T. Berend, Knut Borchardt* (eds.), *The Impact of the Depression of the 1930’s and Its Relevance for the Contemporary World. Comparative Studies Prepared for the A/5 Session of the 9th International Economic History Congress, 24–29 August, 1986, Bern, Switzerland (Budapest 1986)* 73. This reflects one of the main results of the classic study by *Hal B. Lary*, *The United States in the World Economy: The International Transactions of the United States During the Interwar Period* (Washington D.C. 1943).

²⁷ HP: Document No. 4785, XXXVIIth Session of the Council, Statement presented by Mr. Silas H. Strawn on behalf of the American National Committee of the International Chamber of Commerce, March 9th 1932, 3.

²⁸ Offizieller Sitzungsbericht des Neunten Kongresses der Internationalen Handelskammer in Berlin vom 28. Juni – 3. Juli 1937, in: *Internationale Wirtschaft* 7/8 (1937) 46 f.

²⁹ ASD: BIB 44, Document No. 6685, Committee on Monetary Policy and Credit. Minutes of the Meeting of October 19th and 20th, 1938, 11.

more demand seem to play an important part in promoting investment. But international lending at reasonably low interest rates from capital-rich countries to countries in distress and anticyclical capital exports generally have been shown by Charles P. Kindleberger to be essential conditions of stability in the world economy³⁰.

The transfer problem of the reparation and interallied-debt payments attracted the attention of the I.C.C. since its founding. For that reason, the I.C.C. had actively participated in the formulation of the Dawes plan³¹. Finally, during its Congress in Brussels in May/June 1925, the I.C.C. set up a Committee of International Settlements which looked for solutions for the reparation and the international debt problems. The realization of the Committee's recommendations would have been an important basis for the restoration of monetary stability in the debtor countries and the stimulation of world trade. In the course of the Amsterdam Congress in July 1929 the I.C.C. approved the Young plan as an important step to settle the difficult matter of reparation payments. The founding father of this plan, Owen D. Young, worked as a banker and was himself actually a representative of the American National Committee³². So, implicitly, the international agreement to fix and reduce the reparation payments during the Great Depression goes back to proposals by a member of the I.C.C. itself. More concrete efforts of the I.C.C. in this field had been presented by the Committee on International Settlements. Sir Alan G. Anderson even worked out a concrete draft for a ten-year moratorium for all reparation and interallied-debt payments. He proposed to integrate the Young plan into this new form of debt settlement³³.

Wolfram Fischer has played down the real significance of the reparation problem for the German economy³⁴. We share his view and that of Joseph A. Schumpeter "that, looked at as a business proposition, the Dawes tribute would have been nothing else but a 'commission' paid by Germany for the industrial conquest of the better half of the world"³⁵. But in our opinion, Fischer assigned too little importance to the burden of all the other private debt payments, which also weighed heavily on Germany's shoulders. Businessmen were interested in securing priority for private international credit over intergovernmental debt. There-

³⁰ Charles P. Kindleberger, *The World in Depression 1929–1939* (Berkeley 21986) 292.

³¹ Jean Meynaud, *Les Groupes de Pression Internationaux* (Études de Science Politique 3, Lausanne 1961) 369f.

³² Minutes, Executive Committee of the American Section, International Chamber of Commerce, February 13th, 1934, in: Franklin D. Roosevelt Library (=FDR) in New York, President's Official File 273. Young was also member of the Dawes Commission.

³³ Draft Resolution Proposed to the Committee on International Settlements, 13. 1. 1931 in: NA: Correspondence of the Office of the Treasury/Central File of the Office of the Secretary of the Treasury 1917–32. I.C.C. 1931–32, Box 93, 2.

³⁴ Wolfram Fischer, *Die Weimarer Republik unter den weltwirtschaftlichen Bedingungen der Zwischenkriegszeit*, in: H. Mommsen, D. Petzina, B. Weisbrod (eds.), *Industrielles System und politische Entwicklung in der Weimarer Republik* 1 (Düsseldorf 1977) 336.

³⁵ Joseph A. Schumpeter, *Business Cycles. A Theoretical, Historical, and Statistical Analysis of the Capitalist Process* 2 (New York 1939) 704, note 1.

fore, the reparation and interallied-debt question became one of the central points during the discussion in the course of the I.C.C. Congress in Washington in 1931. It was the opinion of I.C.C. President Abraham Frowein that the reparation question could hardly be separated from the interallied-debt problem. He pleaded for a complete cancellation of payments on both accounts³⁶. For that reason, the contribution of Herbert Hoover during the Washington Congress of the I.C.C. on May 4th, 1931, was understandable: In his opening address he did not raise the interallied-debt problem at all³⁷. In our opinion, the cancellation or, at least, considerable reduction of the reparation and interallied-debt payments early on could have played an important part in mitigating the Great Depression, especially so as the real burden of the nominally fixed payment obligations had increased enormously since 1929 due to the decline in prices during the course of the Depression. The idea presented, on January 13th, 1933, by the I.C.C.'s Special Committee for the Preparation of the Documents to be submitted to the World Monetary and Economic Conference, to create a kind of international organization to which the question of the fulfillment of obligations could be submitted, would have been worth implementing³⁸. Appeal to this institution was to be made possible for both: debtors and creditors. Furthermore, a central fund for the allocation of credit was proposed by Felix Mlynarski from the Hungarian National Committee in 1939³⁹. Economic historians in the 1990s generally approve of an international organization, as it was suggested by the I.C.C. during the Great Depression for the following reason: The absence of established procedures and the politicization of the intergovernmental process enormously hindered the necessary extension of the credit in the thirties⁴⁰.

2.2. Commercial Policy Positions

During the interwar period, the I.C.C. made tireless efforts to lower the artificial barriers erected by nations to international trade. The protectionist tariff policy pursued by many governments after the war had been seen by the Chamber as a

³⁶ Zur Wiederherstellung der Weltwirtschaft, in: Mitteilungen der Deutschen Gruppe der Internationalen Handelskammer 1 (1932) 3. As against that, the government of the United States insisted on a different handling of these two types of debt. *Dietmar Rothermund*, *The Global Impact of the Great Depression 1929–1939* (London 1996) 32.

³⁷ Internationale Handelskammer (ed.), *Sitzungsberichte des Washington-Kongresses Mai 1931*, Drucksache Nr. 78, 10f.

³⁸ HP: Document No. 5100, Special Committee for the Preparation of the Documents to be Submitted to the World Monetary and Economic Conference, Meeting of January 13th, 1933, 5.

³⁹ Internationale Wirtschaft 4 (1939) 66.

⁴⁰ *Michael D. Bordo, Barry Eichengreen*, Implications of the Great Depression for the Development of the International Monetary System, in: *Michael D. Bordo, Claudia Goldin, Eugene N. White* (eds.), *The Defining Moment: The Great Depression and the American Economy in the Twentieth Century* (Chicago 1998) 444. *Ralph G. Hawtrey* already pleaded for a less restrictive credit policy during the interwar period. *Ralph G. Hawtrey*, *Trade Depression and the Way Out* (London 1931) 74.

major contributor for the outbreak of the Great Depression. Therefore, Georges Theunis, president of the I.C.C. from 1929 to 1931, concluded that common action in this sphere might be effective⁴¹. The I.C.C. demanded substantial reductions in the level of existing tariffs, unreasonable customs regulations, and restrictions on transportation so that the tide of international exchange would be able to flow again with a substantially increased volume. Actually, collective action in this field would have aided in overcoming the depression in world trade. Walter Leaf, President of the I.C.C. from 1925 to 1926, emphasized the independence and non-political character of his organization in achieving this aim. He asserted: "We speak for trade alone, and have no need to think of votes."⁴²

Nevertheless, within the corporation there was considerable disagreement between member firms of the I.C.C. as to which tariff policy should be pursued by their respective governments. In March 1934 at a meeting of the I.C.C.'s Council, one participant described the ambiguity of the organization when he said that there was a perceptible demand on the part of the industry in the United States to urge additional protection for domestic production, on the one hand, and certain producers of export manufactures, who in the interest of an expansion of foreign trade favored governmental action to reduce tariffs, on the other⁴³. The same observation could be made for other countries. In sum, the I.C.C. tried to play the leading role in the field of reduction of trade barriers, but at the same time the forces of protection were to be found in its own ranks. Therefore, it was very significant that a member of the American Section of the I.C.C. pronounced that the key for solving the Great Depression did not lie in the political sphere. "Government co-operation was imperative but leadership must come from business", said Melvin A. Traylor during the Washington Conference of the Chamber in May 1931⁴⁴.

There had also been differences between certain National Committees about the way to remove import restrictions. While the Americans approved of a tariff truce, even if it were limited to the European Continent, it was rejected by the British. The latter regarded the customs truce recommended by the Assembly of the League of Nations in 1929 as a hindrance to the abolition of tariffs and the expansion of their imperial trade. The French took a moderate position in that controversy: After having stopped the world-wide decline in production, they would support a tariff truce, with the exception of the colonies⁴⁵. In its report to the World Economic and Finance Conference in 1933, the I.C.C. finally recom-

⁴¹ Internationale Handelskammer (ed.), *Ansprache des Präsidenten der Internationalen Handelskammer Herrn Georges Theunis*, Drucksache Nr. 16, Washingtoner Kongreß 1931, 2.

⁴² Cited from: Ridgeway, *Merchants* 235.

⁴³ HP: Document No. 5420, XLVème Session du Conseil, 9 Mars 1934, 6.

⁴⁴ International Chamber of Commerce (ed.), *Proceedings of the Washington Congress May 1931*, Brochure No. 78, 20.

⁴⁵ HP: Document No. 3978, *Groupe des Relations Économiques Internationales. Trêve douanière. Analyse des réponses des comités nationaux au questionnaire de la C.C.I.* (par le Service Industrie et Commerce), Février 1930, 2, 5, 7f.

mended the conclusion of the customs truce⁴⁶. In sum, one can say that such a commercial disarmament, if it had been implemented by the governments, could have been only a temporary measure to prevent the worsening of the Great Depression. Steps of greater scope would have been necessary to contribute to a mitigation of the crisis. One of these could have been the I.C.C.'s ambitious program to organize industry into cartels, syndicates, or trusts on a world-wide scale. "By reducing costs of production and so adjusting output to consumption"⁴⁷, cartels might indeed have contributed to a mitigation of the Great Depression. In addition to that, the Chamber wanted to use cartels as a means of monetary stabilization "because they are quickly able to make themselves independent of the oscillations of the currency in the individual countries either through the fixing of flexible prices or only directing the exchanges towards countries with similar monetary condition"⁴⁸. The I.C.C. also understood cartels as an instrument to prevent a further decline of the price level. For the interwar period this assertion was empirically proven: In Germany, for example, the cartellized prices fell less, only one percent, than the non-cartellized prices, with 24 percent⁴⁹.

The I.C.C. recognized the instability of international tariff treaties. In 1929 and 1930 all the existing agreements which were valid only for a limited time expired. From this time on, contracts which were terminable in the short term dominated international business relations. The duration of treaties diminished because some nations wanted to keep open the possibility of adapting their tariff levels to changed circumstances in the world. Therefore, the I.C.C. recommended the conclusion of long-term trade agreements. Between certain National Committees there nevertheless existed differences of opinion about their character: Some preferred multilateral treaties with the unconditional most-favored-nation (M.F.N.) clause; others gave priority to bilateral agreements with a restricted M.F.N. clause⁵⁰. This divergence became obvious in the statements given by the American and British National Committees. While the first rejected the multilateral approach, the latter approved of this sort of agreement⁵¹. All in all, three possible options for tariff reform were seen by the I.C.C. – autonomous reductions as well as bilateral and multilateral agreements. The members of the Chamber obviously disagreed as to what policy approach should be favored. That the I.C.C. finally took refuge to bilateral agreements can be explained by the fact that the multilat-

⁴⁶ Internationale Handelskammer (ed.), *Die Weltwirtschafts- und Finanzkonferenz*, Drucksache Nr. 84 (Paris 1933) 9.

⁴⁷ *Pierre Vasseur*, General Secretary of the I.C.C., in: HP: Document No. 4580, 29th Session of the Executive Committee, July 30th 1931, 6.

⁴⁸ HP: Document No. 4597, Committee on International Ententes, Meeting of October 5th, 1931, 1.

⁴⁹ League of Nations (ed.), *The Course and Phases of the World Economic Depression*. Report Presented to the Assembly of the League of Nations (Geneva 1931) 167.

⁵⁰ Deutsche Gruppe der Internationalen Handelskammer (ed.), *Bericht über die Tagung des Beirats der Deutschen Gruppe der Internationalen Handelskammer* (Berlin 1934) 24.

⁵¹ HP: Document No. 5420, XLVème Session du Conseil, 9 Mars 1934, 7.

eral approach had not the slightest prospect of succeeding⁵². Bilateralism became a sort of stopgap measure of the I.C.C. after the failure of certain collective actions, also on the part of the League of Nations (cf. World Economic Conferences of 1927 and 1933). Finally, in the course of the Paris Conference of 1935, the I.C.C. recommended the conclusion of bilateral agreements on a M.F.N. basis. This approach was supposed to be the first step on the way to a world-wide abolition of tariff and non-tariff barriers⁵³. The success of the Reciprocal Trade Agreements Policy, which had been initiated by the Secretary of State Cordell Hull and was taken up by the U.S. in 1934, showed that the I.C.C. advice on the course of trade policy contributed to mitigating the Great Depression.

The I.C.C.'s recommendation to apply the M.F.N. clause when concluding commercial treaties was another attempt by the organization to approach the goal of free trade during the Great Depression. The Chamber saw the application of this commercial principle as an important instrument to abolish discriminatory practices among the nations and to check retaliation measures on the part of the European Continent resulting from the Smoot-Hawley Tariff Act in the U.S.A. Moreover, the M.F.N. clause could pave the way for new tariff agreements in the world, which would contribute to a mitigation of the crisis. The I.C.C. even formulated a kind of draft-clause which was supposed to be integrated word for word in various trade agreements. But not all National Committees supported the M.F.N. clause as an important basis for trade negotiations. Above all, the British and the French refused to adopt this principle because of their special relationship to certain overseas territories⁵⁴. In short, neither nation wanted to share the economic advantages they held in their colonies. Finally, in working out a common platform, the Chamber could not disregard the different national positions represented by its members. For this reason, the Committee of Ten of the I.C.C., which had been created during the crisis for the special purpose of advising on trade questions, recommended the exclusion of the colonies from every sort of trade agreement: "The question of the international exploitation of colonies touches on singularly delicate and essentially political problem of mandates – a question in which it is preferable that the Chamber should not interfere."⁵⁵ The position of the League of Nations toward an M.F.N. clause was contrary to that of the I.C.C. In the opinion of Arthur Salter, the M.F.N. clauses would impede tariff reductions along the only practicable path of progress – that of agreements between pairs or groups of countries with complementary production and comparable tariff and

⁵² Cf. *Owen Jones*, in: Bundesarchiv Dahlwitz-Hoppegarten, Reichswirtschaftskammer R 11/1354, 58.

⁵³ Der VIII. Kongreß der Internationalen Handelskammer, in: *Mitteilungen der Deutschen Gruppe der Internationalen Handelskammer* 5 (1935) 8.

⁵⁴ HP: Document No. 5142, *Projet de Rapport de la Chambre de Commerce Internationale à la Conférence Monétaire et Économique présenté par M. Owen Jones, Rapporteur, au "Comité Spécial"* en sa session du 21 Mars 1933, 10.

⁵⁵ ASD: BIB 43, Document No. 4593, Committee of Ten, October 5th, 1931, 6.

currency system⁵⁶. That was why Richard Riedl from the Austrian National Committee asked for certain exceptions from the clause in the course of creating regional organizations in the world. This idea was finally rejected by the Americans and the British, but strongly supported by the Germans and French. The latter gave their support to certain exceptions from the application of the M.F.N. clause with regard to the creation of a European Economic Union. Therefore, it was not without reason that the General Agreement on Tariffs and Trade (GATT) exempted customs unions, free trade areas and Commonwealth preferences from the M.F.N. obligation upon its founding in 1948.

In the eyes of the I.C.C. the creation of a European Economic Community seemed to be a necessary condition for mitigating the Great Depression in the interwar period. It is interesting to see the great differences which existed between the I.C.C. and the League of Nations in achieving the aim of a closer union of Europe: While the Chamber attached great importance to the economic aspects of European Unity, the League gave priority to political aims. The goal of the I.C.C. was to create a common market through the realization of more freedom for the international movement of goods, of persons, of capital and of services which became popular only after the Second World War⁵⁷. Nevertheless, differences also existed between some National Committees about the character of a closer co-operation in Europe in the discussion of Aristide Briand's proposal for a European Federation in May 1930: "As regards the essential point, the subordination of economic to political problems, certain national committees were for this principle, other against it."⁵⁸ There were even some members of the I.C.C. who seemed to be opposed to the creation of a European Customs Union. Above all, the British National Committee declined to participate in this project because of its special attachment to the "imperial preferences". Furthermore, the English members of the I.C.C. feared the reinforcement of commercial antagonism vis-à-vis the U.S.⁵⁹. But ultimately the Americans were also interested in strengthening Europe in its development by encouraging the I.C.C. plan for a closer union of Europe. During the Conference of the I.C.C. in Washington in 1931, Abraham Frowein, president of the I.C.C., recalled the recommendations which had been formulated in America itself in favor of a closer integration of European national economic units⁶⁰. During the interwar period it would have been easier, in our opinion, to achieve European integration by an economic union corresponding to

⁵⁶ *Arthur Salter, World Trade and Its Future* (London 1936) 95.

⁵⁷ ASD: BIB 44, Document No. 4613, "Comité des Dix". Recommendations faites par la Commission réunie à Berlin le 17 Octobre 1931 en vue de la conclusion de Fédérations économiques en Europe, 2.

⁵⁸ HP: Document No. 42014, Thirty-Third Meeting of the Council, 9.

⁵⁹ International Chamber of Commerce/British National Committee (ed.), *Some Considerations of the United States of Europe and other possible Economic Groups. An Independent Study prepared for the Information and Consideration of the British National Committee* (London 1930) 4, 6.

⁶⁰ International Chamber of Commerce (ed.), *Proceedings of the Washington Congress May 1931*, Brochure No. 78, 67.

the recommendations of the commercial representatives than by an attempt at political union between national governments. For that reason, the I.C.C. plan for the creation of a European Economic Community would have been easier to realize than political union and could have been an important contribution to alleviating the Great Depression. It would have smoothed the path for trade liberalization and for controlling production, at least in a certain region. But without England the continent of Europe alone could not have been a world economic power comparable to the one which had built up in America⁶¹. But political developments, especially in Germany in 1933, precluded all options of European integration anyway.

3. The Extent of the Influence of the I.C.C.

3.1. *Channels of Influence*

The interwar period revealed different channels which could have been taken by the I.C.C. to influence governments. First of all, there was the option of direct contact with politicians responsible for shaping policies. Several times the I.C.C. in Paris energetically appealed to the National Committees to urge their respective governments to favor the reduction of customs barriers for the benefit of increasing international commercial exchange. For this reason, some countries assembled a delegation of qualified representatives who not only filed a complaint with their government but also tried to convince policy makers with their economic know-how⁶².

The I.C.C. also used the distribution of specialized publications. Various books and brochures were meant to inform a broader public by analyzing causes of and remedies for the Great Depression⁶³. For this aim the I.C.C. also widely distributed the proceedings of its Conferences. Each National Committee tried to obtain the attention of its respective government by sending a copy of the Conferences' final resolutions with individual recommendations demanding their implementation. The influence of the I.C.C. grew indirectly due to the fact that a large number of its members had already occupied leading positions in government.

⁶¹ Cf. *André Siegfried*, *European Reactions to American Tariff Proposals*, in: *Foreign Affairs* 1 (1929) 18. Siegfried gave important advice to the French National Committee during the interwar period.

⁶² There are only two minutes of meetings between members of the British Government and representatives of the British National Committee left in the Public Record Office in Kew (PRO). One I.C.C. delegation met Prime Minister Stanley Baldwin on June 5th, 1923 (PRO/T171/1315). Another went to John Simon, the Chancellor of Exchequer, on June 5th, 1938 (PRO/T172/1889).

⁶³ Joint Committee Carnegie Endowment-International Chamber of Commerce (ed.), *Separate Memoranda from the Economists Consulted by the Joint Committee on the Improvement of Commercial Relations between Nations and the Problems of Monetary Stabilization* (Paris 1936).

Their contacts with the old guard had not been disrupted and could be seen as an important channel of influence in the political sphere. For example, Georges Theunis, the President of the I.C.C. from 1929 to 1931, had once been the Prime Minister of Belgium.

Generally speaking, in the United States of America the I.C.C. could exercise a somewhat greater influence on policy than in Europe. The Chamber did not regularly participate in the hearings of the U.S. Congress but often undertook various efforts at establishing direct contact with the President himself. For that reason, Herbert Hoover had also been invited to inaugurate the I.C.C. Congress, which took place in Washington in May 1931. His final refusal to address the reparation and interallied-debt question had been a rejection of the Chamber's principal plan. Hoover was at least present, which enhanced the status of the business organization in the media. The fact that the delegates of the Conference discussed the reparation and interallied-debt problem in spite of the disapproval of the U.S. President and of the American Section of the I.C.C. finally exerted great pressure on the Hoover administration in this matter.

There was also close cooperation between the League of Nations' Economic Committee and the I.C.C., initiated in 1921 under the special guidance of Alberto Pirelli, at the same time I.C.C. vice president and member of the Economic Committee. The Council of the League accordingly invited the I.C.C. to take part in the work of its international economic conferences in an advisory capacity. Gustave L. Gérard of the I.C.C. frankly described the intention of his organization to influence the most precious tool of the governments, the League of Nations, according to the economic wishes of the business world⁶⁴. With regard to the field of trade barriers, the I.C.C. pursued a double objective: The influencing of the public, on the one hand, and changes in national legislation on the other.

3.2. Successes and Failures

The I.C.C. exercised a kind of influence which is not easily measurable, for it was often implicit rather than explicit. The recommendations of the I.C.C. were not only realized in the economy but also in the political sphere. Its actions were sometimes concentrated on developing the guiding principles to be aimed at on international conferences, afterwards often shaped by the League of Nations into concrete policy proposals (cf. World Monetary and Economic Conferences of 1927 and of 1933). The different National Committees of the I.C.C. finally adapted the principals to diverging national circumstances. With regard to the reparation and interallied-debt problem, a certain success can be attributed to I.C.C.'s work. It was in fact the discussions at the Washington Conference of the Chamber in May 1931 which prompted President Hoover to elaborate the famous moratorium for all reparation and interallied-debt payments. This, however, did not

⁶⁴ Sitzungen und Arbeiten, in: *Ergänzungsheft 2 zur Internationalen Wirtschaft* (Oktober 1929) 76.

actually contribute quickly to a mitigation of the crisis. During a meeting of the British National Committee on June 28th, 1932, the I.C.C.'s influence on the Hoover proposals of June 1931 had been explicitly summarized as follows: "It was not generally known at the time that the Hoover Moratorium initiated last summer was in fact an interesting consequence of our Congress [in Washington], but Mr Castle, the United States Assistant Secretary of State for Foreign Affairs, made a public admission that it was the discussions at our Congress in Washington which first caused President Hoover to consider the necessity for courageous action."⁶⁵ The Hoover Moratorium was, in fact, an interesting result of the I.C.C. Congress in Washington concerning the reparation and interallied-debt problem at the same time. To sum up, the I.C.C. played a leading role in solving the reparation and interallied-debt questions thanks to the broad coverage of the I.C.C. Washington Congress in the U.S. media. They strongly supported the work of the Chamber and exerted a great pressure on the attitude of the American government: Journalists wrote many articles about the final position taken by the I.C.C. in its resolutions in 1931 and obviously disapproved of the refusal of the U.S. government and the American Section of the I.C.C. to tackle the interallied-debt question. In contrast to the Hoover Moratorium, the Conference in Lausanne in July 1932 only dealt with Germany's reparation payments – not the interallied-debt problem⁶⁶. This was the reason why the Americans did not take part in its negotiations⁶⁷.

The intervention of the Chamber would have been particularly useful in the domain of collective action against tariff policy, but this did not take place on a great scale until the Second World War had ended the Great Depression and had triggered a new orientation of U.S. foreign economic policies⁶⁸. It manifested itself in the multilateral agreements on tariff reduction within the framework of the GATT. Despite the commercial policy positions of the I.C.C. during the Great Depression, the interwar period was characterized by rising tariffs and an increase in other import barriers around the world. In enacting the Smoot-Hawley Tariff Act in June 1930⁶⁹, the U.S.A. triggered a wave of retaliatory measures, above all in

⁶⁵ Unpublished document of the British National Committee in the British Library in London. Annual Meeting of the British National Committee, June 28th, 1932, 2. Cf. Edward W. Bennett: "The conference of the International Chamber of Commerce, held in Washington from May 4 to 7, must have given further impetus and direction to Hoover's thoughts." *Edward W. Bennett, Germany and the Diplomacy of the Financial Crisis* (Harvard 1962) 132.

⁶⁶ *Gian Trepp*, Die Bank für Internationalen Zahlungsausgleich im Zweiten Weltkrieg: Bankgeschäfte mit dem Feind. Von Hitlers Europabank zum Instrument des Marshallplans (Zürich 1993) 21; *Wolfram Fischer*, Die wirtschaftspolitische Situation der Weimarer Republik (Schriftenreihe der Niedersächsischen Landeszentrale für Politische Bildung 9) (Celle 1960) 53.

⁶⁷ *Herbert Hoover*, Memoiren, Die große Wirtschaftskrise 1929–1941, Bd. 3 (Mainz o. J.) 171 f.

⁶⁸ *Lutz Frühbrodt, Carl-Ludwig Holtfrerich*, Die Neugestaltung der US-Wirtschaftspolitik nach 1945. Die Erfahrungen der Zwischenkriegszeit als Argument, in: *Jahrbuch für Wirtschaftsgeschichte* 1 (1998) 85–123.

⁶⁹ For a detailed description cf.: *Carl-Ludwig Holtfrerich*, The Grown-up in Infant's Cloth-

Europe⁷⁰. While in 1931 the British increased duties for certain commodities up to 50 percent and in 1932, with the Ottawa Agreement, erected a special trading system of imperial preferences, the French imposed a more severe quota system. The Germans joined in this prohibitive development by raising agricultural tariffs and establishing foreign exchange restrictions. As a result, world trade continued to shrink. No recovery was in sight. Finally, a change in the course of U.S. tariff policy emerged in 1934 when the United States, departing from Republican protectionism, with the Democrats in control of the Congress and the Presidency, embarked upon a program of reform in tariff-making which represented a belated attempt to follow the commercial policy advice given by the I.C.C. in the interwar period. The methods adopted by the U.S. Department of State in the formation of this tariff policy marked an essential departure from the notorious Smoot-Hawley Tariff Act. Thus, export interests which had lacked influence in preparing the tariff bill in 1929 were, five years later, granted the right to a full hearing in Washington. Nevertheless, there was a flaw in the new trade policy of the U.S. under Secretary of State Cordell Hull: Commercial treaties were not concluded with all important trading nations, for example Germany and Japan, because trade policy was used as a sort of containment policy against totalitarian and militaristic nations.

The influence of the I.C.C. during the Great Depression can, however, be ascertained in the 1934 Reciprocal Trade Agreements Act, if we are to believe the statement of Frederick Fentener van Vlissingen, former president of the I.C.C.⁷¹. Nevertheless, the members of the I.C.C. did not always act consistently with one another with regard to commercial policy recommendations. In the thirties, voices even emerged within the I.C.C. speaking out for more protectionism. A member of the British National Committee remarked in June 1932: "In France the demand for these quotas comes largely from the leading industrial organizations which constitute the French National Committee."⁷² In short, the ambiguity of policy positions of I.C.C. members revealed the greatest weakness of the Chamber in its attempts to bring governments to cut back on trade barriers rather than increase them during the Great Depression.

The I.C.C. periodically discussed economic policy questions and issued recommendations, but it was not successful in convincing all the respective governments of the necessity of a powerful and comprehensive united action to reduce trade impediments. Apart from the Hull program, the organization failed to extend the system of commercial treaties throughout the world. But in this failure the

ing. *The U.S. Protectionist Relapse in the Interwar Period*, (J. F. Kennedy-Institut für Nordamerikastudien. Abteilung für Wirtschaft, Working Paper No. 19) (Berlin 1989) 30–49.

⁷⁰ See the classic study: *Joseph M. Jones, Jr., Tariff Retaliation. Repercussions of the Hawley-Smoot Bill* (Philadelphia 1934).

⁷¹ *Frederick Fentener van Vlissingen, Das amerikanische Handelsvertragsprogramm. Ein wirksamer Angriff gegen die Handelshemmnisse*, in: *Internationale Wirtschaft* 3/4 (1937) 8, and *idem, Die Förderung des internationalen Güteraustausches*, in: *Internationale Wirtschaft* 2 (1939) 13.

⁷² *International Chamber of Commerce* (ed.), *British National Committee, Annual Meeting of the British National Committee June 26th, 1932, Report of Proceedings* 3.

Chamber did not stand alone. The World Monetary and Economic Conferences of 1927 and 1933, organized by the League of Nations, and their recommendations in favor of liberalizing trade were also clearly failures. Even though American and European business leaders failed in their attempt at a combined League and I.C.C. tariff offensive, the I.C.C., at least, was effective in providing the impetus which helped to place trade problems in the hands of experts drawn largely from its own ranks. Furthermore, the I.C.C. sometimes exerted influence on national legislatures; this happened, for example, in the case of Congressional hearings on the Reciprocal Trade Agreements Bill⁷³. All in all, the shaping of a fair and equitable partnership between government and business conceived in terms of national interests broadly instead of narrowly defined, i.e. taking into account the repercussions of protectionism on other nations' trade policy and import demand, had slowly taken shape. Its effectiveness was considerably improved after the Second World War.

Progress could be observed during the interwar period in the attitude of the governments toward the most-favored-nation treatment. The Americans had changed their position from strong opponents of the unconditional M.F.N. clause to real advocates of this foreign-trade principle already in connection with the Fordney-McCumber Tariff Act of 1922⁷⁴. But it grew to importance only after the Reciprocal Trade Agreements Act of 1934, when the M.F.N. clause became part of the bilateral trade agreements. In November 1939 twenty parties already held contracts with the U.S.A. on an M.F.N. basis. Nearly 60 percent of American foreign trade was affected by this clause. The British, in contrast, mostly denied the most-favored-nation treatment, mainly on account of their imperial preferences. They pursued a policy of "bilateral balancing", which reinforced trade at the expense of third parties. His Majesty's Government had decided to make concessions only on the basis of reciprocity⁷⁵. The same attitude could be observed in Germany. In France, however, a certain willingness to realize the M.F.N. clause emerged in 1931, but it had little practical bearing due to the prevailing quota system.

The advice of the I.C.C. to create a European Economic Community found the greatest approval in France, where Aristide Briand proposed the formation of a European Federation in May 1930. While the French Foreign Minister put the main emphasis on the political side of a European Unity, the I.C.C. exclusively stressed the economic advantages of a Common Market. The French efforts also had a certain anti-American thrust⁷⁶. Nevertheless, the American government was

⁷³ *Ridgeway*, Merchants 390.

⁷⁴ For details cf.: *William B. Kelly, Jr.*, Antecedents of Present Commercial Policy, 1922–1934, in: *W. B. Kelly, Jr.* (ed.), *Studies in United States Commercial Policy* (Chapel Hill 1963) 38f.

⁷⁵ House of Commons, *Parliamentary Debates 1932–33*, Vol. 275 (London 1933) 2024. Cf.: *Margaret S. Gordon*, *Barriers to World Trade. A Study of Recent Commercial Policy* (New York 1983) 409f.

⁷⁶ *Hans-Jürgen Schröder*, *Widerstände der USA gegen europäische Integrationsbestre-*

not principally opposed to the plans for the unification of Europe. Quite the reverse: the U.S.A. supported the idea of abolishing the inner-European customs barriers to a certain extent⁷⁷. The responsibility for the failure of the Briand plan for a European Federation has to be attributed to the German and British politicians. In Germany, the Brüning government obviously prevented actual steps for the creation of a European Union⁷⁸. Also, the British government expressed doubts about the I.C.C.'s plans for Europe. Because of their "special relationship" with the Commonwealth and the United States of America, the British remained sceptical of every sort of European regionalism. They obviously gave priority to their colonies over the European Continent⁷⁹.

During the interwar period, the monetary-policy decisions of the central banks in the U.S., Great Britain, France and Germany contributed to deepening rather than mitigating the Depression. By means of high discount rates the Federal Reserve System, the Banque de France and the Bank of England were responsible for a severe monetary contraction, even though the I.C.C. pleaded for more relaxation. Similar charges have been made against the Reichsbank, which permitted an overvaluation of German currency and a dramatic monetary deflation as measured by the monetary aggregates M1, M2, or M3⁸⁰. Restrictions on Reichsbank lending by increasing bank rates were maintained during the depression until the summer of 1931. When thereafter the discount rates were lowered, the finance sector in Germany made serious mistakes in the distribution of credit: Bank lending was concentrated not in dynamic branches of the economy but rather in stagnant ones with few technical innovations⁸¹.

After 1931, the Banque de France held firmly to the prestige of the Franc Poincaré and resisted a devaluation and the creation of new credits. Also, the Bank of England first dealt a severe blow to Britain's international competitive position by bringing the pound back to the gold standard at the prewar parity of \$ 4.86. Later on, England was one of the first countries to abandon the gold standard on September 21st, 1931⁸². In contrast, the other currencies were detached from gold much later than the pound: the dollar in 1933 and the franc in 1936. The Germans

bungen in der Weltwirtschaftskrise, in: *Helmut Berding* (ed.), *Wirtschaftliche und politische Integration in Europa im 19. und 20. Jahrhundert* (Göttingen 1984) 171.

⁷⁷ *Walter Lippens*, *Europäische Einigungsidee 1923–1930 und Briands Europaplan im Urteil der Deutschen Akten*, in: *Historische Zeitschrift* 203 (1966) 75. Other opinions cf. *Schröder*, *Widerstände der USA* 169–184.

⁷⁸ *Akten zur Deutschen Auswärtigen Politik 1918–45. Aus dem Archiv des Auswärtigen Amts, Serie B 1925–1933, Bd. XV, 1. Mai bis 30. September 1930* (Göttingen 1980) Nr. 123/127/136.

⁷⁹ *Karl Dietrich Erdmann*, *Der Europaplan Briands im Licht der englischen Akten*, in: *Geschichte in Wissenschaft und Unterricht* 1 (1950) 28.

⁸⁰ For data on the large reduction of the money supply in Germany after 1929 see: *Tilly, Huck*, *Die deutsche Wirtschaft in der Krise* 62, 77–80.

⁸¹ *Harold James*, *Did the Reichsbank draw the Right Conclusions from the Great Inflation*, in: *Gerald Feldman* (ed.), *Die Nachwirkungen der Inflation auf die deutsche Geschichte 1924–1933* (München 1985) 227.

⁸² *James*, *Reichsbank* 211.

implemented their deflation policy as a sort of "Ersatzabwertung" [substitute devaluation] which did not have the same economic effects as a real devaluation, for example the one in Great Britain⁸³. In sum, the countries that defended their gold parities experienced a markedly further deterioration in their economic activity. It became evident that they suffered from a relative disadvantage as to their international competitive position⁸⁴. In some respects, the failure of the I.C.C. to influence all governments to hold on to gold finally turned out as an advantage for countries with freely floating exchange rates. These experienced early recoveries. Above all, the British economy profited from its improved international competitive position after having devalued the pound.

With regard to price policy, the U.S., Great Britain, France and Germany made serious efforts to stabilize the price index. Cartels were created to achieve this aim by restricting output. For this reason the Americans and Germans even revised their legislation during the Great Depression. The French government openly approved the creation of cartels as a remedy against the fall in prices⁸⁵. This attitude corresponded to the economic policy advice given by the I.C.C. in May 1933⁸⁶. In Germany, however, state intervention was aimed at fixing prices at lower levels. Cartels were ordered to reduce their prices. In November 1936, after full employment had been reached and inflationary pressure had been built up, this development ended in an officially dictated price stop. None of the countries mentioned adopted monetary policies as a means to increase the price level. They all clung to an economic policy basically oriented at the supply side. In this respect, their economic policies can be seen as having been largely in line with the economic policy positions taken by the I.C.C. during the Great Depression. Furthermore, accordance between the governments' actions and the I.C.C.'s policy proposals can also be observed in some other fields: The U.S.A., Germany, Great Britain and France all aimed at achieving a balanced budget during the Great Depression. But finally, this goal was abandoned in the first-mentioned two states: in Germany with the formation of a National Socialist government, and in the U.S.A. with the introduction of the New Deal.

4. Conclusion

In conclusion, the economic policy positions of the I.C.C. during the Great Depression represented a real alternative to the actual policies pursued only in the field of commercial policy advice: The reduction of trade barriers, the conclusion of multilateral trade agreements on the basis of the unconditional M.F.N. clause and the creation of a European Economic Community constituted an effective

⁸³ *Holtfrerich*, Vernachlässigte Perspektiven 150.

⁸⁴ *Lary*, United States 185. See also footnote 7.

⁸⁵ Cf. Report of *Philippe Berthelot* from January 6th, 1932, in: *Archive Diplomatique in Paris (=AD)*, B-Information Economique 34, 3.

⁸⁶ Offizieller Sitzungsbericht des Siebten Kongresses der Internationalen Handelskammer, Wien 29. Mai-3. Juni 1933, in: *Internationale Wirtschaft* 7 (1933) 10.

program for mitigating the Great Depression. But the I.C.C. lacked concrete influence on the governments' policies in these fields, with the exception of the 1934 Reciprocal Trade Agreements Act.

However, not all of the I.C.C.'s monetary and financial policy recommendations would have been equally effective in alleviating the crisis. For example, the countries which clung to the gold standard – as the I.C.C. recommended – suffered more under the depression than those which abandoned it early on. Furthermore, the raising of prices could have been better attained by monetary remedies than by restricting output; the latter policy device had been recommended by the I.C.C. and was generally applied in the U.S.A., Germany, France and Great Britain. However, an extension of capital exports by creditor nations, especially the United States, and a solution of the interallied and reparation debt problem – as recommended by the I.C.C. – could have presented a real alternative to the policies actually pursued by the governments. But, ultimately, they were not adopted by the creditor nations due to a narrow view of their national interests. During the Great Depression the world suffered from a dollar gap: Not only did the U.S.A. stop exporting capital to Europe, but it also put heavy restrictions upon imports. The dollar supply in the world thus diminished by about 68 percent between 1929 and 1932⁸⁷. Nevertheless, the U.S. government and, above all, the public was not prepared to make further concessions in the interallied-debt question. U.S. trade protectionism gave debtor countries no other chance than trade protectionism of their own, devaluation or exchange controls to cope with their external deficits. Domestic credit shortages were reinforced by rising discount rates; the concomitant increase in interest rates contributed to the deep fall of investment activity. In Germany the interest rates continued to increase while they were already at the point of decreasing in the other countries. The Reichsbank's discount rate was hiked to 15 percent shortly after the banking crisis broke out in July 1931⁸⁸. The failure of the U.S.A. to fill the dollar gap abroad was a symptom of its unwillingness to embark upon a policy of "easy money" which would have contributed to supplying capital and credit at reasonably low interest-rates for the debtor nations already at the beginning of the Great Depression. The U.S. government also aggravated the Great Depression in that it was adamant, against the advice of the I.C.C., that war-related international debts should be collected. Their alleviation early on could have provided an essential basis for keeping up international liquidity and improving world economic conditions during the Great Depression.

In sum, the economic policy positions of the I.C.C. during the Great Depression often contrasted with the actual policies chosen. The governments pursued their short-term national interests. This beggar-my-neighbour policy course contributed substantially to the weakening of the economic situation not only abroad

⁸⁷ *Lary*, United States 5 f.

⁸⁸ *Heinrich Irmeler*, *Bankenkrise und Vollbeschäftigungspolitik (1931–1936)*, in: *Deutsche Bundesbank* (ed.), *Währung und Wirtschaft in Deutschland 1876–1975* (Frankfurt a.M. 1976) 292.

but also domestically. In addition to that, the I.C.C. itself gave monetary advice which – insofar as it was heeded by central banks and governments – contributed to an aggravation of the Great Depression, while the International Chamber of Commerce remained unaware of the detrimental consequences of its recommendations in this field.