

THE BERNE CONFERENCE OF ECONOMISTS AND PUBLICISTS HELD UNDER  
THE AUSPICES OF THE CARNEGIE ENDOWMENT FOR INTERNATIONAL  
PEACE

In the last number of this JOURNAL the general plans for the Carnegie Endowment for International Peace, so far as they had then been formulated, were described at length. One of the three divisions into which its work has been segregated, that of Economics and History, has since taken the preliminary steps for the organization of its activities. Upon the invitation of the Executive Committee of the Endowment there assembled at Berne, Switzerland, on August 2, a conference of distinguished economists and publicists, representing nine European nations, Japan, and the United States. The general purpose of the conference is indicated in the following extract from the letter of President Root, extending the invitation:

The wish of the Trustees is to utilize the second division for the purposes of a thorough, systematic, and scientific inquiry into the economic and historical aspects of war, confident that the lessons to be derived from such study will be useful to mankind. They feel that such an inquiry should be prosecuted upon the broadest international basis and that the organization thereof is a proper subject for the wisdom of the most able and eminent economists of all the civilized nations; and they have instructed me to invite you to attend a meeting for the purpose of conferring upon the method and scope of this inquiry.

The conference was organized and directed by Dr. John Bates Clark, of Columbia University, New York, the Director of the Division of Economics and History. The invitation brought together nineteen of the world's most distinguished economists, including three ex-finance ministers, two of whom, Luigi Luzzatti of Italy, and Eugen Böhm Ritter v. Bawerk, of Austria, are now professors of political science and economy in their national universities. The third, Baron Sakatani, of Japan, commissioned by the Imperial Government to attend the conference, was the Assistant Finance Minister during the Russo-Japanese War, and Chancellor of the Exchequer during the trying period succeeding the war, when the Japanese finances were reorganized. The following is the complete list of the participants in the conference:

Eugen Böhm Ritter v. Bawerk, Professor of Political Economy at the University of Vienna.

Eugen Philippovich v. Philippsberg, Professor of Political Economy in the University of Vienna.

Henri La Fontaine, Senator of Belgium.

Harald Westergaard, Professor of Political Science and Statistics in the University of Copenhagen.

Charles Gide, Professor of Economics in the University of Paris.

Paul Leroy-Beaulieu, Professor of Political Economy at the College de France; Editor of *L'Economiste Français*, Paris.

Lujo Brentano, Professor of Economics in the University of Munich.

Theodor Schiemann, Professor of History of Eastern Europe in the University of Berlin.

Francis W. Hirst, Editor of the *Economist*, London.

George Paish, Editor of the *Statist*, London.

H. B. Greven, Professor of Political Economy and Diplomatic History in the University of Leyden.

Luigi Luzzatti, Professor of Constitutional Law in the University of Rome; Secretary of the Treasury of Italy, 1891-93; Prime Minister of Italy, 1908-1911.

Maffeo Pantaleoni, Professor of Political Economy in the University of Rome.

Eugène Borel, Professor of Public Law in the University of Geneva.

Paul S. Reinsch, Professor of Constitutional Law in the University of Wisconsin; Roosevelt Professor at the University of Berlin, 1911-1912.

Dr. G. Ogawa, Professor of Economics in the University of Kioto, Japan.

Baron Y. Sakatani, formerly Minister of State for the Treasury of Japan.

Alfred Marshall, of England, who was prevented by age and illness from accepting the invitation to attend, sent a letter assuring the conference of his interest and his desire to cooperate in the work.

The meetings of the conference were held at the University of Berne, and Professors Philippovich and Borel acted as chairmen successively. The conference organized by dividing itself into four commissions, to determine the questions and problems which shall receive an exhaustive study at the hands of the most competent authorities of all nations. The first commission, of which Professor Philippovich was made the chairman, was charged with the study of war, from the economic and historical point of view; the second of which Mr. Hirst was chairman, with armaments in time of peace; and the third of which Prof. Brentano was chairman, with the wider field of the investigation of all those influences which are binding nations more closely together, establishing and extending what has come to be known as internationalism, intending to make war more difficult and more far reaching in its effects. Each committee took up the several questions involved in its particular topic, discussed them thoroughly, and submitted a unanimous report. These reports were in turn fully discussed at general sessions of the conference; and in the end all of them received the approval of all its members.

Commission I, dealing with the causes and effects of wars, recommended the following researches:

1. Historical presentation of wars in modern times, tracing especially the influence exercised by the striving for greater political power; by the growth of the national idea, by the political aspirations of races and by economic interests.
2. Conflicts of economic interests in the present age:
  - (a) Influence of the growth of population and of the industrial development upon the expansion of states.
  - (b) The protectionist policy; its origin and basis; its method of application and its influence upon the relations between countries; bounties (open and disguised, public and private); most favored nation treatment; the attitude towards foreign goods and foreign capital; boycott; discouragement of foreign immigration.
  - (c) International loans; the policy of guarantees; the relations of the creditor to the debtor state; the use of loans for gaining influence over other states.
  - (d) Rivalry among states with respect to capitalist investments in foreign countries: 1. The endeavor to obtain a privileged position in banking enterprises, in the opening and development of mines, in the letting of public contracts, in the execution of public works, in the building of railways (Siberian, Manchurian, Persian Railway, Bagdad Railway, Adriatic Railway), in short the organization of larger capitalistic enterprises in foreign countries; 2. Hindering foreign countries by convention from executing productive enterprises on their own soil, *e. g.*, from building railways in their own countries.
3. The anti-militarist movement considered in its religious and political manifestations. Only opposition to all military organization is here to be considered.
4. The position of organized labor and socialists in the various states on the question of war and armaments.
5. Is it possible to determine a special interest of individual classes making for or against war, for or against standing armies?
6. The influence of women and woman suffrage upon war and armaments.
7. The extension of obligatory military service in the different states both in times of war and of peace.
  - (a) The conditions of military service; the system of enlistment and of general obligatory service; actual position of aliens.
  - (b) Ratio of the persons obliged to service to the entire population.
  - (c) Influence of the present system of military obligation and the organization of armies upon warfare and upon its duration.
8. Economic effects of the right of capture and its influence upon the development of navies.
9. War loans provided by neutral countries. Their extent and influence on recent warfare.

10. Effects of war.
  - (a) Financial cost of war. The method of meeting it. Taxation; International loans; external loans.
  - (b) Losses and gains from the point of view of public and private economic interests: check to production and the destruction of productive forces; reduction of opportunities for business enterprises; interruption of foreign trade and of the import of food; the destruction of property; shrinkage of values of property including securities; financial burden caused by new taxes, debts and war indemnities; effect upon private credit and upon savings banks. Advantages to those industries which furnish military materials. Disadvantages and gains to neutral countries.
  - (c) Effects of a war upon the supply of the world with food and raw material, with special reference to those states which are in a larger degree dependent upon other countries for such supplies, *e. g.*, Great Britain and Germany; by division of capital from those countries which produce food and raw material (specially the stoppage of railway building and of new investment in agriculture and other industries).
  - (d) The condition of the victorious state: manner of levy and use of contributions and war indemnities; influence upon industry and social life.
  - (e) The manner in which the energy of nations is stimulated or depressed by war.
11. Loss of human life in war and as a result of war. Influence upon population (birth rate, relation between the sexes, ratio of the various ages, sanitary conditions).
12. Influence of war and of the possibility of war upon protective policy, upon banking conditions (especially upon banks of issue), and upon monetary systems.
13. The influence of annexation upon the economic life of the annexing states and upon the state whose territory has been annexed.
14. Annexation of half civilized or uncivilized peoples considered especially from the point of view of the economic interests which act as motive powers. The methods through which private enterprises take root in such regions and through which they bring influence to bear upon their own governments. The effects of such annexations upon the development of trade with the annexing state and with other countries, as well as upon the economic and social life of the natives.
15. The progressive exemption of commercial and industrial activities from losses and interferences through war.
16. Influence of the open-door policy upon war and peace.

Commission II, dealing with armaments in time of peace, recommended the following researches:

1. Definition. Armaments might be described as the "the preparations made by a state either for defence or for attack." These would include the provision of food and financial arrangements, and also a discussion of semi-military railways, canals, docks, etc.
2. Causes of Armaments. Motives for increasing or commencing them, distinguishing the great from the small Powers.
3. Rivalry and competition in armaments. Motives and consequences of rivalry, with the possibilities of limitation.
4. Modern history of armaments with special fulness from 1872.  
Note as important landmarks.
  - (a) Introduction of conscription into Germany, France, Austria, Italy, Japan, etc.
  - (b) Modern inventions affecting war.
  - (c) Question of privateering and private property at sea.
  - (d) Duration of military service.
  - (e) The traffic in arms.
5. Military budgets from 1872. Distinguishing ordinary from extraordinary expenditures.
6. The burden of armaments in recent times.
  - (a) Proportion of military to civil expenditure.
  - (b) Military expenditure per head.
  - (c) Military expenditure from loans in time of peace, *i. e.*, a comparison of expenditure from taxes with expenditure from borrowed money.
  - (d) Comparative burdens of individual taxpayers in different countries and how far the differences are due to armaments.
  - (e) Military pensions.
  - (f) It is desirable to ascertain where possible the ratio between the total income of each nation and the total expenditure on armaments at various times.
7. The effects of war preparations upon the economic and social life of a nation.  
For example:
  - (a) On the sustenance of the entire population of a country at war.
  - (b) On railway policy.
  - (c) On public administration and on social legislation.
  - (d) On technical and industrial progress.
8. The economic effects of withdrawing young men from industrial pursuits, into the army and navy.
  - (a) Compulsorily.
  - (b) Non-compulsorily (specially mercenary troops).  
N. B. — Allowance being made for the industrial value of military education and training.
9. Influence of changes in the occupations of a people upon the composition and efficiency of armies and influence of the changes in the composition of armies on the economic life.

10. Loans for armaments (participation of domestic and foreign capital).
11. The industries of war, *i. e.*, the various manufactures and industrial industries, etc., which are promoted and encouraged by military and naval establishments, distinguishing between:
  - (a) Government undertakings (arsenals, dockyards, etc.).
  - (b) Private undertakings, including the history and working of the great armament firms, which sell to foreign customers as well as to their own governments.
12. War Materials (munitions of war). Their recent developments and their cost. This includes arms, ammunition, armor-plate, warships, guns of all kinds, military airships, etc. So far as possible the effect of recent inventions upon the offensive and defensive in war should be indicated.

Commission III, dealing with the influences of international life, recommended the following researches:

1. The Conference is of the opinion that the economic life of individual countries has definitely ceased to be self-contained and that, notwithstanding the barriers raised by fiscal duties, it is becoming in ever increasing measure a part of an economic life in which the whole world participates.
2. It desires that this change be studied with the object of ascertaining to what extent the economic life of individual nations has ceased to be self-contained, and the causes which are bringing about the greater interdependence of nations.
3. It wishes that special attention be paid to the following factors:
  - (a) How far the growth of population is responsible for the change that has occurred and is in progress.
  - (b) The extent to which the insufficiency of the natural resources of individual countries for their own requirements has contributed to it.
  - (c) Whether the increasing economic unity of the world is the cause or result of the rising in the standard of comfort, and how far the increasing welfare of nations has been caused by the growing unity.
  - (d) In what measure the need of individual countries to obtain materials, of production from other lands, and to find new markets for their products is responsible for the growth of international dependence.
4. The Conference desires that investigations be made into:
  - (a) The volume of the world's productions of all the many articles of food, of the various raw materials and of the principal manufactures.
  - (b) The productions of individual countries and the extent to which they are retained for home consumption or are exported.

- (c) The consumptions of individual countries and the extent to which the various articles are supplied from home productions or are imported.
5. The Conference also wishes to ascertain to what extent the economy of production by large units instead of by small units has contributed to the international dependence of nations.
  6. The development of this world embracing economy has taken place in great measure in consequence of the investment of capital by rich countries in less developed lands. Through this there have arisen close relations and a great increase of wealth not only for the lending and the borrowing countries, but for all nations. The Conference is of the opinion that researches should be made into the extent of the interdependence of the nations in the matter of capital.
  7. The Conference desires also to institute inquiries into the interdependence of the financial centres of the world.
  8. Furthermost it thinks it desirable to make the unifying effects of international trade, the building of railways, progress of shipping, the improvement and extension of all means of communication and the progress of inventions the object of careful investigation.
  9. The Conference is in favor of making a comprehensive study of the various international unions and associations in which the social and economic interests of all classes of society are now either organized or in process of organization through official or private action.

A fourth commission, of which Dr. Clark was chairman, was charged with the arrangement of the daily program of the conference, and with the formulation of plans for carrying forward its work in the future. The first step will probably be the preparation of as complete a bibliography as is possible of publications having value in connection with studies of warfare. The direction of this bibliography has been entrusted to Senator La Fontaine, of Brussels, who has already carried a work of this kind far towards completion. He will have the cooperation of the other members, each in his own country.

It will be seen that the Berne conference was devoted entirely to plans for future investigations, and that it reached definite conclusions as to the particular topics and questions to which researches should be directed. The debates of the conference show that as thus planned there is to be made on broad scientific lines, the first investigation of these subjects ever attempted on the basis of international cooperation. Each particular subject will be entrusted to the general charge of some one or more members of the conference, who will in turn invite the active participation of other specialists, in the contribution of individual studies or in the conduct of detailed investigations. When the

work has thus been organized, and the studies are in progress, there will doubtless follow another conference, with a view to unifying methods, comparing results, and still further extending the scope of the work. There is thus under way under the highest expert guidance a world study of the economics of war and of the world influences which are making for peace.

In view of the large number of countries represented in the conference, and the wide diversity of opinion which naturally existed among its members as to the feasibility of certain branches of the vast undertaking, the entire harmony of the proceedings and the complete understanding reached as to the lines and methods of the work, are certainly cause for satisfaction, and justify the highest expectations of the results. As the work is laid out, competent investigators in all parts of the world will shortly be engaged in laying the firm basis in reason and science for the educational work of peace.

THE PROPOSED LOAN CONVENTIONS BETWEEN THE UNITED STATES AND  
HONDURAS AND THE UNITED STATES AND NICARAGUA

In July last, the loan conventions between Honduras and the United States of January 10, 1911, and between Nicaragua and the United States of June 6, 1911, were made public by the Senate of the United States to which they had been submitted for consent to their ratification in accordance with the constitutional requirement. The publication of these two conventions was simultaneous with the publication of the new general arbitration treaties recently concluded by the United States with Great Britain and France, and the same object appears to have been in view in making public these four proposed treaties, namely, to give an opportunity for those responsible for their ultimate fate to gauge the public opinion of the country through discussion in the press and otherwise as to the advisability or inadvisability of their ratification. Because of the widespread and deep interest now properly taken in the subject of international arbitration, the discussion of the arbitration treaties has so over-shadowed that of the loan conventions that they have almost been lost sight of in the public mind, and do not appear to be receiving the attention which their importance to the present and future "vital interests" of America deserves.