Classification of Business Lines—Continued.

Group.	Line.
1	Tents and awnings.
2	Terra cotta, building and roofing materials, sand, brick, cement, lime, and plaster.
4	Thread.
2	Tin ware and enamel ware.
4	Tires (rubber).
4	Tobacco (leaf).
3	Tobacco and cigars (jobbers and manufacturers).
1	Tool manufacturers.
3	Toys and novelties.
4	Trunks and bags.
1	Twine and cordage.
4	Umbrellas and canes.
1	Undertakers' supplies and coffins.
4	Underwear, knit goods, and hosiery (jobbers).
1	Underwear, knit goods, and hosiery, manufacturers (selling to jobbers only).
3	Underwear, knit goods, and hosiery, manufacturers (selling to jobbers and dealers).
2	Upholstery and bedding.
2	Varnish, vegetable oils, and paints.
2	Vegetable oils, paints, and varnish.
4	Velvets, plush goods, and silks.
3	Veneer.
5	Vinegar.
2	Wagons and carriages.
3	Waists.
3	Wall paper, window shades, and bronze powder.
2	Warp (cotton).
3	Waste and wool.
4	Webbing and suspenders.
1	Willowware and woodenware.
3	Window shades, bronze powder, and wall paper.
2	Wire and woven wire specialties.
1	Woodenware and willowware.
3	Wool and waste.
4	Woolens (commission).
5	Woolens (jobbers and importers).
4	Woolens (manufacturers).
2	Woolens, manufacturers (for men's wear exclusively).
2	Woven wire specialties and wire.
2	Yarns, cotton, or worsted (manufacturers).
4	Yarns, woolen (manufacturers).
4	Yarns (jobbers).

GENOA FINANCIAL COMMISSION REPORT.

The following is the complete text of the report of the Financial Commission of the Genoa Conference, of which Sir Robert Horne, the British Chancellor of the Exchequer, was chairman:

A. Resolution adopted by the Financial Commission on April 20, 1922:

That this commission having received the reports of the subcommissions on currency and on exchange, transmits them to the conference and recommends to the conference the following resolutions for adoption:

I. CURRENCY.

Resolution 1. The essential requisite for the economic reconstruction of Europe is the achievement by each country of stability in the value of its currency.

Resolution 2. Banks, and especially banks of issue, should be free from political pressure, and should be conducted solely on lines of prudent finance. In countries where there is no central bank of issue one should be established.

Resolution 3. Measures of currency reform will be facilitated if the practice of continuous cooperation among central banks of issue or banks regulating credit policy in the several countries can be developed. Such cooperation of central banks, not necessarily confined to Europe, would provide opportunities of coordinating their policy without hampering the freedom of several banks. It is suggested that an early meeting of representatives of central banks should be held with a view to considering how best to give effect to this recommendation.

Resolution 4. It is desirable that all European currencies should be based upon a common standard.

Resolution 5. Gold is the only common standard which all European countries could at present agree to adopt.

Resolution 6. It is in the general interest that European Governments should declare now that the establishment of a gold standard is their ultimate object, and should agree on the program by way of which they intend to achieve it.

Resolution 7. So long as there is a deficiency in the annual budget of the State which is met by the creation of fiduciary money or bank credits, no currency reform is possible and no approach to the establishment of the gold standard can be made. The most important reform of all must therefore be the balancing of the annual expenditure of the State without the creation of fresh credits unrepresented by new assets. The balancing of the budget requires adequate taxation, but if government expenditure is so high as to drive taxation to a point beyond what can be paid out of the income of the country, the taxation itself may still lead to inflation. The reduction of government expenditure is the true remedy. The balancing of the budget will go far to remedy an adverse balance of external payment by reducing internal consumption. But it is recognized that in the cases of some countries the adverse balance is such as to render the attainment of equilibrium in the budget difficult without the assistance in addition of an external loan. Without such a loan that comparative stability in the currency upon which the balancing of the budget by the means indicated above largely depends may be unattainable.

Resolution 8. The next step will be to determine and fix the gold value of the monetary unit. This step can only be taken in each country when the economic circumstances permit; for the country will then have to decide the question whether to adopt the old gold parity or a new parity approximating to the exchange value of the monetary unit at the time.

Resolution 9. These steps might by themselves suffice to establish a gold standard, but its successful maintenance would be materially promoted, not only by the proposed collaboration of central banks, but by an international convention to be adopted at a suitable time. The purpose of the convention would be to centralize and coordinate the demand for gold, and so to avoid those wide fluctuations in the purchasing power of gold which might otherwise result from the simultaneous and competitive efforts of a number of countries to secure metallic reserves. The convention should embody some means of economizing the use of gold by maintaining reserves in the form of foreign balances, such, for example, as the gold-exchange standard or an international clearing system.

Resolution 10. It is not essential that the membership of the international convention contemplated in the preceding resolution should be universal even in Europe; but the wider it is the greater will be the prospect of success.

Nevertheless, if the participating countries and the United States are to use the same monetary standard, no scheme for stabilizing the purchasing power of the monetary unit can be fully effective without coordination of policy between Europe and the United States, whose cooperation, therefore, should be invited.

Resolution 11. It is desirable that the following proposals, to form the basis of the international convention contemplated in Resolution 9, be submitted for the consideration of the meeting of central banks suggested in Resolution 3:

1. The Governments of the participating countries declare that the restoration of a gold standard is their ultimate object, and they agree to carry out, as rapidly as may be in their power, the following program:

(*a*) In order to gain effective control of its own currency each Government must meet its annual expenditure without resorting to the creation of fiduciary money or bank credits for the purpose.

(*b*) The next step will be, as soon as the economic circumstances permit, to determine and fix the gold value of the monetary unit. This will not necessarily be at the former gold power.

(*c*) The gold value so fixed must then be made effective in a free exchange market.

(*d*) The maintenance of the currency at its gold value must be assured by the provision of an adequate reserve of approved assets, not necessarily gold.

2. When progress permits, certain of the participating countries will establish a free market in gold and thus become gold centers.

3. A participating country, in addition to any gold reserve held at home, may maintain in any other participating country reserves of approved assets in the form of bank balances, bills, short-term securities, or other suitable liquid resources.

4. The ordinary practice of a participating country will be to buy and sell exchange on other participating countries within a prescribed fraction of parity of exchange for its own currency on demand.

5. The convention will thus be based on a gold exchange standard. The condition of continuing membership will be the maintenance of the national currency unit at the prescribed value. Failure in this respect will entail suspension of the right to hold the reserve balances of other participating countries.

6. Each country will be responsible for the necessary legislative and other measures required to maintain the international value of its currency at par, and will be left entirely free to devise and apply the means, whether through regulation of credit by central banks or otherwise.

7. Credit will be regulated not only with a view to maintaining the currencies at par with one another, but also with a view to preventing undue fluctuations in the purchasing power of gold. It is not contemplated, however, that the discretion of the central banks should be fettered by any definite rules framed for this purpose, but that their collaboration will have been assured in matters outside the province of the participating countries.

Resolution 12. With a view to the development of the practice of continuous cooperation among central banks and banks regulating credit policy in the several countries, as recommended in Resolution 3, this conference recommends that the Bank of England be requested to call a meeting of such banks as soon as possible to consider the proposals adopted by the conference and to make recommendations to their respective Governments for the adoption of an international monetary convention.

II. THE FLIGHT OF CAPITAL.

Resolution. We have considered what action, if any, could be taken to prevent the flight of capital in order to avoid taxation and we are of the opinion that any proposals to interfere with the freedom of the market for exchange or to violate the secrecy of bankers' relations with their customers are to be condemned. Subject to this proviso, we are of the opinion that the question of measures for international cooperation to prevent tax evasion might be usefully studied in connection with the problem of double taxation, which is now being studied by a committee of experts on behalf of the League of Nations. We therefore suggest that the league should be invited to consider it.

III. EXCHANGE.

Resolution 1. All artificial control of operations in exchange, whether by requiring a license for transactions in exchange, or by limiting the rates at which transactions may be effected, or by discriminating between the different purposes for which the exchange may be required, or by preventing free dealings in forward exchange, is futile and mischievous, and should be abolished at the earliest possible date.

Resolution 2. It is desirable that where no adequately organized market in forward exchange exists such a market should be established. It has been suggested that in any country where private enterprise is found to be unable to organize such a market the central bank without itself incurring any uncovered exchange risk should provide facilities. It might, for example, give facilities to approved banks and financial houses to convert spot transactions in foreign exchange into transactions for forward delivery by a system of "contango" or "reports" of foreign exchange, their quotations being for the double transaction of a spot deal one way and a simultaneous deal the other.

The central banks concerned would agree to provide facilities for holding foreign balances (and securities) on deposit on account of other central banks under special guarantee from each bank and from its Government as to the absolute liquidity and freedom of movement of such balances under all conditions and their absolute exemption from taxation, forced loans, and moratorium.

It is recommended that this subject should be considered by the conference of central banks referred to in a previous resolution.

B. Reports of the committee of experts appointed by the currency and exchange subcommissions of the Financial Commission.

I. CURRENCY.

We have carefully examined the documents referred to us by the currency subcommittee, and in doing so we have surveyed the existing currency situation throughout Europe. Our conclusions follow to a considerable extent those of the experts assembled in London. The interesting suggestions made by the various delegations have also been fully weighed, and we believe that the main points raised by them are covered by our report.

In presenting our report we desire to make the following general observations:

I. We recognize that we have to deal with two different classes of countries:

Class 1. Countries where inflation has taken place, but has already been stopped, and where a certain amount of deflation has already been effected.

Class 2. Countries where inflation is still going on.

In countries of class 2 it is essential, in order to establish a sound currency, that inflation should be stopped, and that they should thus pass over into class 1. The program specified in resolutions 6 to 8 describes the steps by which this transition should be effected. In some cases it can not be effected without assistance from abroad, including the provision of foreign assistance in the organization of a central bank of issue in certain cases.

II. The question of devaluation is one which must be decided upon by each country according to its view of its own special requirements. We think it important, however, to draw attention to some of the considerations which will necessarily weigh with any country in coming to a decision on this question. There is a prevalent belief that a return to pre-war gold parity is necessary or desirable for its own sake. There are undoubted advantages to be obtained by such a return, but we desire to point out that for countries where currency has fallen very far below the pre-war parity, a return to it must involve the social and economic dislocation attendant upon continuing readjustments of money—wages and prices and a continual increase in the burden of internal debt. Regard being had to the very large debts which have been incurred since the armistice by many of the countries concerned, we are inclined to think that a return to the old gold parity involves too heavy a strain upon production.

We repeat that the decision must be left in each case to the country concerned, but we venture to suggest that a considerable service will be rendered both to its own internal economy and to the cause of European recovery by that country which, after reaching comparative stability in its currency at a point so far below the old parity as to make return to it a long and painful process, first decides boldly to set the example of securing immediate stability in terms of gold by fixing a new gold par at or near the figures at which comparative stability has been attained.

III. Finally, we can not in fairness to the currency subcommittee present a series of recommendations designed to secure practical results as if they were immediately attainable without reference to certain other features of the existing economic and financial position of Europe. The industry of Europe can not hope for a permanent return to prosperity so long as it has to bear either directly in the form of taxation or indirectly in the form of inflation of currencies, the most insidious and objectionable of all forms of taxation, a burden of government expenditure which is beyond its capacity. In this connection we can not do better than refer to the memorial on international finance and currency submitted to the governments of certain countries dated January 16, 1920, which was among the documents laid before the International Financial Conference at Brussels in September, 1920.

The whole of this memorial, though now more than two years old, is as apposite to-day as when it was written, and until the subjects to which it refers, and in particular the problem of intergovernmental indebtedness, have been resolutely tackled there can be no hope of final success in restoring the currencies or the economic welfare of Europe.

Foreign obligations by one country must be balanced by a capacity in other countries to absorb the surplus production with which alone those obligations can be met. If the burden of any country's external obligations is beyond its capacity to pay, and it can not be assisted by foreign loans, the effort to meet those obligations must accordingly result, on the one hand, in dislocation of markets in other countries, and, on the other hand, in a continuous depreciation of the currency of the debtor country, which will entirely prevent it from making any start whatever in the direction of stabilization.

IV. With these preliminary observations, we present the following resolutions, which we suggest as suitable to be recommended by the currency subcommission for adoption by the Governments represented at this conference. It will be observed that the recommendations include a plan for an international monetary convention.

(The resolutions here submitted were those which, with modifications, have been adopted above by the Financial Commission.)

II. EXCHANGE.

We present the following resolutions as suitable to be recommended by the exchange subcommission for adoption by the Governments represented at this conference. Our main recommendation is that there should be complete freedom for exchange dealings. We have not attempted to set out the deep-seated causes of the existing dislocation of the European exchanges. Some of these causes are referred to in the introduction of our report to the currency subcommission. Any attempt at a complete survey would carry us far beyond the proper limits of the present report. As with currency, so with exchange, complete restoration depends on the settlement of questions which are not now within our purview.

We considered carefully the amendment proposed by the German delegation with regard to measures for preventing the flight of capital for the purpose of evading taxation. We came to the conclusion that this question could be regarded as falling within the province of the currency subcommission. We have, therefore, reported to the currency subcommission as follows:

Any proposals to interfere with the freedom of the market for exchange or to violate the secrecy of bankers' relations with their customers are, in our opinion, absolutely to be condemned. Subject to this proviso, we are of opinion that the question of measures for international cooperation to prevent tax evasion might be usefully studied in connection with the problems of double taxation which is now being studied by a commission of experts on behalf of the League of Nations. We therefore suggest that the League should be invited to consider it.

(The resolutions here submitted were those which, with modifications, have been adopted above by the Financial Commission.)

Dollar Exchange.

Under the provisions of section 13 of the Federal Reserve Act, which provides that member banks, with the approval of the Federal Reserve Board, may accept drafts for the purpose of furnishing dollar exchange, drawn upon them by banks or bankers located in foreign countries or dependencies or insular possessions of the United States in which it is determined that the usages of trade require such acceptance facilities, the board has designated as such the following countries and insular possessions: Argentina; Australia, New Zealand, and other Australasian dependencies; Bolivia; Brazil; British Guiana; British Honduras; Chile; Colombia; Costa Rica; Cuba; Dutch East Indies; Dutch Guiana; Ecuador; French Guiana; French West Indies; Guatemala; Honduras; Nicaragua; Panama; Paraguay; Peru; Porto Rico; San Salvador; Santo Domingo; Trinidad; Uruguay; and Venezuela.

Permission granted to a member bank to accept such drafts when drawn by banks or bankers located in any of the foregoing countries entitles it to exercise similar accepting powers with respect to such drafts drawn by banks or bankers located in all countries that have been or may hereafter be designated by the board as countries whose usages of trade require the furnishing of dollar exchange.