

The COMMUNIST INTERNATIONAL

Vol. VII. No. 1

FIVE CENTS

Workers Library Publishers
New York

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The Dissensions among the Imperialists and the Preparations for War on the U.S.S.R.

SINCE January 21st a conference of five Powers has been sitting in London on the question of naval armaments. Around this conference the same pacifist phrases have been spun with which the imperialists and social-fascists invariably accompanied their notoriously fruitless work on the preparatory commission for the Conference on Disarmament. Despite these phrases, during the very process of preparing for the Conference an exceptional accentuation of antagonisms among the large imperialist Powers was revealed, between Japan and America, Britain and France, France and Italy, and, finally and chiefly, between America and Britain. On the other hand, the new anti-soviet activity of the imperialists is in definite connection with this Conference. That new activity has found expression in a number of hostile demonstra-

tions against the U.S.S.R. on the most diverse sections of the international front; and constitute the attempt of the imperialists to conceal their intensifying mutual antagonisms by their community of interests in the struggle against the sole proletarian state in the world.

Having their basis in the development of the tendencies making for decline in world capitalism, and directly in the developing world economic crisis, both the above factors give to the Naval Conference the highest of political importance.

THE THIRD ATTEMPT

THE London Naval Conference is the third of its kind. In 1922 the same Powers now taking part agreed in Washington to a restriction of tonnage and of further construction of large ships of the line, which by that time had proved already out-of-date and an intoler-

ably expensive weapon in naval warfare. This "restriction of armaments" not only did not call a halt to the growth of armaments, but, on the contrary, it intensified that growth along the line of rivalry in the construction of cheaper and more accessible, but no less murderous weapons of naval warfare. After the "successful" consumption of the Washington Conference the question of the relationships of the sea forces of the various imperialist states became still more actual than before. The naval programmes of all the Powers openly reflected the growth of the world conflict between Britain and America, and the associated conflicts between America and Japan, Britain and France, and France and Italy. Moreover, the rate of development of naval construction surpassed the degree of the imperialists' political and economic preparedness for war, and called into existence certain attempts to come to agreement concerning the restriction of this construction, which even in the post-Washington period was consuming an unbearably large share of the state income of the various countries. Such an attempt was made particularly in 1927, when the triple conference of Britain, America, and Japan met in Geneva, with the object of extending the Washington principles to the remaining categories of war vessels. But this Conference ended in a scandalous break-up owing to the irreconcilable disagreements between the British and American imperialisms. They first attempted to maintain and ensure its hegemony on the sea by proposing the restriction of those particular forms of naval armaments, especially large cruisers armed with eight-inch guns, which most answer to American conditions (the absence of an adequate number of naval bases); whilst America, on the contrary, insisted on the maximum of large cruiser tonnage, which would give them the superiority over the British cruiser fleet.

The failure of the Geneva Conference laid bare all the intensity of the antagonisms between Britain and America, which had come face to face in the struggle for world hegemony; it was equivalent to the British Conservative Government's open entry upon a conflict with the U.S.A. Britain attempted to draw France on to its side, and concluded the well-known compromise agreement with her in

which Britain made concessions to France on the question of land armaments, whilst in exchange France acknowledged the basic British thesis on the question of naval armaments (the restriction of large cruisers and large submarines, but an unrestricted construction of small units). America replied to the Anglo-French compromise with intensified cruiser construction, and simultaneously began to exercise a strong financial and diplomatic pressure on Britain, facing the latter with the dilemma of either fighting or making concessions. Meanwhile the British bourgeoisie were far from being prepared for war, and are greatly in need of a breathing space which will allow them to realise their capitalist rationalisation, to liquidate or alleviate the prolonged economic depression at the cost of an intensified exploitation of the worker masses, and to strengthen their position by comparison with other European states. In such circumstances the British imperialists were forced to make at least an ostensible capitulation to the American demands.

THE Labour Government, which came to power after the General Elections in May, 1929, hastened to enter into negotiations with America, and this was followed by MacDonald's personal interviews with Hoover. The results of these negotiations were never published in full, but evidently Britain recognised the American demand for equality in all categories of naval armaments in principle, and in particular agreed to restrict her own programme of cruiser construction to 15 large and 35 small cruisers. However, a final agreement was not reached on this question, as America demanded an arm of 21 cruisers (instead of 15 small) and Britain agreed to concede the right to the equipment of only 18 large cruisers. In the course of the same negotiations Britain in her turn induced America to agree to reconsidering the Washington scale of ships of the line, and to support Britain's thesis as to the desirability of abolishing or considerably diminishing the submarines, which constitute the most dangerous weapon in the hands of her European antagonists. Thus Britain succeeded in directing the semblance of agreement which had been attained between her and the U.S.A.

against other Powers. In order to follow up this tactical advantage the British Government at the beginning of October announced its invitations to the London naval conference.

For several months all the Powers have been intensively preparing for this conference. That preparation was not slow in revealing all the severity and maturity of the developing conflicts among the imperialist Powers. Once more it was confirmed that this very question of disarmament, and in particular of naval disarmament, expressed in the most concentrated form all the complex of conflicting elements, all the sum of antagonisms, rending the capitalist world. These antagonisms have developed along the following lines :—

FRANCE AND ITALY

FRANCE and Italy are in conflict over the struggle for hegemony in the Mediterranean, in which basin all the Italian and a considerable part of the French colonial interests are concentrated. In its very answer to the British invitation to the Conference the Italian Government made the demand for parity with any other continental European state; in other words, for parity with France, whilst France decisively rejected any such parity. Italian imperialism based its arguments on its dependence upon raw materials and food products brought by sea, and declared that "naval superiority affords the French Government the possibility of maintaining Italy in a subordinate political situation without a single shot being fired." ("Popolo d'Italia," January 15th.) Moreover, Italy insisted on the restriction of the French Fleet to such dimensions as were within her own powers. French imperialism argued that France, whose shores are washed by three seas, and which possesses an extensive colonial empire cannot allow any such equality, for in practice it would connote the superiority of the Italian naval forces on the Mediterranean, through which pass the routes linking France with her African colonies, i.e., with the reserve sources of her land armies. Preliminary negotiations were entered into, in which France endeavoured to enlist Italy's support in the question of retaining sub-

marines, whilst Italy tried to obtain a favourable decision on a number of territorial and colonial questions (the revision of the Tunisian frontiers, the position of Italians in French colonies, the questions connected with the consolidation of Italian influence in the Adriatic, the Balkans, etc.). However, these negotiations led nowhere.

JAPAN AND AMERICA

JAPANESE imperialism came out with categorical demands for an increase in the proportion of her naval strength to America's strength, over that which was established in regard to ships of the line at the Washington Conference. Japan demands an auxiliary fleet, the power of which would amount to not 60 per cent. but 70 per cent. of the American fleet. In particular, Japan demands 70 per cent. of the tonnage of large cruisers and parity in submarines. This Japanese demand is unacceptable to American capitalism, as the extra 10 per cent. will, in fact, change the relationships and give the Japanese fleet the superiority, in so far as it will operate in the western section of the Pacific Ocean, where America does not possess adequate naval bases. It goes without saying that the disagreement over this 70 per cent., which again failed of regulation in the course of the preliminary negotiations between the Japanese delegation and the American and British Governments, is only a concentrated expression of the sharp antagonism of interests as between the Japanese and American imperialisms in the Far East and China. On the other hand, the Japanese demand was bound to evoke the opposition of Britain, inasmuch as, in view of the existence of quite severe factors of conflict between them in the Far East, Britain could not agree to a practical parity with Japan (70 per cent. of the increased American standard) in regard to large cruisers with heavy armaments.

BRITAIN AND FRANCE

ALL the cunning plans of British imperialism for the realisation of which the Naval Conference was summoned were in essentials directed against France. One of the chief points of the British programme for the Conference was the demand for the aboli-

tion of submarines, which are France's most valuable instrument in naval warfare. In other more expensive categories of naval armaments, especially in battleships and large cruisers, France cannot in any case overtake the primary naval Powers. The disagreement over the question of submarines reflects all the severity of the Anglo-French antagonisms which are developing along the line of the struggle for hegemony in European affairs. At the present time that hegemony belongs to France and her allies, whom British imperialism is attempting to disarm, or at least to force into considerable political concessions. The French Government's memorandum of December 20th demonstrated that French imperialism is by no means inclined to yield, and that if necessary it will not shrink from the break-up of the conference. As appears from this memorandum, Britain's and France's attempts to come to an agreement before the opening of the Conference remained unsuccessful.

BRITAIN AND AMERICA

THE proposed agreement between these two countries lay at the basis, as we know, of the British initiative in calling the Conference. But from the very beginning it had an extremely indefinite, undeveloped nature, and during the preparations for the Conference quite open fissures developed in it. The question between Britain and America is not that of hegemony in one or another area, but that of world hegemony. In the struggle for this hegemony the United States is equipped with two demands: the so-called freedom of the seas (i.e., the right of neutral countries to trade in wartime with any of the states participating) and the parity of American and British naval forces. The first of these demands deprives the whole system of the League of Nations sanctions of its meaning and flings down a direct challenge to Britain, which historically bases her might on the unrestrained practice of a blockade of her opponent's shores. On this question not a shadow of agreement has ever been reached between Britain and America. As for the parity issue, in view of the scattered nature of the British Empire, the enormous mileage

of her waterways, and her extreme dependence on sea commerce, mathematical equality constitutes nothing more nor less than the actual superiority of the U.S.A. This is the very reason why the latter is fighting for the maximum quota of large cruisers, in order to be able to snap Britain's communications with India, with South Africa and with the possessions on the American continent.

Although in last year's negotiations Britain did make some concessions in this direction, judging from the tone of the entire British capitalist press and the naval circles, those concessions have been more or less withdrawn. "Not one of the great Powers wants to abolish its fleet," the American "Washington Post" for January 1st comments: "To neutralise the strategic points such as Gibraltar, or to make concessions in other directions. . . . In view of this fact it would be not only useless, but criminal, to attempt to arouse the American people into reducing its own naval defences." And the French official "Temps" of January 17th notes with satisfaction that an agreement between the U.S.A. and Britain, "of which they wished to assure us the day after MacDonald's meeting with Hoover," is by no means an accomplished fact. Several months of preparation for the Conference have been sufficient to break up the temporary Anglo-American combination into its component parts and to force British imperialism into the position of an unstable equilibrium between its antagonism with America and its antagonism with France.

Thus we see that the Conference has not merely not brought peace into the capitalist world, but that, on the contrary, it has revealed and manifested all its hidden conflicts and internal antagonism. Its participants are talking of peace, but are thinking of war, the inevitability and proximity of which are their governing ideas.

IT is these ideas which inspire all the proposals without exception made by the great powers in regard to the restriction of the so-called auxiliary naval forces and of cruisers and submarines first and foremost. They amount to the endeavour to arm themselves in the best manner possible and to disarm the antagonist as much as possible. In other

words, the attempts of each of the imperialist powers are directed towards restricting those very categories of naval armaments which are necessary to its antagonists, thus creating the most favourable war situation for itself in the imminent conflict. The same purpose of active preparation for war lies at the base of the various efforts at political combinations in preparation for the conference—those manœuvres which are hidden behind the various naval demands of the powers: Britain's attempt to draw France on to her side against America; the position of Japan, balancing between British and American imperialism; France's endeavour to assure the consolidation of her actual hegemony in Europe by new guarantee agreements, and so on. Even such an ostensibly pacifist measure as that proposed by Britain for the prolongation of service, the reduction of the dimensions and armaments of the newly building ships, is also a preparation for war. To-day even more than in 1922 the imperialists are interested, although not in equal degree, in the elimination of the obsolete, excessively expensive and quite unjustified types of armaments. They are interested in this because the resources thus expended, now to a considerable extent constituting "dead capital," can be applied more "productively," and with big chances of outstripping the antagonist—for instance, in the preparation of aerial, submarine, chemical or bacteriological war. This is the very type of "disarmament" which is being strongly supported even by such friends of peace as the British diehards.

After all this, is it necessary to argue that the Naval Conference has nothing whatever in common with any disarmament or reduction of armaments, and is incapable of bringing the least relief in the insupportable burden laid by these armaments on the toiling masses of the imperialist countries? Even the British labour organ, the "Daily Herald," in commenting upon MacDonald's "generous" proposals to restrict himself to fifty cruisers instead of seventy, was forced to admit that this figure in fact denotes not a reduction, but an increase, of British naval armaments. The contradictory and self-interested projects put forward by the various powers all have the same purport. It is sufficient to compare them with the proposals which two years ago were

put forward at Geneva by the representatives of the U.S.S.R.—the sole state really carrying out a genuine peace policy—and which naturally were at once turned down by the imperialists, in order to realise the cynical and repulsive hypocrisy of this disarmament comedy now being played out in London, and also the poverty and falsity of the colourless speeches uttered by the heads of the delegations at the first session of the conference, and transmitted by wireless to the whole world.

The affected optimism of those speeches has been confuted by the obvious fact which penetrates through the smoke-screen of lies and hypocrisy in which the conference is invested, that the attempt at a preliminary agreement between the imperialists—an agreement which was to have preceded the conference decisions—have scandalously failed. In the light of this failure the chances of the imperialists being able to reach any agreement in conference at all are at a minimum, and an agreement on any essential questions of naval armaments can be regarded as completely excluded.

AGAINST THE U.S.S.R.

BUT the smaller the real possibility of even a temporary alleviation of all the intensifying antagonisms among the imperialist powers, the more actual, naturally, become the attempts of these powers to reach an agreement on the one question on which they can establish a united front—the question of the U.S.S.R. For in reality the irreconcilable hostility to the sole proletarian state in the world is the cement with the aid of which alone the imperialists can hope to fill the fissures which in the immediate future threaten new imperialist dissensions and conflicts. By the very logic of things the Naval Conference, as, for that matter, any other meeting at which imperialist antagonisms are manifested and intensified, must seek a means of directing its work along the lines of active preparation for war on the U.S.S.R. War between the imperialists and war of the imperialist world on the Soviet Union are the two prospects which are being prepared by all the course of development of capitalism during the third period of its existence. These prospects simultaneously both complement and exclude each other. For the imperialists it is a matter of

surviving the tendencies towards dissensions and an imperialist world war, by organising an attack on the U.S.S.R., and by means of exploiting the peoples of the Soviet Union to extend the basis of world capitalism and give it a new prolonged breathing-space.

In so far as the naval conference most definitely reflects the tendency towards an internecine war among the imperialists, it is quite natural that this very conference may become the centre and the point of departure for the preparation of a single anti-soviet front among the imperialists. It is this simple truth which is being divulged by, among others, the reactionary British "Daily Mail," which, in a leading article devoted to the opening of the conference declares that the sole enemy is the U.S.S.R., "armed to the teeth," which constitutes a menace to the whole world.

The calling of a naval conference did in fact coincide with an unconcealed development of imperialist aggression towards the U.S.S.R. Here we need only adduce one or two of the definite signs of an intensification of the war danger between the imperialists and the U.S.S.R. The opening of the Naval Conference gave a new impetus to the anti-soviet campaign, which has been supported and developed by the most aggressive elements of world imperialism, under the pretext, first of the defence of religion against Bolshevism, and second, of the defence of the kulaks now being liquidated as a class. The opening of the conference served as a signal for new, still more insistent, anti-soviet demonstrations on the part of the die-hards in the British Parliament on the question of propaganda: demonstrations having as their object the severance of the diplomatic relationships only just established between Britain and the U.S.S.R. These demonstrations have in essence been supported by the Labour Government itself, which, through the lips of Henderson on January 2nd gave an explanation of the question of propaganda, in which as before the matter was represented as though the Soviet Government had all but adopted responsibility for the activities of the Comintern. Henderson's false declaration, amounting to capitulation to the die-hards, was immediately exploited by the British capitalist press for new attacks on the U.S.S.R. and cannot be interpreted as meaning anything

else than that the Labour Government, in the words of the "Daily Worker," the organ of the C.P.G.B., "is preparing for a break in diplomatic relationships with the Soviet Union under the pretext of the latter's violation of its obligations." In the House of Commons Henderson is carrying out the same policy as MacDonald is striving to carry out in the secret sessions of the Naval Conference.

THE ANTI-SOVIET CAMPAIGN IN GERMANY

THE question of Communist propaganda is serving as the pretext for preparing an attack on the Soviet Union in other countries, particularly in Germany. The entire German bourgeois and social-fascist press has unexpectedly opened, again immediately after the calling of the London conference, a hurricane fire on the Soviet trading and economic organisations, falsely ascribing to them a connection with the German Communist movement and inventing the story that in these buildings are concentrated some kind of "shock divisions" of the German Communists. The distinctive peculiarity of this campaign is the monotonous repetition in all the newspapers of one and the same contemptible accusations, again confirming the by no means fortuitous nature of that campaign. At the same time, they take as their task the combatting of the rise of the revolutionary movement in Germany, by preparing the ground for carrying through an exceptional law against the German Communist Party, and also the diversion of the attention of public opinion from Germany's defeat at the Hague Conference. Still more evident is it, however, that this campaign is not purely German in its character, and that it constitutes a development of the anti-soviet action which is directly connected with the opening of the London Conference and is directed by the governing bodies of international imperialism.

The strengthening of influences hostile to the U.S.S.R. is to be noted in another sector of Europe: in the Baltic States, where the idea of a Baltic bloc with the participation of the Scandinavian States is being revived. The Finnish and Swedish newspapers are demanding as though by command that this Baltic-Scandinavian bloc should occupy itself with the question of defending the Baltic Sea

against the U.S.S.R. In the Roumania of the feudal barons one of the prominent generals has made a provocative speech on the necessity of increasing the armed defences against the U.S.S.R.—in other words, for the purpose of attacking the U.S.S.R. In the U.S.A. the Nanking representatives, the hired lackeys of international imperialism, have decided, after some weeks of silence, to come out with attacks on the U.S.S.R. Finally, the Mexican Government, working on the instructions of American imperialism, and with the complete approval of the American capitalist press, has announced the suspension of relationships with the Soviet Government, under the ludicrous pretext of its responsibility for the protests organised by the Communist Parties of various countries against the white terror régime in Mexico.

COLLABORATING WITH WHITE GUARDS

BUT this anti-soviet activity takes its most aggressive form in France, where the courts, the administration and the press are vieing with one another in the most miserable of slanders against the Soviet Union and its representatives. A few days ago the French court came to a decision unheard of even for bourgeois "justice," releasing known rascals who had been caught red-handed in forging the bills of exchange of one of the soviet commercial representatives. The criminals, whose guilt admitted of no doubt whatever, were released only because the victim of their roguery is the Soviet Union, the state hated of the French bourgeoisie. This decision, equal to the admission that the Soviet Union is deprived of any right to legal defence in bourgeois France, was accepted in that sense by all the white-guard press, which exultantly announced that henceforth the white guards can deal with soviet workers without fear of punishment. Almost simultaneously with the passing of this scandalous judgment two sections of the French parliament, the radicals and the "socialists," demonstratively invited the white guard leaders, Kerensky and Miliukov, to their sessions, held in the building of the parliament itself, and these two gentlemen delivered lectures full of all kinds of anti-soviet insinuations and open calls to interven-

tion against the U.S.S.R. These white guard demonstrations served in their turn as signals for the most ruthless and miserable of anti-soviet campaigns throughout almost the whole of the French bourgeois press in favour of a break with the U.S.S.R. This campaign reached its height in connection with the disappearance of one of the local white-guard luminaries, most probably specially organised by these very white guards. They are exploiting the reactionary French newspapers for the purpose of making monstrous insinuations against the soviet embassy, and for direct incitements to its destruction, incitements which meet with support in the public statements of the representatives of the French police.

All the above enumerated incidents eloquently witness to the danger of war on the U.S.S.R. having come considerably closer. The underlying reason for this intensification of the aggressiveness of the imperialist states towards the Soviet Union is first and foremost in the serious economic crisis which has now embraced all the capitalist world. In the circumstances of this crisis, world capitalism, more than ever before, yearns for the soviet market, now closed to capitalist exploitation. The mastery of this market, as the result of a liquidation of the soviet system, would mean such an extension of the basis of capitalist production that with its aid capitalism could obtain the necessary breathing space, and at least temporarily mitigate the contradictions rending it.

In connection with the economic crisis there is a colossal intensification of the class struggle in all the capitalist countries—a mighty increase in the revolutionary movement, directly menacing capitalism. In mobilising its forces for the struggle against this revolutionary movement and the C.P.'s which are heading it, world capitalism is at the same time endeavouring to strike a blow at the Soviet Union, which is the rallying centre of the world revolution.

A second factor inciting imperialism to an attack on the U.S.S.R. is the processes going on in the Soviet Union itself. The Five Year Plan, the collective farm movement, the processes of industrialisation and collectivisation of agriculture which have developed at an unheard of rate, mean that within a few years

the economy of the Soviet Union will finally and irrevocably liquidate the capitalist elements. These processes will put an end to all the capitalist hopes of a "degeneration" of the bolsheviks and the restoration of capitalism in the Soviet Union. Imperialism, which dreams of the overthrow of the Soviet system or of forcing it to capitulate, evidently reckons that it risks much by waiting. Hence the tendency to raise the question now or never. This circumstance is rendered easier by the temporary specific conditions which are engendered by the very fact of the swift socialistic reconstruction, and which favour the intervention plans. In particular undoubtedly the imperialists take into account the existence in the Soviet Union of about a million kulak farms which are in the process of being liquidated. All this cannot but furnish pre-requisites for the increase of active offensive tendencies on the part of world capitalism, and consequently of the war danger.

THE WORLD PROLETARIAT MUST BE ON GUARD!

THUS the world is entering upon a period of an inevitable exceptional accentuation both of the internal and of the international contradictions both of the class struggle within the capitalist countries and the contradictions between these countries, first and foremost, between imperialism and the Soviet Union. With all its obvious bankruptcy, the London Conference is an important stage in the development of the imperialists' anti-soviet

activity. The world proletariat ought to be more on their guard than ever before, in order jointly with the working class of the U.S.S.R., with the poor and middle peasant masses who are vigorously reorganising their individual farms on a collective basis, and with the Red Army, standing on guard over the Soviet Union, to repulse the new attempts at blockade, interventions and wars against the land of proletarian dictatorship. The working class of all countries now feel more than ever before the breath of the war being prepared against the U.S.S.R. When the Sixth Congress of the Comintern pointed to the proximity of the war danger the international social-democrats and the renegades of all colours accused the Communist International of speculating on war. Now the working masses of the whole world see that this war is being feverishly prepared, and that the pioneer in this contemptible conspiracy against the proletarian state is international social-fascism. A particularly responsible task is now laid upon the sections of the Comintern: to ensure that the most backward workers and women workers should clearly realise that the world is moving at a swift pace towards the decisive days, and that London is seeing not the emancipation of the peoples from armaments, but new armaments, which will be exploited by the imperialists one against another, but which they will all jointly endeavour first and foremost to exploit against the citadel of the world revolution—the Soviet Union.

The Economic Crisis in Germany and its Social Consequences

Fritz Heckert

FOR several months now Germany has been passing through a severe crisis. Even before the arrival of the colossal exchange smash in the U.S.A. which marked the beginning of the American crisis, there was an evident crisis in Germany. The German crisis is not merely an economic one, although the phenomena occurring in the economic sphere constitute the basis on which is developing a

crisis of the whole German social organism. There is also a crisis of bourgeois political parties, a governmental crisis and a crisis of a capitalist State. All the bourgeois parties are calling for a "strong man," a dictator, who has to save capitalist Germany.

At the Magdeburg Conference of the social-democratic party Wels proposed a dictatorship of social-fascism as a method of sal-

vation from the imminent disaster. Hugenberg and Hittler, as presidents of the German nation and the national-socialist party respectively are also offering their services to this end. But finance capital in Germany is obviously putting forward as the most suitable person for the rôle of dictator the president of the Reichsbank, Dr. Schacht. As one of the largest of the German captains of finance capital and the agent of the firm of Pierpont Morgan, he not only talks of dictatorship; he is already putting it into practice within the limits of the possibilities he has for that purpose, and he has those possibilities already to a very high degree.

The American crisis has not yet affected Germany to any considerable extent. Consequently it cannot be the cause of the crisis which holds Germany in its grip. The present German crisis is rather an expression of the internal contradictions of the newly restored capitalist economy of Germany. It is the consequence of the Dawes plan and capitalist rationalisation. But this crisis has already created an extraordinarily acute situation, which will develop catastrophically as soon as the results of the American crisis draw German economy also into the sphere of its influence.

At the congress of industrialists held on December 13th last in Berlin, Duisberg, the chairman of the German Alliance of Industrialists, who is also the chairman of the great concern of "Interessen-Gemeinschaft Farben-Industrie," explained the situation which has developed in the following manner:

"Only now that we have once more put before the community our cares and needs, our proposals and demands, in the well-prepared memorandum entitled "Expansion or Decline," with a call for the mobilisation of all the creative forces; now that the economic edifice is beginning to burn: now that the smell of burning is already perceptible in the form of bankruptcies, closing down of enterprises, short time, increase in unemployment and a resulting depression of spirit throughout Germany—only now are eyes opening to the reality. We shall hope that it is still not too late. We consider that it is still possible to put out the fire which is now blazing up. We still hold our future destinies in our own

hands. We consider that a change can yet give positive results. Economy is still alive, although it is passing through a process of intensified struggle for its existence."

In a leading article headed "The Annual Balance" which appeared in the "Bergwerkzeitung" for 24th December last, the following estimate of the situation was given:

"In such a situation Germany is inevitably going forward to a crisis which in many respects recalls the crisis of 1923, but which at the present time must have much more severe consequences, inasmuch as then there was still flexibility and hopes of a better future, which have now largely disappeared, since the very political and economic restoration work of the last five or six years has proved to be fruitless and without result in its most essential points."

It may be objected that these two voices, both from the circles of the large industrialists, unsoundly summarise the general position; that they are exaggerated views, put forward in order to assure the passing of the financial reforms desired by the industrialists through the Reichstag, in order to gain further concessions from the creditor states during the second Hague conference, or in order better to carry out the employers' attack on the conditions of existence of the working class.

All that is true. But that does not in the slightest weaken the importance of the facts we adduce below, which cannot be regarded by anyone as signs of a favourable situation in Germany. In the first place, in 1929, there were in round figures 25,000 liquidations of enterprises, by comparison with the 784 of 1913. Of these liquidations 9,557 occurred as the result of bankruptcy, i.e., 20 per cent. more than in 1928.

Secondly, beginning with 1928, an increasing retardation in the sales of commodities is observable. During recent months, despite the development of production in a number of spheres this phenomenon has led to an accumulation of commodities in warehouses. All this process heralds a decline in the exploitation of the productive capacity of the enterprises. By the middle of 1929 the actual exploitation was already estimated at a maximum of only 70 per cent. of the potential possibilities.

Thirdly, the state budget, which, in the

spring of 1929 was balanced so exactly, can no longer be balanced, as the budget expenditures have considerably increased, whilst the receipts have diminished to a still greater extent, so that by the end of the year the deficit in the imperial exchequer was already about 1,500 million marks. Innumerable municipal governments as well as separate German States came to the very verge of bankruptcy in 1929.

Fourthly, unemployment and a reduced working week are swiftly extending. In the textile industry, for instance, and in the tailoring sphere, in the middle of last December the reduced working week amounted to approximately 23 per cent., and in the metal industry to 12½ per cent. The unemployment figures in the middle of December stood at two millions (and since then they have grown to considerably over three millions). Such was the situation whilst the congress was being held at which the industrialists worked out a large-scale programme of attack, and whilst the government was putting forward in the Reichstag its projects for customs barriers with a view to safeguarding economic life and the state finances.

This state of crisis of national economy which has developed in the conditions of the Dawes Plan, will not be essentially changed as the result of the adoption of the Young Plan which has now replaced the Dawes Plan, although this new plan does provide a number of temporary reliefs to German capitalists. The crisis developed as a result of the disproportion between the growth of market capacity and the production possibilities. There is no probability that the situation of crisis will be ameliorated as the result of the methods of salvation applied by the capitalists. Quite the contrary. Those measures are leading to a strong contraction of the internal market at a time when simultaneously, under the influence of the American crisis, an extraordinary intensification of the competitive struggle on the world market must ensue.

The simple fact that during recent years the German capitalists have been compelled to sell a number of their commodities on the foreign market at a considerably lower price than on the home market points to the crisis now being experienced by Germany economy.

Thus, according to No. 49 of "Magazin der Wirtschaft," p. 1836, the world prices for steel and iron commodities stood from one quarter to one-third lower than prices on the internal market. The world prices for sugar are considerably lower than those prevailing in Germany. According to the reckoning of the "Cöln Gazette" for 12th January last it will be necessary to export 204,950 tons of sugar out of the total production for 1929, the export price being 180 marks per ton, whereas the cost price is 380 marks. This gives a loss of 200 marks per ton, or 49 million marks lost on the total quantity exported. The steel and iron working industry, it is true, is not carrying such losses on export. Despite the low prices prevailing on the world market it could yet extract a certain profit, the low level of which was compensated by the high profits made on the home market. The exports in this sphere of industry at the present time amount to one-third of the total production, and beginning from 1927 shows a tendency to rise.

The capitalists are trying to save themselves from the serious consequences of the Dawes and Young Plans, and the accentuated competition on the world market, by carrying through the economic programme which they put forward in their memorandum, which is the basis of the government's financial reforms and customs tariffs.

In this memorandum the employers, on the basis of their estimate of the existing situation, put forward a number of demands, the chief import of which is to restrict social services and to modify the taxation policy. The memorandum declares:

"The partial reform of the unemployment insurance effected on October 3rd, 1929, is insufficient. It is necessary immediately to effect a further review of the law for unemployment insurance. The object of this reform should be to bring the budget for the imperial administration of social insurance into a condition of stable equilibrium, by further economies, without increase of contributions or resort to further state resources.

"In the sphere of taxation policy, economy calls for a considerable diminution in those taxes which hinder the accumulation of capital. It is necessary in particular to ensure:

(a) an immediate and complete repeal of payments under the law of industrial taxation, and the repeal of the percentages on the basic loan obligations of the rentbank; (b) an immediate reduction of the professional tax by not less than half, and its complete repeal after a brief transitional period; (c) the reduction of the property tax; (d) a diminution of the income tax by the reduction of the rates first and foremost in application to the middle and higher categories. . . the repeal of the taxation on unearned income; (e) the gradual repeal of taxation on income from house property, and the repeal of the restrictions in the sphere of the free exploitation of housing accommodation; (f) the diminution of the taxes on circulation of capital and the repeal of the tax on the growth of securities."

Supplementary to these measures in the taxation realm the following demands were put forward: "(a) An increased exploitation of indirect taxation, especially taxes on consumption; (b) the establishment of municipal rates falling on all strata of the population for the purpose of covering administration expenses; (c) the introduction of a general tax on renters of housing accommodation."

All these measures are directed towards imposing new burdens on the broad masses of the population.

These demands expounded in the memorandum were given even greater point by chief speaker Dr. Silberberg. He demanded a 5 per cent. diminution of the general state expenditure, and also of the expenditures of the various states of Germany and of the municipalities. This should provide an economy of 800 million marks. Further, he declared in favour higher taxation on those articles of consumption which are not absolutely indispensable. Four hundred millions should fall to tobacco, and six hundred millions of new excise on spirituous liquors. Moreover he demanded the establishment of control over all state financial institutions with a view to introducing a financial system by means of which undesirable expenditures on the part of states and municipalities could be restricted. In future the foreign markets of capital should be at the disposition solely of the Reichsbank and of private capital, whilst the needs of the imperial states for loan capital, as well as

those of the various states and municipalities should be covered under the above-mentioned control inside the country. At this industrialists' congress the speaker for the Union of Saxon industrialists, Witter, formulated the programme of finance capital in the following terms:

"Our programme must be put into force without delay. We shall not be satisfied with half-hearted decisions. If this cannot be carried out by legislation because the parties in the Reichstag desire to consider the electors, it must be carried out by governmental administrative measures. All the gentlemen at the head of the state must have the courage to face a temporary unpopularity."

The government constructed its financial programme in correspondence with these categorical demands from the industrialists. That programme foreshadowed a reduction of taxation for the ruling classes by 1,750 million marks. This figure was obtained as the result of the complete repeal of the taxation on industry to a sum of 330 millions, and of the indebtedness of agriculture to the Rentbanks to a sum of almost 100 millions, as the industrialists had demanded. Further, a reduction in professional taxation was foreshadowed to a sum of 250 millions, a reduction of the land tax by 200 millions, and the repeal of the tax on profits from capital, which in the aggregate gives a sum of one milliard in round figures. Then there is a reduction in the tax on circulation of capital by 80 millions, the repeal of the tax on increase of values and the repeal of the land tax in the interests of the house-owning capitalists. This is pretty well everything that was covered by the employers' proposals. In the direction of taxation of the broad masses the financial programme foreshadowed a raising of the excise on tobacco by 220 millions, and the excise on beer by 180 millions, plus a poll tax, which was reckoned to yield 400 millions. All these taxes were adopted in the Reichstag in accordance with the government's demand. When the customs tariffs were being renewed, a number of increases in customs duty were also introduced: on boots, grain and meat. As a temporary measure, to continue till June 30th, 1930, the unemployment insurance contributions were raised by

$\frac{1}{2}$ per cent. This measure increases the burden on the working class by 140 millions. After June 1st this question has to be regulated on a new basis in accordance with the far more drastic desires of the industrialists.

The president of the Reichsbank, Dr. Schacht, was not satisfied with this triumph, which he had achieved by the acceptance of his ultimatum in the Reichstag. He demands the recognition of his authority in all sections of the capitalist state, both in the empire and in the various states and municipalities. Schacht annulled the proposed loan to be raised by Berlin city in America with a simple stroke of the pen, simultaneously demanding that Berlin should cover its needs in loan capital with the aid of the large German banks, but only on condition of providing definite guarantees of a swift repayment of loans. On this issue Schacht treated the municipal parliament of Berlin exactly as he had treated the Reichstag. Here also as in the Reichstag, the deputies, including the social-democrats, submitted to Schacht's ultimatum. They provided the guarantees demanded by him by increasing the charges for the town railways by 20 per cent., and the gas, water and electricity rates for the small consumer also by 20 per cent. In addition they decided on the immediate cessation of the construction of houses and municipal buildings in complete accordance with Schacht's demand.

When under the pressure of a big unemployed demonstration, a meeting of city councillors adopted a resolution to grant a small Christmas allowance of from five to nine marks, the burgomaster of Berlin in accordance with Schacht's instructions announced his refusal to put this decision into force. The "oberpräsident" (lord lieutenant) of Brandenburg province not only approved the burgomaster's refusal, but appointed the latter the financial dictator of Berlin with a view to introducing economies, and the social-democratic majority of the town municipal government agreed to this. Thus the right of the largest municipality in Germany to self-government was completely abrogated by a wave of the hand of the president of the Reichsbank. The smaller municipal governments need not expect better treatment. The increase of the burden on a worker's family of four in Berlin,

through the raising of rates for gas, water, electricity and travelling on the town railways, and also through the new taxes on grain and bread, amounts to 200 marks per annum.

None the less the introduction of financial and customs reforms in accordance with the desires of finance-capital is still insufficient to put economy firmly on its feet again. To do that it is necessary—as the congress of industrialists declared—to have a new rationalisation drive, so that by means of raising productivity and reducing wages the wages factor in the cost of production may be reduced. Also a further concentration of capital is essential. The production and trading turnover of 25,000 liquidated and bankrupt enterprises has to a large extent been absorbed by the large capitalist enterprises. Thus the turnovers of the larger banking institutions which have gone bankrupt, such as the Frankfurt "Alliance," the Reifeisen bank and the Ostbank, have passed to the big banks: the Deutsche bank, the Diskonto Gesellschaft, the Dresdner Bank and the Danat bank. The same has happened with a number of medium-sized industrial enterprises which have wholly or partially been absorbed by larger enterprises. This was particularly the case in regard to metal works, locomotive and wagon works, shipbuilding yards and motor works. Many enterprises were forced during this process of concentration to resort to foreign aid, or fall under the domination of foreign capital. There is the motor industry, for instance, which has to a large extent fallen into the power of American capital.

As a rule these fusions bring with them considerable dismissals of workers. In the fusion of the Deutsche bank and the Diskonto-Gesellschaft 4,000 employees were discharged. The new concentration within the framework of the "Interessen-Gemeinschaft Farben-Industrie" was accompanied by the elimination of over 20,000 workers from production. In the process of the unification of this concern with the society "Ruhr-Stickstoff" further thousands of workers are being rendered "superfluous." In the rubber industry, as the result of the fusion of a number of enterprises, the number of workers was reduced by more than one-third. The Rhine steel and iron founding industry has been united into four

large concerns (Krupp, Klöckner, the United Steel works, the Gelsenkirchen company). Henschel, of Kassel, sold his holding of shares in the enterprises of the primary industries for 70 to 80 millions, so as thus to get the predominance in the production of locomotives. Simultaneously he dismissed a considerable proportion of the workers from his works in Kassel.

Together with the concentration of the enterprises a great new wave of rationalisation, also accompanied by extensive dismissals, is observable. It is impossible to determine exactly to what extent the discharge of workers is the result of rationalisation and to what extent the result of a decline in the market situation. In any case the employers are exploiting the depression in order to obtain a further rise in productivity with the aid of mass discharges, without raising wages and even with a simultaneous reduction of wages. Thus the concern "I.-G. Farben-Industrie" has decided to institute a five-day week and a reduction of wages by 15 per cent., but in such a fashion that the former weekly output per worker should not be reduced through these five working days. This method of rationalisation inevitably leads to a swift rise in the figures for accidents and illness. The extent to which the raising of the productivity of labour during the first wave of rationalisation increased the danger of accidents is evident from the following table:

Year	No. insured	No. of accidents (registered)
1910 ...	9,382,000	... 484,000
1925 ...	10,854,000	... 653,000
1926 ...	9,948,000	... 754,000
1927 ...	11,391,000	... 1,010,000

Consequently we have a rise in the number of accidents by 100 per cent. over 1910, and a rise of 75 per cent. over 1925. Unfortunately we do not have figures relating to 1923, from which it would have been possible to see that the increase in accidents constitutes a general phenomenon of the restoration period since 1924.

The productivity of labour per worker in 1924 was estimated at a maximum of 90 per cent. of the pre-war productivity. The degree to which the productivity of labour has been raised is evident from the following figures

(1913 is taken as 100 except where otherwise indicated):

Sphere of production	1928	Sept., 1929
Ruhr mining industry ...	126.3 ...	134.5
Lignite	154.1 ...	159.
Potassium industry ...	167.6 ...	—
Cement industry ...	174.4 ...	—
Motor industry ...	503. ...	—
Iron ore	129.1 ...	—
Machinery	133. ...	142.
(First quarter of 1925 taken as 100)		
Railways	128. ...	—
(First quarter of 1925 taken as 100)		

The German worker has received no compensation in the form of corresponding rises in wages for this rise in the productivity of labour. On the contrary, his real earnings, despite all the declarations to the contrary, now stand at a lower level than in 1913. Dr. Kuchinsky worked out the cost of living and wages plus unemployment allowances; from which one can observe the movement of workers' incomes and their expenditures during the last three years. He finds that, taking the cost of living in each case as 100, wages plus unemployment pay have been in the following proportions:

1927	80
1928	84
1929 (January)	80
1929 (July)	87
1929 (October)	87

These figures prove that of recent years, beginning with the great industrial revival of 1927, the worker has never earned sufficient to cover the cost of living. However, the "Frankfurter Zeitung" draws quite a different conclusion from this. It declares that the present unemployment is not structural, but is explained merely by the "too high wages." In an article published in the number for 29th December last we read that the wages of the German worker are at least five per cent. too high. And from this the following observation is drawn:

"... The elasticity of the demand for labour power is naturally under the decisive influence of the conditions of supply of labour power. If any commodity does not find a purchaser, anyone will first ask whether the price of the commodity is not inordinately high. If labour power does not find a purchaser it is impermissibly blind to pass over this car-

dinal question. . . If in 1929, despite deepening stagnation of business, we have not only not had the reduction of wage rates which formerly was quite natural in times of depression, but on the contrary a further increase, it is nothing but the mechanical transference of the customs of the restoration and transitional period to a period which demands quite a different approach to the problem of wages. The guiding consideration should be not the rates which the workers wish to receive, but those rates which are economically possible. . . ”

In the recently published official report on the consumption of grain and meat per head of the population we find the following observation: “Since 1913 the consumption of rye per head has fallen by almost one third, and the total consumption of grain bread almost one-fifth by comparison with the pre-war time.” According to this report the following are the figures for the consumption of meat per head (1913 is taken as 100):

	1928	1929
First quarter	111.3	108.9
Second ,,	104.	100.8
Third ,,	101.4	100.6

The consumption has fallen again to the 1913 level. But one has to presume that the workers' family now consumes less, because the bourgeoisie and the higher paid categories of employees have not reduced their consumption of meat at all by comparison with the post-war level, and these strata are numerically larger than before the war. If we take this fact concerning the level of life of the German workers, we see how unsound were the declarations made by right-wing elements in the ranks of the Communist International when they said that the standard of living of the workers had risen. Consequently it is not a question of a political error committed at a time when such declarations were made, but of the statistical materials by which that declaration was justified being not altogether beyond reproach.

At the end of July, 1927, the total number of unemployed receiving allowances was 452,000. At that time almost all the unemployed received either an allowance for unemployment or an allowance on account of the crisis. In July, 1928, the number of unem-

ployed receiving allowances was 564,000. To this figure has to be added 150,000 unemployed who do not receive the allowance. In July, 1929, the number of unemployed receiving allowances was 723,000, but to this figure has to be added more than half a million persons who were not receiving the allowance. Further, in August the figure of workers receiving allowances rose to 726,000, in September to 750,000, in October to 889,000, in November to 1,200,000. In December this figure had passed the two million mark.

The number of workers not receiving the allowance is at least one-third of the total mass of unemployed. Hence it follows that at the end of 1929 there were about three million unemployed. By the middle of January, 1930, this figure had risen to 3.5 millions. And this is in a year when open air work has not yet been hindered through frosts. The frosts have but to arrive, and the labour market by the end of February will show a further increase in the unemployment figures.

In the city of Berlin on January 10th there were considerably more than 300,000 unemployed; and in the Brandenburg province, including Berlin, half a million. In Saxony on the same date there were 240,000 unemployed, and this despite the fact that, owing to the absence of work in Saxony, over 100,000 workers left this state in 1929.

This unprecedented unemployment, which leaves far behind all figures hitherto recorded in Germany, must of course have its influence on the worker masses. The unemployed worker, and the worker engaged in the enterprise yet daily feeling the threat of dismissal hanging over him, cannot be satisfied with the consolation that by a further rationalisation and financial reform (i.e., taxation and customs robbery) the bases will be established for Germany's fresh competitive powers on the world market, involving new possibilities of application of labour in the future and therefore wages to the worker. The unemployed and employed are categorically demanding the ending of the policy which condemns the working class to death by starvation for the sole purpose of enabling the declining capitalist system to gain a fresh lease of life and postponement of its end. And the working class is rising against the policy of the social-democrats and reform-

ist trade union leaders, who defend this shameful system with the aid of compulsory settlement of conflicts, by arbitration, by strike-breaking, and the use of the truncheon and machine guns.

Consequently the precious social-fascist hounds of the bourgeoisie are forced to resort to more and more extreme measures in order to keep the working class in submission. This end has to be served by, among other measures, the Severing penal law, with the aid of which the attempt is being made to strangle the Communist Party and the revolutionary opposition in the trade unions.

The mass demonstrations of unemployed, in which employed workers are also participating on an ever increasing scale, show, however, the resolution of the toiling masses to carry on an open struggle against the system of exploitation and oppression. The task of the Communist Party is even more to strengthen the will of the workers in the struggle and organisationally to consolidate it by creating a united front of employed and unemployed. The struggle for resistance to mass discharges and for the introduction of the seven-hour day is the main

task in the present situation. During the practical development of that struggle the masses will acquire new strength, and by the extension and development of the workers' front they will be enabled to prepare for inflicting decisive blows on capitalism. The nervousness of the bourgeoisie, the crisis of the government and bourgeois parties, and also the unprecedented police repression, point to the fact that the bourgeoisie and their social-fascist allies are possessed with fear of the events which the development of the forthcoming months presages.

The "Bergwerkzeitung's" note to the effect that we are drawing near to a crisis similar to that of 1923 is not a chance literary flourish, but corresponds with the situation. Consequently during the coming months we must as determinedly as possible inculcate into the consciousness of every worker that he must join up in the revolutionary class front, that he must participate in the struggle organised by the revolutionary trade union opposition under the leadership of the Communist Party, against the mass discharges and for the introduction of the seven-hour day.

The Economic Situation of Italy and the Immediate Tasks of the Italian C.P.

M. Garlandi

OF recent days the international press has been devoting much attention to the phenomena of the Italian crisis; at the same time the fascist press has been endeavouring to prove that everything is going better than ever before in Italy. In order the better to outline the situation in Italy one needs to turn back a few years to the period of the promulgation of the exceptional laws. The tendencies towards a crisis at the end of 1926 can be briefly summed up as follows: (a) after a period of industrial revival, the result of the currency inflation, Italian economy prepared to pass to reorganisation; (b) the first symptoms of the rationalisation and "Americanisation" of production began to appear,

accompanied by an intensified exploitation of the proletariat; this period saw the beginning of great movements of attack on the workers' wages, and unemployment began to increase at a dizzy rate. We were then face to face with a "break" in the industrial revival, and in that very break were the elements of the new period, roughly corresponding to what, on an international scale, we call the "third period."

The modifications which occurred at this time in Italian economy are highly important. More than ten milliard liras were invested in production; part of them went into the reorganisation of the machinery of production (the introduction of new machines, etc.) and part into the needs of increasing floating

capital, the sources of which had been considerably reduced owing to the enforced consolidation of the state loans at the end of 1926. Of this sum part (about six to seven milliards) was forthcoming for Italian industrialists from foreign (Anglo-American) capitalists; the rest was taken from wages, by the reductions demanded by the industrialists and carried through by the government in 1927.

What are the results of the "reorganisation" of the machinery of production? First and foremost it has to be said that this "reorganisation" was of an extremely modest kind and affected only certain spheres of industry, and even them only partially, to the extent that it was indispensable in order to facilitate the introduction of the system of rationalisation of labour (the Bedo system). The organic composition of Italian capitalism did not permit of any "reorganisation" on a large scale. Despite this in places the machinery of production was developed and the technical successes were exploited. The result was an accentuation and intensification of the main old contradictions of Italian economy, and also the emergence and multiplication of new contradictions.

To consider the development of certain basic spheres of industry:

ELECTRICAL INDUSTRY

During the last few years the electrical industry has achieved gigantic successes. The investments in industry engaged in the production of electrical energy were 559 million liras in 1914; in 1926 they had reached 6,260 millions; and in 1928 they had reached ten thousand millions. (Another estimate gives the figure of 11,700 millions for 1927.) The production of electrical energy, which in 1921 amounted to 3,006 million kilowatt hours, had in 1928 reached nine thousand million kilowatt hours. In 1927 the power of electrical stations was 2.5 million kilowatts, in 1928 it had risen to 3.5 million kilowatts. The programme of development of the electrical industry announced by the industrialists foreshadows a doubling of production during the coming five years. As Italy does not possess sufficient coal, the development of the electrical industry is regarded as a "means of making Italy independent of foreign coal." Consequently the

state protects the development of the electrical industry, which pursues a policy of monopoly prices. These prices are quite high, as industry has to pay high rates of interest to foreign capital and to set aside large sums for the amortisation of the enormous capital invested in the production. On the other hand the potential power of the stations many times exceeds the quantity of energy produced; the cost of a unit of electrical energy has been very high from the very beginning and surpassed the cost of a unit of fuel energy. If the electrical stations could work at full load they could supply a further three milliard kilowatt hours, according to the experts. While from the end of 1929 the power of the stations has increased continually, the quantity of energy produced is continually diminishing by comparison with their possibilities of production.

In addition to electrical industry electro-technique and electro-chemistry have also seen great development of recent years. Electro-metallurgy has achieved comparatively big successes. Many special metals which were formerly imported are now manufactured in Italy itself. It is very important to note that not only were the country's needs in aluminium and its subsidiary metals (duroaluminium), typical of modern technique, completely met by Italian industry in 1929, but even the question of finding markets for the exports of surplus production has arisen.

CHEMICAL INDUSTRY

The chemical industry possesses a capital of over four milliard liras; it exploits the labour of over 100,000 workers, and the power of its factories is equal to 250,000 horse power. The government pays special attention to it, for this sphere of industry is closely bound up with the programme for war preparations, built up on the basis of a plan for industrial mobilisation. The chemical firm "Montecatini," which is a vertical trust monopolising the production, has equipment which can supply 25 to 30 per cent. production beyond the needs of the home market.

STEEL AND IRON

The production of steel and iron is increasing, although from July to September 1929 there were certain vacillations:

IRON AND STEEL PRODUCTION (IN TONS)

		IRON		STEEL
1913	...	426,754	...	846,085
1922	...	157,599	...	982,519
1923	...	236,253	...	1,141,761
1924	...	303,972	...	1,358,853
1925	...	481,799	...	1,512,000
1927	...	489,100	...	1,721,000
1928	...	507,700	...	2,100,000
1928 (first 10 months)		393,719	...	1,609,966
1929 ,, ,, ,,		573,734	...	1,828,319

This swift increase in the production of iron and steel has outstripped the rate of absorption of production by the internal market, i.e., by the native metal industry (metal manufactures and semi-manufactures). Moreover, during the last six years the absorption power of the market has fallen by 18 per cent., i.e., by more than 200,000 tons. (G. Mortara, *Prospettive economiche.*)

These general figures need to be interpreted, taking into consideration a number of factors.

CONCENTRATION AND RATIONALISATION

The reorganisation and rationalisation of industry has been accompanied by a process of concentration, which has gone on at a very swift rate and acquired very characteristic forms. The concentration of industry has advanced amid the destruction of the small enterprises. Those small enterprises which have been preserved have come to a more or less degree within the sphere of influence of large-scale industry.

The mineral chemical trust "Montecatini" absorbed a further twelve companies with a total capital of over 110 million liras in 1927. "Montecatini" supplies approximately 83 per cent. of the total production of iron and copper; all the aluminium for the needs of industry and war; up to 55 per cent. of the super-phosphates (the company also enjoys a monopoly of import products); up to 77 per cent. of the nitrogenous manures, and so on. In 1927-28 a trust of associated national chemical enterprises was formed as the result of the fusion of three companies. In the same year a number of enterprises in the hydro-electrical, metal and shipbuilding industries united. (Of particular importance here is the "Kozulici" unification, which has a dozen dockyards, and is now carrying on

negotiations for unification with the Genoan groups; also the fusion of the Odero-Terni company with the sea docks of Orlando is important.) There have also been unifications in the textile industry (the concentration of the artificial silk industry is particularly important) and so on. The banks and credit have achieved a high degree of concentration, the process being accompanied by the smash of the small banks. In 1925 the government concentrated the right of currency emission (which formerly belonged to three institutions) in the hands of the "Banca d' Italia." The process of industrial and banking concentration was connected with the development within certain limits of the speculative function of finance capital.

The increase in capital of the limited companies has gone on as follows:

	PAPER LIRAS		GOLD LIRAS	
1914	...	5,755,955,526	...	5,683,516,303
1917	...	7,257,459,610	...	6,628,422,215
1920	...	17,784,816,994	...	11,186,784,463
1925	...	36,481,131,907	...	13,168,892,957
1926	...	40,416,725,086	...	13,677,520,895
1927	...	42,257,258,192	...	14,067,944,345
1928 app.		45,000,000,000	...	16,000,000,000
1929 ,,		48,000,000,000	...	17,000,000,000

(first 9 months)

The rate of increase in capital of the limited companies does not correspond to the rate of development of the machinery of production. Typical is the development of the system of "privileged shares," with the aid of which a small group of capitalists ensure their control over an enormous mass of capital. The feverish rate of capitalist concentration in Italy is supported by the policy of the fascist régime. Mussolini's fascism is the maximum concentration of the power of the capitalists in the political realm. Every step taken by fascism in the direction of economic "stabilisation" of capitalism is accompanied by an increasingly large centralisation of the political power.

ACCENTUATION OF CONTRADICTIONS

The main contradictions which have been accentuated of recent days are as follow:

(a) The relative and unequal reorganisation of various spheres of industry is creating a

crisis in particular spheres of industry and agriculture.

(b) The industrial reorganisation and "rationalisation" were supposed "naturally" to lead to a rise in the level of production and a fall in prices; instead of this we have an internal market the level of which is inadequate, whilst the foreign market has contracted owing to the competition of foreign industry, which is stronger, better organised and so capable of reducing prices of its products. This has as its consequence the closing of a number of factories and the reduction in the production of others. All the motor works are passing through a crisis; Fiat, whose equipment permits the output of five hundred motors daily, in 1929 turned out an average of 130 motors daily, and at the end of 1929 only forty motors daily. Altogether the whole of mechanical industry is passing through a crisis. The cotton industry is also struggling with great difficulties. The crisis in the production of natural silk has become very severe, and this is one of the most stable and profitable spheres of Italian industry. The reason for this is to be found in the high prices of cocoons and in the competition from Japan. The production of artificial silk is suffering from a diminution in demand, owing to the fact that those countries which formerly imported artificial silk are now developing their own production. The growth of supply is causing a fall in prices. Further, the crisis in the U.S.A. has reduced the export of artificial silk to that country. The chemical industry is forced to meet the competition of foreign industry on the home market. This is particularly true of certain products, such as chlorine, celluloid, photographic materials, etc.

The crisis which began in 1928 and, with of course moments of rise and fall, continued in 1929 is now revealing a tendency to grow more acute.

According to official figures, unemployment rose to 228,831 persons at the end of September 1929 and to 337,000 in November. Here the reference is to the "registered" workers, i.e., to those who receive unemployment allowances. Mussolini informs us that all the unemployed (i.e., the number indicated by the official bulletins) receive unemployment allowances. Mussolini is right. But he is wrong if he

thinks we believe him when he says that the unemployed in Italy amount only to 337,000. The official statistics are made up on the basis of lists of the unemployment exchanges. But (1) only those workers have right to the allowance who have worked unbrokenly for six months before their dismissal; and (2) the allowance is paid out only for a period of three months.

Thus the unemployment figures completely exclude not only those who have worked unbrokenly for two, three or four months (and the master tries to dismiss them before the period established by law has elapsed, so as to avoid paying the allowance), but also all those who after they have received the allowance for three months have not obtained new employment. An approximate estimate leads one to double the official unemployment figures. Below we shall see in what conditions the employed workers work, and we shall point to the unemployment in agriculture, on which the official figures are silent, for there is no unemployment allowance for agricultural workers, and therefore no "registration."

WAGES AND COST OF LIVING

To turn to the wages question. As we have already pointed out, the wages of Italian workers are among the lowest in Europe. An investigation of wages carried out by the International Labour Bureau established that if the average wage paid in London in 1927 be taken as 100, the wages in Milan stood at 55 in July 1927 and at 52 in April; at the same time the figures in Rome were 46 and 42. The Fascist Association of Industry collected information on wages in 22,000 enterprises employing millions of workers, and established that the average wage per hour per worker was 2.04 liras in December 1928, 2.04 liras in January 1929 and 2.02 liras in February 1929. The average monthly wage during the three specified months was correspondingly 348.84, 339.16 and 335.32 liras. The lira is now quoted at about 93 to the pound.

The direct investigation carried out by our Party differs somewhat in its conclusions from the position established by the association of fascist employers, which in this regard is distinguished by its cynical frankness. The best paid categories of workers (typographers)

have an average monthly wage of 730 liras. Among the worst-paid category (textile workers) there are women workers who receive an average of 170 to 180 liras monthly. But these figures require further elucidation. Normally various taxes and charges are imposed on the workers' wages, such as "corporative contributions," insurance against age and illness, insurance against unemployment, against tuberculosis, various contributions and subscriptions, and in addition innumerable fines are imposed, leading to a regular diminution of wages.

Employing the official statistics on the cost of living, we see that whilst the cost of living has fallen by 14 per cent. to 16 per cent., the hourly wage has been reduced by from 30 to 40 per cent, and the monthly wage by even 60 per cent. Moreover, the cost-of-living index points to a change of prices for a definite group of goods and services, but these prices are not altered equally for all the individual commodities. In reality the index of food produce in Milan was 94 in 1928 by comparison with the 100 of June 1st 1927; the index of rent was 92, and the index of clothing 83. The average price of bread is two liras per kilo. Moreover it is necessary to bear in mind that the conditions of the proletariat in the large towns are better than those of the industrial proletariat in the small centres, and considerably surpass the conditions in which the agricultural proletariat live. Despite this, the masters regard the task of lowering the cost of production purely as a problem of lowering wages. It is quite obvious that if damage is done to profits it will have an effect in intensifying the export of capital abroad. In order to keep it at "home" it is necessary to attract it into a profitable line. In his report on the world economic situation for the third quarter of 1928 Comrade Varga ("Imprecorr," British edition, No. 67 for December 5th 1929) gives an incorrect estimate of the Italian situation (1) and speaks of the big profits obtained by Italian capitalists in 1928, which would appear to prove that "Italian economy has participated in the current year in the general improvement of business more than at first seemed to be the case." In other words there would appear to have been a tendency since

1928 to an improvement in the situation in Italy. But before he arrived at such a conclusion Comrade Varga should have realised that (a) the profits of the industrialists in 1928-29 are partly made up of sums which cannot be regarded as genuine profits realised in production, but which were obtained preponderantly by means of the emission of new share capital at nominal prices to old shareholders, and sold by these latter according to the market rate, or else were distributed among the old shareholders gratis or exchanged for the shares of other societies which had been taken over; (b) that the percentage of profit realised in 1928 by 1,600 share companies—of which each possessed capital of at least one million and the aggregate capital of which amounted to 24,260 millions—was reckoned at 8.9 per cent., but that if you take 1,907 companies for the same year the percentage falls to 7.31 per cent. ("Corriere della Sera" for 16th Nov. 1929.) And this means that the profit falls for the average and small enterprises, whilst the larger enterprises are struggling to ensure themselves higher profits and achieved this in 1928 by applying various measures. The rosy prospects sketched by comrade Varga do not correspond with the Italian situation in 1929.

The necessity of the resolute defence of profits is the cause of a certain confusion among some groups of industrialists, a confusion which is highly characteristic of the present situation in Italy. The contradictions amid which the crisis is developing are compelling the capitalists to seek a way of overcoming the competition on the foreign markets, because the internal market is contracted. But on the foreign markets the industry of the advanced capitalist countries better survives the fall of prices (within certain limits) which is hindering the development of Italian competition. The position of Italian industry on the foreign markets is further weakened by the fact that Italian industry does not possess

(1) One may point out that comrade Varga, who regards the official figures for unemployment in Italy as correct, "proves" in one table (which cannot but earn the unreserved gratitude of the fascists) that in the summer of 1929 unemployment was lower than in the summer of 1928. This is incorrect. Beginning with the end of 1928 the curve of unemployment in Italy has made certain zigzags, but in general it is unbrokenly rising.

sufficient capital to re-equip its industrial enterprises on modern lines; and that this industry suffers from great indebtedness and the stabilisation of the currency at a high level. The dumping policy which Italy has carried out during the past year (especially in regard to the export of agricultural products) has greatly intensified the crisis. And after the experiment, which was regarded as temporary (for three years now the governmental organs and official press of Italy have been declaring that the crisis is of a temporary nature). It is clear that such a policy cannot be continued. In his speech at the general meeting of a certain company senator Pirelli declared on November 15th: "We should devote particular attention to the worsening of our situation in regard to competition with other producing countries—a worsening which now, after the period of adaptation of costs to the modification in the price of money has been almost passed, threatens to constitute a decisive change of the situation, accompanied with great damage to ourselves. The situation is now as follows: the Italian producer, both in industry and in agriculture, is forced to work for only inconsiderable profits. But despite this, in many cases he is not in a state to overcome the foreign competition in the international market and even on the home market. . . ."

THE NATURE OF THE PRESENT CRISIS

Can the present Italian crisis be regarded as merely a market crisis? One has but to follow the process of development of the post-war crisis in Italy to find all the signs of an organic crisis in Italian capitalism, a process which is now extraordinarily accentuated by a market crisis. Of course the curve of the crisis does not take an uninterrupted course upwards. Thus for example we have already pointed out that in 1924-25 the inflation policy conducted to a rise in production. But these favourable features occurred independently of the renewal of the industrial machinery and occurred at the cost of the impoverishment of thousands of small producers, especially of peasants. On the other hand the international situation was favourable to these rises, inasmuch as the reorganisation of the production machinery was then being carried through.

The internal weakness of Italian capitalism was not merely not overcome or diminished, but was even increased, for the development of the machinery of production was begun (the establishment of new factories, the extension of the old, etc.), which engendered the illusion of a non-existent stability and strength. Moreover the chase after profits led to great amounts of capital passing from agriculture into the limited companies, which had the effect of contracting agricultural credit. The restoration and stabilisation of the currency was an inevitable measure to stave off a catastrophe, but it led to the cessation of the industrial expansion at a moment when the industry of the more developed countries had flooded the market with masses of its production. The beginning of the crisis in Italian industry heralds a fall in world prices. But this still more emphasises the tendency to worsen the position of Italian industry on the world market.

The world crisis about which fascism now makes much, in dealing with the Italian masses, in order to console them in their present poverty cannot lead to any alleviation in the Italian crisis whatever. On the contrary, the capitalistic world is building more and more customs barriers, and is more and more determinedly closing the doors to Italian products. The struggle for markets in such a situation becomes a matter of life or death for capitalism. That struggle will be carried on by all methods. And consequently by war methods also.

AGRICULTURE

Glancing now at the agriculture sector, we see that the situation in this sphere is no better than in the industrial sphere.

The sources of the agricultural crisis are very complex. The largest rôle is played by the policy of monopoly capital in fascist Italy. That policy has brought many thousands of small and average peasant farms to ruin. The figures for agricultural production over the past ten years show that on the whole production has remained at one level, reviving partially from time to time.

Undoubtedly certain successes were achieved in the realm of agricultural economy, especially in certain northern areas; agricultural stock

increased slightly, and the production of certain technical plants also increased during the ten years. None the less the situation of cattle rearing is a big symptom of the crisis. The quantity of meat received from various sorts of animals are below the figures of necessary national consumption by 600 quintals per annum, despite the fact that the consumption of meat is twenty kilos less per inhabitant per annum. Eggs, which were once an article of export, now do not cover the national consumption within 100,000 quintals per annum. In 1928 Italy bought meat, wool, chickens and eggs abroad to a sum of 1,168 million liras.

The agrarian crisis which began in 1927, and was evoked by the drop in prices of agricultural produce, as a consequence of the stabilisation of the currency, led to the ruin of thousands of small and middle peasant farms, whose owners passed into the ranks of the agricultural proletariat. As in addition credit contracted, and free capital was available only in limited quantities, there was also a diminution of investments in the small agricultural farms. Two characteristic features in fascist policy also played a big part: the "grain campaign" and the "rehabilitation of agriculture." The first feature was to have served as a means of assuring an easy income to the producers of grain for the market. The second feature consisted in the extraction of the savings of the small and middle peasants in the interests of "reconstruction boards," which were in the hands of the banks and large entrepreneurs, and constituted only a clever form of the confiscation of the land of the small and middle peasantry. Professor Serpieri, the vice-minister for reconstruction, declared that these measures would necessarily lead to a redistribution of the present peasant ownership.

The "Grain campaign," which was to have enabled Italy to free herself of foreign grain, was supported by methods which cannot be enumerated here. Especially important from the significance it had in the life of the working class was the increase of duty on grain, which in September 1928 was fixed at 3.50 gold liras (raising the tax to forty paper liras). In May 1929 the duty was raised by a further three gold liras, and thus at the present time it amounts to 51 paper liras per quintal. In view of the fall of world prices for grain,

and in order to avoid a fall of these prices to a level which would nullify the effect of the bounty several milliards with which the state guarantees the large home producers, the decision was recently taken that the government would manœuvre with the customs duties so as to hinder a fall in the price of grain.

This policy evoked a process of enrichment of small groups and the concentration of land ownership, accompanied by speculation in land. The productivity of the land varies enormously in the North, Central and South of Italy. From a minimum of seven or eight quintals in certain areas of the south the production per unit of land reaches sixty, seventy or even eighty quintals in certain areas of the north.

The penetration of finance capital into agriculture by means of a system of credit, and the attraction of large farmers in the form of shareholders into companies producing manures, and into the system of monopoly in the sale of manures and agricultural machinery, establishes the hegemony of a small group of capitalists over the land.

INCREASE OF TAXATION

The taxation burden has been increased. Right down till 1928 20 per cent. of all the direct taxes were burdens on the agrarian income. After the stabilisation of the lira, the nominal amounts of the direct taxes remained unchanged. As the stabilised paper lira is worth 27 gold centes (whilst formerly the paper lira was worth 17 to 20 gold centes) the value of the paper lira has grown by 30 per cent. Consequently, beginning with 1928 taxes have risen in real value by 30 per cent. in comparison with the taxes of 1924-26.

But the development of the programme of "ruralisation," which was to extend the home market for national industry, by strengthening the middle farms and developing of a kulak class in the countryside, has more and more revealed itself as a large-scale enterprise of finance and speculative capital. The result of this policy has nothing in common with the development of new productive forces in the country. On the contrary, the ruralisation of Mussolini increases the antagonism between the interests of the development of productive forces in urban and rural areas. The prices of Italian agricultural products are very

high. Fascism wants to reduce the costs in order to get over the agrarian crisis. But the factor determining the costs of agricultural products are very varied, and all of them, with the exception of labour power, are defended tooth and nail by the masters and the state, who do not permit any changes to be introduced here. The prices of machinery and manures are high, but, as we have seen, the industrialists have been unable to win in the competition with foreign production on the home market. In order to lower these prices it is necessary to reduce wages still more, which already, according to the declaration of even certain fascists, are on the verge of elementary physical possibility. Enormous state taxes, and the taxes of the provinces and communes, burden the costs. The sources of credit are exhausted, for the old accumulation has been immobilised in old obligations, and no new accumulation has yet been formed. Thus fascism is impotent to eliminate the agrarian crisis in Italy.

All this has as its consequence the poverty of the toiling peasant masses and unemployment of agricultural workers. This unemployment is not recorded in the statistics, for the agricultural workers do not have any right to unemployment allowances and consequently are not "registered." An approximate estimate gives at least half a million unemployed in agriculture. (1)

The workers, working as many hours as the master pleases, receive a *starvation wage*. *Many of them work only a few days a week*. Episodes from the life of the agricultural workers, connected with this situation, make very miserable reading.

ADVERSE TRADE BALANCE

The trading balance for the end of 1928 showed a deficit of over seven milliard liras, which means an increase of the deficit by approximately three milliard by comparison with 1927. During the first eleven months of 1929 the deficit was reduced by 891,152,783 lira by comparison with the deficit of the same period

(1) The unemployment figures for both industry and agriculture do not take into consideration the mass of young workers who annually ought to enter the production process, and who find the labour market closed or contracted. This mass has to be added to the number of "older" unemployed workers.

in the previous year, and this permits of expectations that by the end of 1929 the deficit will be reduced by approximately a milliard. This improvement is mainly caused by the fact that during the early months of autumn 1929 a smaller quantity of grain was purchased abroad owing to the good harvest of that year, and also by the fact that there had been an increase in the export of fresh fruit, almonds, tomato preserves, Provence butter, natural and artificial silk, cotton, woollen and silk fabrics. In terms of values the export in 1929, compared with 1928, was relatively lower than in terms of the volume of commodities. During the first six months of 1929 there were exported nine per cent. more commodities than during the same months of 1928, but the value of the commodities exported in 1929 exceeded the value of the commodities exported in 1928 by less than five per cent. This is explained by the fall in prices on the world market.

Whilst the industrial crisis is of great severity, one can say of the agrarian crisis that it determines the whole situation, for Italy is a country preponderantly agrarian. In a leading article of "Popolo d'Italia," the central organ of fascism, for January 1st 1930, it is clearly stated that "difficult times have arrived." But the author consoles himself with the thought that there is a universal crisis, and that this crisis is "organised"! However, the problem consists in the circumstance that Italy cannot exploit the crisis of other capitalist countries; the development of capitalism is unequal; the possibilities of resisting and overcoming the crisis are also unequal. The manœuvring possibilities of the various capitalist states are very different. On the contrary, the world crisis accentuates the Italian crisis, for the struggle for salvation from the crisis is becoming a struggle for the life of any form of capitalism whatever. And what counsel does "Popolo d'Italia" give the bourgeoisie in order to emerge from the crisis? Very simple counsel. It is only necessary to send the young people abroad and to "try the unknown."

"The task of the leaders on the morrow of the war and the victorious revolution, a task arising from the necessity of organisation, consists in trying the unknown. There are women and old folk enough for frugality, for accumu-

lation, for domestic labour. Our youth, cultured and daring, should carry with them a little of the new fascist Italy into every capital and into every continent.

"We are cramped here. In the expectation that the new economic policy will develop our hands and our governing minds, we are trying to note in the world a few likely points for the employment of our thought and for the needs of our economic life."

FASCIST PARTY REFLECTS CONFUSION OF BOURGEOISIE

Already last year certain facts revealed the vacillation which had seized the leading strata of fascism. The polemic over the "factory plenipotentiaries," and the concessions which certain groups of trade union organisers made under the pressure of the masses, proved the absence of any definite orientation among the leaders of fascism. This polemic, which lasted several weeks and was ended by a decision of Mussolini which excluded any possibility of establishing an institute of fascist plenipotentiaries even for the purpose of "control and police," and the motives by which the fascist organisers justified this proposal, were a proof of the instability and vacillation in the leading political centres of fascist Italy. A little later a polemic began in the fascist press, opened by an article which undoubtedly was written by Mussolini or inspired by him, and very equivocal in form, which was supposed to allow of a retreat being made in the event of a preliminary reconnoitre proving unsuccessful. Quite obviously this article was directed to the "democratic" anti-fascists, in order to challenge them to a public discussion and to learn their intentions. The article made hints at a "third period" of fascist policy, when fascism would begin to identify itself with the nation as a whole. Not only the anti-fascist press, but even certain "ultra-fascist" newspapers, interpreted this article so as to see in it the idea of the break-up of the fascist party. This interpretation was denied only after a month, when Mussolini spoke on the occasion of the seventh anniversary of the march on Rome. It is clear that by the discussion on the "third period" Mussolini was trying to sound the anti-fascist groups and even fascism itself. But the very fact that the head of the party can

raise the question of whether it is necessary to disperse or preserve his party is a sign of a certain instability—a sign highly indicative in its purport.

All these facts show that the governing classes are in confusion. That confusion is reflected in the organs with the aid of which fascism realises its authority. First and foremost, the syndicate of industrialists is giving expression to its dissatisfaction. Secondly, in the ranks of the fascist party, despite the military statute which governs it, a struggle is going on and a certain tiredness is to be observed which it is impossible to hide. The militia no longer are an absolutely dependable weapon. In the provinces, in certain places agitation is rising within it, especially wherever it has contact with masses of a similar social origin. In Pola (Istria) two militia-men who were members of a division ordered to carry out the execution of B. Gortan refused to shoot. In Faience (Romana), also, after recent events in which many fascists were wounded, the order to mobilise the black-shirts was carried out only partially. The fascists who have been sent to the factories, in order to spy over the Communists and the anti-fascists generally, are beginning to show signs of lassitude in face of the difficulties of the situation. They believe less and less in the promises of the "imperialist morrow," and see that the economic conditions are continuously worsening. In many cases the fascists in the works are actively demonstrating against the masters and the administrations. Very important events have developed during the past four months in this atmosphere. Their importance is evident from the fact that they point to a renewal of the struggle in those towns and villages in which there has been a certain passivity during the past three years. It is true these movements still embrace only small masses and restricted territories. But they express the awakening of the fighting spirit of the masses. They meet with the resistance of the apparatus, which now not always possess the repressive energy which it had several years ago, and sometimes prefers to take up a neutral position, and even one of open fraternisation, as was the case in Turin and Milan during the

recent agitations in the factories. It is also very important that these first signs of awakening are going on at a moment when the leading groups are in a state of confusion in face of the difficulties of the crisis and the absence of prospects. We have already cited an extract from the report of the president of the National Association of Limited Companies. We can here quote a further extract from the article of a Milan newspaper, which in face of the threat of a new reduction of wages says: "In the situation in which we find ourselves, i.e., when we must struggle with the storm, at the moment of its strongest development, after which only can we count on a calm haven, the commanders and officers (i.e., the bosses M.G.), must make extreme efforts. In such circumstances a good captain does not diminish the rations of his crew."

This advice, expressing serious anxiety, cannot, however, be acted upon. Unemployment is increasing, the working days are being reduced in number. Mussolini's speech on the seventh anniversary of the advance on Rome was a "raging, tearing" one, but it expressed lack of confidence. The peasant risings in Soulmond, Andria, and other places followed after that "raging" speech. The conflicts between the workers and the leaders at the works of Fiat Lingotto, in Turin; the seizure by the workers of the offices of the Miani and Selvester enterprises in Milan; the public demonstrations of unemployed in Emilia and Genoa; the shots at fascists in Faience; the mass movements in Venezia-Julie; and many other episodes which it is unnecessary to specify here, and still more, of which information is lacking, prove that the masses are striving to emerge from their passive state; that in this struggle fascism no longer finds itself possible to adopt the demagogic methods of 1927-28 with the aid of which fascism endeavoured to fight the danger of a renewal of the revolutionary class struggle, and that, consequently, it will have to resort to methods of ruthless reaction.

ANTI-FRENCH FOREIGN POLICY

The outlines of the internal crisis explain the position which fascist Italy occupies in the international sphere. In view of the necessity to emerge from the situation in which it is choking, fascism is carrying on a policy of

intrigues and provocations on the international plane. The manoeuvres which Italy executes at the Hague and London are anti-French manoeuvres. Italy wants to challenge France to a consideration of her demands, which by the way were not officially formulated with the precision we find in the fascist press. Just as the Italian policy in the Balkans is entirely directed against France, so the winning of the southern frontiers of Lybia (an adventure costing hundreds of millions) is directed against France, which cannot bring itself to establish a southern frontier between the north African possessions of the two countries. But whilst France can in a sense wait for war, Italy must strive for the swiftest possible modification in the world situation. And as Italy cannot either mark time or quick march she has moments of hysteria variegated by periods of sweet reasonableness during which new hysterical outbursts are maturing. This contradiction is clearly reflected in the press, in the official speeches, in the feverish preparations for war. The accentuation of international antagonisms is objectively conducing to the outbreak of war. In reading the fascist documents to-day one gets the impression that the government is consoling itself with the thought that "matters are going badly with everybody."

Consequently in Italy we are going forward to meet a severe revolutionary situation. The signs of the appearance of the new situation consist in the following:

1. The confusion and disillusionment among certain groups of leaders, in face of the difficulties of the economic crisis and the uncertainty of the prospects. Conflicts between groups which are suffering badly from the crisis and groups which feel it less.

2. The beginning of a decline in the middle strata of the petty bourgeoisie, both in town and in country, and of former fascists trying to pass to neutrality or even to open anti-fascism.

3. The agrarian crisis with its consequences, consisting in the proletarianisation of thousands of small peasants and the bankruptcy of many of the middle peasants. The failure of the policy for making kulaks in the villages. The mass movement in the villages.

4. The new signs of activity of the proletariat.

5. The intensification of the crisis in Italy consequent upon the development of the world crisis and the accentuation of antagonisms among the capitalist states. The American crisis has already been reflected in the prices of Italian securities, especially industrial securities, on the New York market.

Naturally, here we have indicated only tendencies included in the present situation. That does not mean that fascism is already on the verge of catastrophe. Fascism is not yet broken. It is taking various measures to overcome the situation. Those measures consist in State intervention with a view to mitigating the severity of the situation at various points, and to suppressing the revival of the workers and peasants' movement. In face of the crisis of mechanical industry, Mussolini (promising simultaneously state orders—military, railroad, etc.) ordered the administration of Fiat's to increase the wages of the workers, in the case of these workers who are not on full time even to the extent of making up their wages to the equivalent of forty hours' earnings per week (on the basis of credit for the hours not worked). The workers will have to repay this debt by deductions from their wages when they are able to work full time. This method is a simple trick which does not mean that the masters are forced to incur any

greater expenses for the payment of labour power, which will allow certain industrialists to conclude agreements with the government, which will not relieve unemployment, and which will free the industrialists from the necessity of paying allowances to the temporarily unemployed, as of course a "break in work is not unemployment." The consequences of such a policy will burden the state budget and will constitute only a temporary improvement for a certain number of workers and a worsening of conditions for the great mass of workers, who as the result of the system of "breaking work" in the factories will not receive any unemployment allowance whatever.

At the same time Mussolini is ruthlessly suppressing any demonstration on the part of the workers and peasants. This has happened in the large centres, especially Milan. Reaction has acted swiftly and furiously.

None the less the character of the fascist measures and repression are now distinguished from those which prevailed earlier. To-day we are passing through a phase of development of the crisis and are going forward to meet a phase of development of a movement among the masses. This has to be kept in mind in our party work.

The Polish Section of the World Economic Crisis

A. Zorki

I. THE ECONOMIC CRISIS

THE economic crisis in Poland is extending with gigantic strides, bringing one after another all the most important spheres of economy under its influence.

December and the beginning of January gave record figures for the rate of decline of all the economic life of the country. This great economic disturbance has caused consternation among the directors of Poland's economy and the fascist economists. In face of the catastrophic fall in all the most im-

portant economic indicators, these gentlemen were forced to abandon as useless lumber their legends of Poland's economic prosperity under the baton of the fascist marshal. They were forced to drop their talk about "Poland being threatened with no immediate crisis," and about all the negative phenomena in Polish economy being merely "temporary lulls."

On January 1st, in the hours of vacillation on the Olympus of Polish capital, it was declared in the pages of the organ of the central federation of large industrialists and bankers:

"The past year was undoubtedly a step backward in the economic development of Poland; it brought us the beginning of a clearly defined economic crisis." ("Psheglond Gospodarchi" No. 1, 1930.) And the same declaration was repeated in still more severe tones by one of the most prominent representatives of the Polish industrialists, the former minister, Klarnier, who stated that "in the chronicle of Polish economic life the past year, 1929, will undoubtedly be inscribed as an unfavourable year, and in certain spheres as even a catastrophic year."

It becomes quite clear why suddenly such gloomy words are to be heard from the representatives of large-scale capital in Poland, if we turn to the facts themselves of Polish economy during the past months.

On January 18th the number of officially registered unemployed in Poland amounted to 240,000 persons, which amounts to one quarter of all Poland's industrial workers. If the fact be taken into consideration that the actual figure for unemployed in Poland is considerably higher than the registered figures, one is quite justified in reckoning that the number of unemployed is over 300,000, and that almost every third industrial worker is now unemployed. To this has to be added the number of workers engaged only two or three days a week, which is huge at the moment (in the textile industry alone there are 70,000 partially unemployed), but of which there are no figures available for the last month which are in any way adequate.

Thus the level of unemployment in Poland at the beginning of January last exceeded the level of unemployment of all the past four years, and was very close to the level in 1926, when bourgeois Poland on the eve of the *coup d'état* was passing through the most severe economic crisis it had experienced since the first day of its "independent" existence. The relative level of unemployment at the beginning of that month also indicates that fascist Poland has surpassed all the other countries of capitalist Europe in regard to unemployment. Even in Austria the number of unemployed does not exceed 20 per cent. of the total number of workers: in other words, Poland is undoubtedly at present the classic country of unemployment.

RAPIDITY OF GROWTH OF UNEMPLOYMENT

The rate of increase in unemployment of recent times witnesses even more than the actual level of unemployment to the severe economic crisis now prevailing in Poland. From the beginning of October, 1929, to the beginning of January, 1930, the number of unemployed rose by 147 per cent., whereas during the corresponding period of the 1925-26 crisis the increase in unemployment was only 64 per cent. This violence of development of crisis-phenomena shows how profound are the disturbances from which the economic organism of Poland is now suffering and whither the development of Polish economy is tending.

We turn to a consideration of individual important spheres of Polish economy. The textile industry is almost completely at a standstill. Only a few enterprises which are financially the most powerful are working, and even these only two days a week. In the machinery industry orders on December 1st, 1929, were estimated as being $2\frac{1}{2}$ to 3 per cent. less than the demand at the corresponding moment of 1928. Since then there has been a further decline in demand, and a considerable contraction of production. The timber-working industry is "in a state of stagnation," according to official statements. In the steel industry orders in November, 1929, amounted to 26,000 tons, whereas in November, 1928, they amounted to 80,000 tons; in this highly important sphere of industry orders at the moment amount to only one-third the volume of orders for the same month of the previous year, and are even lower than those for the corresponding month of the crisis year 1925. The swiftness with which the crisis has overtaken heavy industry is also one of the factors showing that the present crisis has struck even deeper roots into the economic organism than that of 1925, hitherto the most terrible crisis Poland has experienced.

A relatively favourable position was maintained longest of all in the coal-mining industry, and the improvement which took place here in 1929 was a general European, and not merely a Polish, phenomenon. Even in November the official Chamber of Commerce considered the situation in the coal-mining industry quite favourable; but now the official

governmental "Gazeta Polska" is giving alarming figures from the "coal front," revealing that the demand on the internal market fell strongly in January, that "prices have fallen, stocks are overloaded; the merchants, having nowhere to sell the coal, are leaving it five or six days in the trucks, and there have even been cases where they refused to accept it at all and the trucks of coal were sold by auction." (January 16th, 1930.) To this it has further to be added that as early as December the export of Polish coal fell by 21 per cent., and that Poland has lost a considerable proportion of the Scandinavian markets, which she had won during the British mining lock-out and had successfully retained for three years, proudly reckoning them as her permanent markets. The loss of foreign markets and the decline of sales on the home market has led to a diminution of production and the closing down of a number of mines in the coal industry. Thus the crisis in Poland has captured the last important sphere of industry.

RETROGRESSION OF AGRICULTURE

But the situation is particularly bad in those two spheres which to a considerable extent determine the chronic nature of the diseased condition of all Polish economy. i.e., in the realm of agriculture, the decisive factor of the home market, and in the realm of credit.

The price of wheat in December, 1929, amounted to only 70 per cent. of the prices of 1927, whilst the price of rye, oats, and barley was less than 50 per cent. Describing the situation in agriculture, the landowners' journal "Rolnik-Economist" for December 15th last declared that "the purchasing power of agriculture had considerably declined." The demand had fallen not only for articles of consumption, but also for artificial manures and agricultural machinery. During November only 64 per cent. of the quantity of artificial manures sold in November 1928 was ordered; the same situation holds good in the realm of sale of agricultural machinery. It can be quite confidently predicted that there will be a reduction in area sown this year, since even in the considerably more favourable year for agriculture, 1928, the area sown with wheat and rye was diminished by 7 per cent. The reduction in the intensivity of

agriculture and the elements of its degradation are already obvious. The same landowners' organ points anxiously to this fact, declaring: "The regression which has begun in the work of intensifying agriculture brings a serious danger for the entire economic situation of the country." (Ibid.) The agricultural crisis is not confined merely to grain economy. It is also passing to the cattle-raising side, which plays an important part in Poland's foreign trade: in November alone the export of pigs fell by 25 per cent.

The enormous number of bankruptcies and protested bills of exchange, and the stagnation on the Stock Exchange, all witness to the severe crisis in all Poland's economy. In December the sum of protested bills exceeded 12 per cent. of the total of all bills due, being three times as high as the percentage at the corresponding period of the previous year. The index of shares, taking the index at the end of 1928 at 100, fell in November, 1929, to 68, and since then it has continued to fall in face of the extraordinarily low demand for shares.

DEARTH OF CAPITAL

The insufficiency of capital which is characteristic of all South-East Europe has now reached extreme limits in Poland, and excels even the Rumanian records. The New Year number of "Kurjer Polski" says: "The past year has shown us again the impossibility of financing the most modest of operations with the aid of Polish capital. This is creating a position in which, in the event of foreign capital not flowing in, every one of our investment movements closes extraordinarily rapidly." Meantime the influx of foreign capital, beginning with the second six months of 1928, has almost completely ceased, and in this the general cessation of export of capital from America, consequent upon the exchange fever over there, has played its part. During all this period Poland has received no long-term credits whatever; the Polish loan quotations on foreign exchanges have fallen considerably during the past year, being unable to find purchasers. Short-term credits have flowed in in very small dimensions, whilst at the end of 1929 they began to flow back out of Poland. The hopes of an influx of foreign capital into

Poland as the result of the crash on the New York stock exchange were shattered before they could come to anything; the above quoted fascist economist ruefully observes: "The hopes connected with the possibility of investments of American capital in the Polish market as the result of the exchange crash in New York have not been realised." ("Kurjer Polski," January 1st, 1930.)

This has reduced to nothing the capital investments in Polish industry during 1929, has contracted the basis of floating capital, has accentuated the "currency famine" to an extreme extent, and thus has lowered Polish industry's competitive powers abroad, and still more disorganised Poland's economic life. Despite the lowering of the bank rates in all the large capitalist countries of Europe, in Poland it in fact continues to rise. The number of exchange transactions not accepted by the Polish bank, owing to the fact that its credit activities are extraordinarily restricted, had considerably risen in December, and amounted to 40 per cent. per annum.

II. THE ECONOMIC PROSPECTS

THE disintegration of Poland's economic life has gone so far that even the professional optimists, the fascist economists, not only do not suggest any rosy prospects for Polish economy in the period immediately ahead, but even admit that yet more serious days are coming. The historic pronouncement of the former Premier, Witos, uttered at the moment of the dizzy fall of the Polish currency: "To-morrow it will be even worse," is the best definition of the present mood and opinion of the Polish bourgeois economists. Listen to the already quoted Klarner. This is how he ends his new year's survey: "It must be feared that during the first months (of 1930) the general economic situation will be subjected to further worsening." ("Kurjer Polski," No. 1, January 1st, 1930.) And another fascist economist continues: "There cannot be any talk of a speedy overcoming of the general economic crisis." ("Kurjer Polski," January 3rd, 1930.) And even the central organ of large capital in Poland, the "Psheglond Gospodarchi," referring to the crisis, declares: "In the absence of any kind of stimulus to economic life, either from the

private or from the state side, we must undoubtedly reckon on a further intensification of the difficulties in the immediate future." (January 15th, 1930.) The home market continues to contract. This is admitted even by the official Chamber of Commerce in its December publication, declaring that "the purchasing power of the mass of consumers in the urban and rural districts is weakening." ("Konjunktura Gospodarcha," No. 12, 1929.) Polish industry has always fought competition on the foreign markets by putting up prices on the home market and selling below cost price abroad. This dumping policy has ruled in all the main spheres of industry (coal, iron, sugar, oil, timber, etc.). The sharp contraction of the home market is therefore weakening the competitive power of Polish industry on the foreign markets, depriving it of resources for covering the expenses entailed in dumping. Simultaneously, the crisis in America and the more important countries of Europe is intensifying the competitive struggle on all markets, and the weakest countries, such as Poland, are the first to suffer from this.

Still worse are the future prospects of agriculture. The Government's recent attempts to raise the prices on the home market, and to increase the export (the introduction of export bonuses, etc.), have given no positive results. The state Chamber of Commerce communicates: "The situation of agriculture in November and the first half of December, despite all the Government's measures, has not only not improved, but recently has even rather worsened." A crisis in live-stock rearing is swiftly maturing. The decline in export of live stock produce in November is an extraordinarily symptomatic phenomenon. Czechoslovakia and Austria, the two countries to which a large part of the Polish export of cattle and meat produce was sent, are now, owing to the development of the agricultural crisis and under the pressure of their own farmers, raising the protective tariffs on these products. One of the fascist agricultural experts—a prominent member of the Gostsitsky Landowners' Organisation, has declared: "One has to foresee. . . a fall of prices for cattle produce in the immediate future. . . and this will create a catastrophic situation for

agriculture." ("Rolnik Economist," Nos. 13-14, 1929.) A prominent member of the governmental group, P. Pshedpelsky, repeats his remark from the tribune of the Sejm: "The grain crisis is beginning to entail the danger of a crisis in meat prices. If this arrives the situation will become truly desperate."

CUTTING DOWN OF IMPORTS

It would appear that the sole light in this gloomy picture is a certain improvement in the trading balance during the past half-year. From having a passive balance of recent years Poland has managed to obtain an active balance, and has secured a certain excess of exports over imports. But this is only an ostensible improvement. This "improvement" is the direct expression of the worsening of the situation through the cutting down of imports of raw materials and machinery for industry (in December there was a diminution of from 15 to 25 per cent. in the import of these commodities), and the absence of an influx of capital into the country. In Poland, as in Germany, the "improvement" in the trading balance is out and out the symptom solely of the exhaustion of the internal market and the symptom of a crisis.

All the rottenness of the far-famed stabilisation carried through by the fascist government is now coming to the surface so obviously that no optical instruments are required in order to see it. The fascist rulers of Poland's economic life are themselves now forced to declare that the "situation of Polish economy has no elements of stability." ("Psheglond Gospodarchi," No. 1, 1930.)

Whilst the world economic crisis brilliantly confirms the estimate of the situation made by the Sixth Congress of the Comintern and the Tenth Plenum of the E.C.C.I., the economic situation in Poland entirely confirms the accuracy of the estimate of the situation given by the Fourth Congress of the C.P. of Poland and the Sixth Plenum of the C.C. of the C.P. of Poland. The present crisis is an expression of all the unsoundness of capitalist stabilisation in Poland—in one of the weakest links in the stabilisation of Europe.

III. THE FASCISTS' MEASURES FOR STRUGGLE AGAINST THE CRISIS, AND THEIR RESULTS

WRITHING in the grip of a crisis, the Pilsudsky government and the capitalist circles of Poland are convulsively endeavouring to find a way out of the hopeless situation with the aid of a number of measures. An important place among these is undoubtedly held by the proposal for a further raising of the protective customs tariffs, a raising of export bonuses, the creation of large export syndicates in agriculture and the raising of prices on the home market. Thus the representative of the Upper Silesian metal works writes that in order to resist the development of the crisis "there is nothing else left but a raising of the price of iron on the home market and the raising of certain export bonuses." ("Kurjer Polski," No. 3, 1930.) The industrialists of other branches speak in the same spirit, and the landowners add their weight by declaring that "for all grain and cattle produce" it is necessary to obtain an "increase of home prices by comparison with the world prices to the full height of the customs tariff rates" ("Rolnik Economist," Nos. 13-14, 1929), i.e., by approximately 25 to 45 per cent. in the case of grain and by 15 to 20 per cent. in the case of meat produce. The purport of this proposal consists in partitioning off Poland's home market from foreign commodities, and from the tendencies to a fall in prices on the world market, by a super-powerful barrier, and by an artificial raising of prices on that home market to carry out a super-exploitation of the great mass of consumers, for the purpose of strengthening the competition on foreign markets with the resources thus obtained, and thus maintaining the level of production. This plan has an extraordinary number of weak spots, which make its practical application all but impossible.

First and foremost, all these super-protectionist abstractions come up against the impoverished state of the peasant masses and the unexampled pauperisation of the urban workers.

That the peasant masses are so impoverished is shown by the fact that almost three-quarters of the peasant farms of Poland are producing

to an extent inadequate to cover their own domestic consumption; the situation of the working class is witnessed by the recently-published book of the state "Institute for Social Economy." This is what this official organ states when analysing the workers' budget: "We must declare with every justification that the level of existence and the wage of the working class in Poland is one of the lowest in Europe." ("Conditions of Life of the Workers in Warsaw: Lodz and the Dombrova Coal Area," p. 109.) In the same book we read: "If we wanted to find a country closest to ours by the structure of the expenditure budget of the working class, then, although it sounds paradoxical, nevertheless the most approximate to the Polish worker's budget would be that of the Indian worker in Bombay." (Ibid.) The level of existence of the Polish workers is already reduced to the level of the workers in colonial countries. That is the purport of this communication of the official institute.

The raising of prices on the home market cannot in the least provide the industrialists with such resources as to enable them to lower the prices for their commodities on the foreign market to the extent that would be necessary in order to save Polish export from the decline which has already begun. Thus a reviewer of the steel industry in the "Kurjer Polski" writes: "It is clear that in these conditions (of an extraordinary contraction of the home market, A.Z.) there can no longer be talk of covering the losses arising from export by proceeds received from the sale of iron on the home market." (January 3rd, 1930.)

TARIFF REPRISALS ABROAD

In addition, the establishment of a super-barrier against foreign commodities will evoke economic reprisals on the part of the other capitalist countries, and will lead to a further worsening of their relations with Poland. This has already been revealed in regard to Poland's relations with Germany: the endless negotiations, which had appeared to have at last reached their final stage, have now again come up against new difficulties. The agreement for a joint regulation of rye export has again broken down. And, finally, the chief item in the social aspect of the whole problem

is: whether the working class and the rural poor will humbly submit to a further reduction of their already miserable standards of existence as the result of a raising of prices, and whether the masses of middle peasantry will agree humbly to submit to being further despoiled by the export syndicates, which concentrate in their hands the practical monopoly of export of agricultural produce, and exploit this monopoly for a still greater ruin of the small producers?

The second series of proposals put forward by Governmental circles with a view to alleviating the crisis has reference to the problem of attracting foreign capital. The organ of large-scale capital in Poland writes: "The influx of foreign capital is now the severest economic necessity with which Poland is faced". ("Psheglond Gospodarchi," No. 12, 1929.) But that is where the woe begins. The experience of all past years ever since the moment of the *coup d'état*, especially the experience of 1929, and most of all the experience of the last few months (even after the exchange crash in America), has shown that foreign capital almost completely fails to flow to Poland, and its attraction to any important extent demands the creation of a whole series of new pre-requisites of both an economic and a political and social character.

First and foremost, new and more considerable baits are necessary. "We must soberly realise that the help of foreign capital in our economic development can be obtained only by means of special concessions to that capital," writes the "Psheglond Gospodarchi," No. 21, 1929). Foreign capital does not flow into Poland in the form of loans. The Polish capitalists are hoping to attract it in the form of concession capital, handing over as monopolies to the foreigners whole spheres of industry and the important economic features in the shape of railroads, electrical production, etc.

INCREASING DEPENDENCE ON FOREIGN BANKERS

Even in 1927, when the Pilsudsky Government was concluding the "stabilisation loan" in conditions comparatively more favourable to Poland, they had to hand over the control over all financial life to the representative of the American bankers, Mr. Dewey. The fascist government, which has played so much with

the slogan of "defence of the national sovereignty from the foreigners," when concluding the agreement for this loan, accepted such far-reaching conditions in favour of the American creditors, gave them such special rights in Poland that even to the present time that government thinks it better for itself to keep these terms a secret. Such was the price they paid for credits even in comparatively good times; it is obvious that now the price will be considerably higher. The attraction of even the most modest foreign capital into the country demands of fascist Poland still greater increasing of its dependence on foreign bankers, still greater economic privileges to those bankers and new sacrifices at the cost of "sovereignty." That is quite obvious. Of course this will not occur without some discussion among the various groups of the Polish bourgeoisie.

But in principle the matter is settled. Pilsudsky and large-scale Polish capital are determined upon it. The central organ of the industrialists and bankers is attacking the notorious Harriman concession (a concession which gives the American Harriman firm the monopoly in the production of electrical energy in the most important parts of Poland), and is expressing the opinion that they ought not yet to take the step of giving "foreign capital privileges which will create a monopolistic situation for a certain group of employers which in the course of time might lead to the compulsory subjection to that group of a number of other groups, both native and foreign, already working in Poland." (Memorandum of the Central Alliance of Industrialists, Financiers, etc.) But this is all no more than an endeavour to bargain, and by no means represents an objection in principle to concessions with extensive privileges for foreign capital. In the same memorandum we read: "We must at once reconcile ourselves to the idea that these conditions (the attraction of foreign capital. A.Z.) must for us in certain regards be heavier than for many other countries."

And the Pilsudsky Government is not only prepared for such "sacrifices" to foreign capital. The fascist politicians also recognise "that the instability of political relationships in Poland is frightening off foreign bankers, restraining them from placing capital in

Poland." Undoubtedly this consideration, which is being so much emphasised by the representatives of large-scale capital in their latest pronouncements, has played by no means a small rôle in the realisation of the recent "compromise" between Pilsudsky and the Seym "opposition." But the "instability of the political situation in Poland" rests, of course, not on the dissatisfaction which this "opposition" reflects among certain strata of the middle bourgeoisie and upper groups of the petty bourgeoisie which wholly support the fascist dictatorship on all fundamental and decisive questions, but on the revolutionary rise of the mass of the proletariat and the exploited peasantry and toiling masses of the peoples oppressed by Poland, under the leadership of the Communist Party of Poland. Consequently the liquidation of the "instability of the political situation in the country" is not within the powers of the Polish capitalists and their candidates. Pilsudsky and his social-fascist servants, who with ruthless measures are endeavouring to suppress the revolutionary movement and avert the "danger" of a "political upheaval," are hoping thereby to appease their American creditors. They are striving for this, and also to safeguard for foreign capital its colonial profit, and are turning the screw still more tightly down on the toiling masses. But the way out in this struggle depends less on them than on the steadfastness of the toiling masses.

TRANSFERRING TAXATION ON TO THE TOILERS

The next "prescription" for curing the crisis consists in "taxation reform." Both in Poland and in Germany, France, and other capitalist countries, "financial reform" has become the next item on the agenda. The association of large industrialists and bankers of Poland has already presented the government with a memorandum on the subject of this reform several months ago. A number of conferences with various ministers have been held on the same subject, the congress of Chambers of Commerce and Industry, which was recently held in Warsaw, gave great attention to it, and finally the issue is being raised during the development of the crisis in all the manifestos of large-scale capital. By means of this reform large-scale capital will obtain the

repeal of taxes which most of all hinder their interests, such as the tax on capital, on capital turnover, and so on. And by means of this reform it will obtain a relief for shareholding companies and a progressive diminution of all direct taxes, together with a simultaneous increase of the indirect taxes. The social-fascists also, at their last Congress of Trade Unions, recognised the "increase of capital accumulation in Poland" to be a highly important problem of the day, and occupied themselves with the working out of plans for its realisation, which earned the praise of the central organ of the bankers. ("Psheglond Gospodarchi," No. 2, 1930.) Without any noise, without special legal measures, the Pilsudsky Government is putting the "taxation reform" into force. In the budget for 1930-1931, by comparison with that for 1928-29, direct taxes are increased by almost 10 per cent., the industrial tax is reduced by 35 per cent., and the tax on capital by almost 50 per cent. Of course, the indirect taxes are correspondingly increased. The robbery of the masses is going on at full strength.

Finally, the landowners and manufacturers are following the example of their German and British friends and seeking a way out of the blind alley in the reduction of all forms of so-called "social expenses," social insurance and wages of the workers. No matter how incredibly low wages may seem (according to the League of Nations figures and the admission of the official Polish institutions they are among the lowest in all Europe), no matter how miserable those costs of "social-legislation," the general war cry is raised in Poland: Wages must be still lower! Among the first questions raised is that of "revision of the laws on social insurance in agriculture!" then the question of the sickness benefits. One of the men of the business world has even declared that this modification of social insurance and lowering of wages must be "the archimedian fulcrum" for overcoming the crisis. But in general, on this question the capitalists and their government prefer to talk less and do more. The practice of depriving the worker of social insurance, and of attempting to cut down his wages, which is now being carried through with the full support of the

social-fascists, precedes any mention of these intentions in print.

The obvious meaning of all the measures without exception put forward from the fascist camp in the struggle against the crisis is the transference of all the burden of the situation to the backs of the toiling masses—first and foremost to the proletariat—and the creation of colonial conditions in the very centre of Europe.

WAR PLANS

There is yet another "prescription," which least of all is mentioned aloud. That is war, war on the U.S.S.R. The greater the break-up of the economic machine, the more factories come to a standstill owing to the absence of markets for disposal of their goods, the stronger become the annexationist tendencies of the bourgeoisie. The more hopeless the situation, the more resolutely do the fascist saviours seize at extraordinary "heroic" measures—at a war adventure. As a result the war budget, swallowing up about 40 per cent. of the total budget of Poland, is continuing to grow, and war preparations are being made at full speed, with the blessing of foreign capital and the complete support of the Polish Socialist Party and their friends, thus increasing the non-productive expenditures of the state budget and intensifying the financial crisis.

It is self-evident that all these attempts of the fascist dictatorship to find a way out of its crisis are evoking the sharpening of social antagonisms, intensifying the class struggle. As a result we have already the clear development of a revolutionary rise. The intensification of the economic crisis is proceeding in conditions when a protracted political crisis of the fascist régime is obviously present: when the illusions as to Pilsudsky are already being shattered among the masses, when the social-fascists of all sorts, the most important support base of the fascist régime, are being unmasked among the worker masses. Consequently the social-political consequences of the crisis in Poland are swiftly being revealed.

The strikes, unemployed workers' demonstrations, and militant demonstrations of the peasant masses throughout Poland, tell of the resolute opposition of the toiling masses to all

attempts to impose new burdens upon them. These are only the first clashes in the great battle which will develop more and more, in

line with the development of the economic crisis: the battle for the dictatorship of the proletariat.

How the Five Year Plan is being Accomplished

By S. R—d

THE achievement of the Five Year Plan is causing such a rise in the level of the productive forces as will ensure on the one hand a radical modification in the social structure of the economic system of the Soviet Union, and on the other an enormous increase in the material resources. This affords a possibility of establishing such material and cultural conditions of life for the toiling masses of the urban and rural districts as are not enjoyed by the proletariat of even the most advanced of capitalist countries. The methods which the Plan employs for the realisation of this gigantic task are, in harmony with the general line of our economic policy, a forcing of the process of industrialisation of the country, and the technical and social reconstruction of agriculture, which is indissolubly bound up with that process.

How swiftly are we moving along this road?

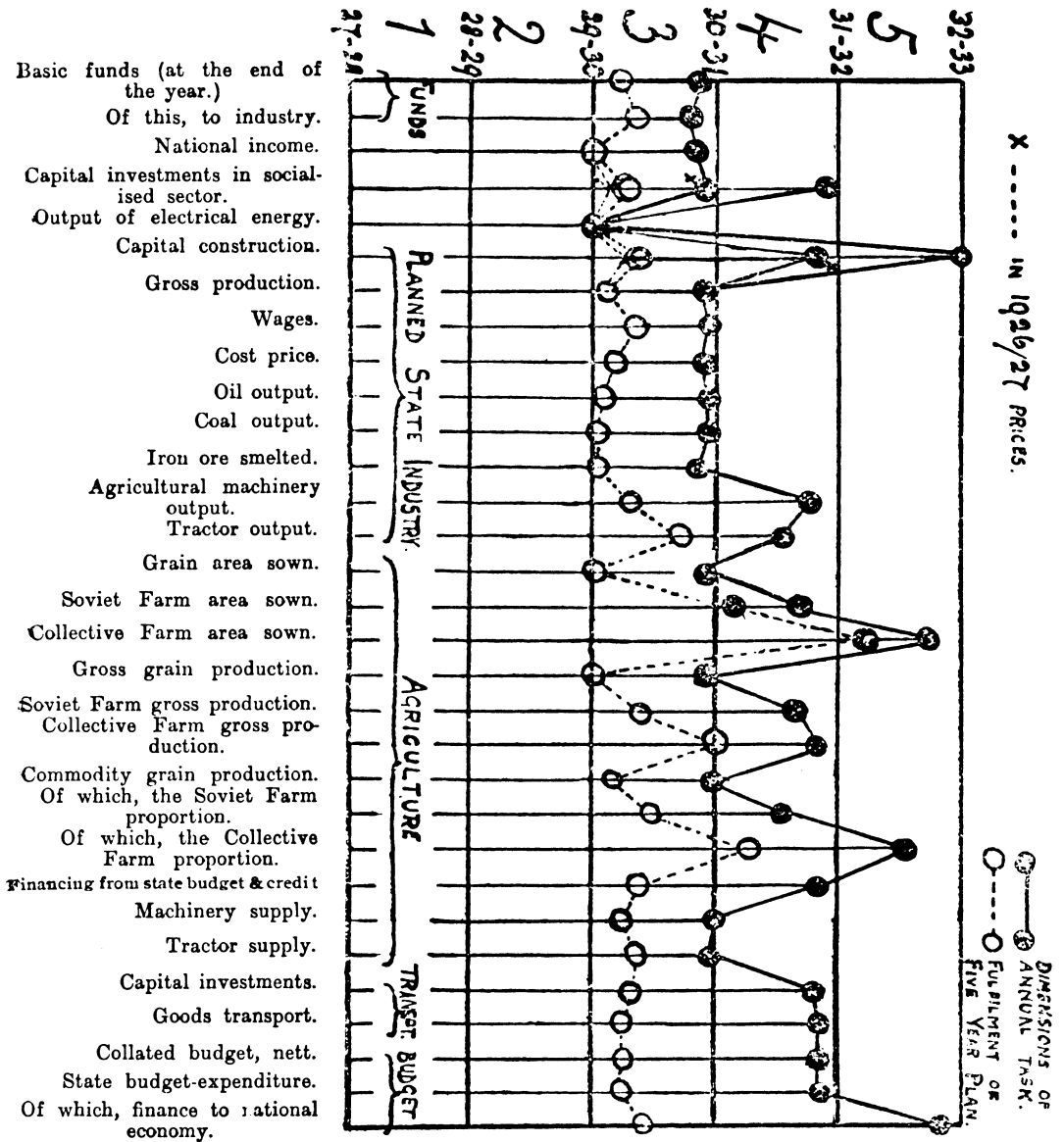
The answer to this question is provided by the diagram supplied in the report of the chairman of the U.S.S.R. State Planning Commission, G. M. Krzhizhanovsky, at the last session of the C.E.C. of the Union. (See next page.)

First a few words on the method of construction of this diagram. The vertical lines, each of which extends from one of the indicators specified on the bottom horizontal line, are divided into five equal sections, corresponding to the years of the Five Year Plan. The first (lower) curve shows which part of the Five Year Plan we shall be realising towards the end of 1929-30 in accordance with the estimated figures for each indicator. It is obtained as follows: On the one hand the *achievement* for 1928-29 and the estimated figures for 1929-30 were totalled; on the other the totals which were *laid down* in the Five Year

Plan for these same two years were added together. The difference between these two dimensions was reckoned in terms of percentage of the *following* year, which was taken as 100. The result thus obtained was plotted on the vertical line in the section which corresponds to the given year.

By way of an example we take the Capital Investments in Socialised Industry calculated in the prices of 1926-27. The sum of investments for the first two years of the Five Year Plan (arrived at as described above) amounts to about six milliard roubles. During the same two years the Five Year Plan proposed the expenditure of 4.6 milliard roubles. Therefore, the Plan is exceeded by 1.4 milliard roubles. The latter amount constitutes about 37 per cent. of the volume of investments proposed by the Five Year Plan in the third year of the five (1930-31). Consequently the dot showing the level of the capital investments in planned industry is placed at a point approximately a third of the way along the section representing the third period of the vertical line, and so on.

In the case of returns which are given at the end of the year and which cannot be summarised (e.g., the basic funds, or area shown), the difference is taken between the increase in the estimated figures for the last two years and the figures laid down in the Five Year Plan. For instance, in the case of Area Sown (grain) in Collective Farms, the estimated increase from spring, 1928, to spring, 1930, amounts to 10.3 million hectares, whereas the Five Year Plan proposed an increase of area for the same sector during the same two years of only 3.3 million hectares. Thus the extra seven million hectares covers the increase in area proposed by the Five Year Plan, not only for



the third, but for the fourth year also. Consequently the dot of the curve cutting the vertical line representing the collective farm area sown is placed at the beginning of the section representing the last year of the five.

It will be seen, therefore, that the lower curve is fundamental, and shows what section of the Five Year Plan we are now carrying out in realising the estimated figures, or, in other words, which yearly quota we have now reached in each branch of economy.

In addition to this curve, there is another, upper curve in the diagram. It shows to which year of the Five Year Plan the dimensions of the estimated *annual* task for 1929-1930 corresponds. For example, we take the same two indicators—capital investments in socialised industry and collective farm areas sown. The sum of investments in planned industry in 1926-27 prices amounts to approximately 4.1 milliard roubles. Turning to the line showing the development of capital con-

struction per annum, we see that the estimated annual investment for the year already exceeds the task for the third year and approaches the level of the task fixed for the fourth year, amounting to 90 per cent. of the latter.

According to the collective farm areas sown, by the spring of 1930 there will be 11.4 million hectares of grain sowings socialised, which exceeds the task set for the fourth year of the Five Year Plan and constitutes three-quarters of the area which it was proposed to concentrate in the collective farms by the end of the five years (by the spring of 1933). Consequently the dots of the curve cutting the vertical lines of these two indicators are situated on sections representing the fourth (in the first case) and the fifth (in the second case) year of the five. The construction of this curve has an essential defect, consisting in the fact that each time we are conventionally comparing the level for 1929-30 with the year following the one in which the level is exceeded by the estimated (control) figures. None the less, since we have observed the above conditions in every case, i.e., we have always made comparison with the year immediately following the one exceeded by the estimated figures, to that extent this curve also has its special import. It complements the first, basic curve. In reality it is insufficient to know what section of the Five Year Plan (in the given instance what year) we are accomplishing; we need, in addition, to determine the rate at which we are moving forward. The circumstance that in capital investments, so far as the dimension of the annual task is concerned, we have reached a level which was laid down by the Five Year Plan for the fourth year (in physical dimensions), and if reckoned in the nominal sum of expenditures, i.e., without discounting the fall in the cost of construction, even the level for the fifth year, undoubtedly gives an idea of the rate of our advance. And this circumstance is illustrated by the second line (although not sufficiently exactly), which gives an idea of what section of the plan we are accomplishing in the two years if we realise the estimated tasks.

Now a few words on the conclusions which can be drawn on the basis of the facts illustrated by the diagram.

In which of the main sections of the Five Year Plan have we made considerable headway by comparison with what was proposed? In the realm of the socialisation of agricultural production, particularly in the sphere of construction of collective farms. According to area we are undoubtedly already on the eve of accomplishing the programme which was laid down for towards the end of the five years (towards spring, 1933). In the coming year, and if the intensivity with which this movement is going on locally is maintained, then possibly by the spring of the present year we shall have realised the programme of socialisation of areas and of the main elements of agricultural production. The grain production of the socialised sector lags somewhat behind the increase in area (by approximately a year). This is explained by the circumstance that in the realm of increasing fertility of the land we naturally could not develop in the course of two agricultural campaigns all those agro-technical measures which were laid down by the Five Year Plan.

The forcing of the rate of collectivisation demands a corresponding increase in the basic resources of production. The figures of the estimate specify an extent of machine and tractor supply covering the programme for the first two years of the five, and, in addition up to two-fifths of the programme for the third year. This programme is based on internal resources to a more considerable extent than was laid down by the Five Year Plan: in tractor production we are achieving almost all those dimensions which were laid down by the plan for the three years, and in machinery construction those for almost two and a half years. None the less it has to be noted that in the realm of production and also of supply (including import) we are noticeably lagging behind the rate of the already developed socialisation of economy. This circumstance demands new efforts in order to develop those spheres of industry which serve the rural areas with means of production; otherwise we shall be unable to achieve any considerable acceleration along the line of increased productivity of labour and the increased production in agriculture bound up with that. This is all the more necessary since, for a number of reasons, both of a natural and of a social order (the

opposition of the upper ranks of the villages), the individual sector will obviously lag behind the propositions of the plan. None the less, this lag in the individual sector is more than compensated by the increase in the socialised sector, and so far as the total production of grain is concerned we shall not lag behind the plan, but with an intensified carrying out of the sowing campaign it is possible we shall exceed it.

The second place in regard to the surpassing of the plan is held by the indicators for capital investments. In socialised industry we shall this year achieve more than one-third of the programme laid down for the third year of the five, and the *annual* amount of investments, as we have already pointed out, exceeds the task for the third year, approximating to the level of the annual task for the fourth year (and in nominal values, i.e., without discounting the fall in cost of capital construction, to the level of the fifth year). If the level of investments achieved in 1929-30 be maintained in the following years, we shall have carried out the programme of capital investments in approximately four years. But inasmuch as the investments made during the current year already automatically demand an increase of expenditures in the following years, quite independently of any possible further reconsideration of the plan, there is every justification to expect that the programme laid down for capital investments will be carried through in approximately three and a half to three and three-quarter years.

In view of the fact that the effect of the invested resources, expressed in the dimensions of production and its cost price, will naturally begin to be revealed considerably later, the surpassing of the plan for these five years is relatively inconsiderable. We can expect big results from the resources invested at the present time only during the second half of the five years. None the less, even at the present time it has been clearly revealed that there is a lack of correspondence between the projected increase of

production, particularly in coal and metal, and the development of the entire national economy as laid down in the estimate figures. The necessity and the possibility of surpassing the estimated figures so far as these spheres are concerned has already been taken into consideration in the year's plans of operation.

In connection with the forcing of the development of production, the transport problem occupies one of the foremost places. As is evident from the diagram, the dimensions of goods transported exceed the level laid down for the third of the five years. This demands a corresponding acceleration of capital construction.

The great programme of investments demands naturally a corresponding scheme to finance them, consequently the financial indicators of the diagram, particularly in respect of the financing of national economy through the budget, follow the levels of the indicators of capital construction.

In conclusion, a couple of words on the national income. As is evident from the diagram, both in regard to 1929-30 and to the totals for the two years, this indicator lags behind the others. This is conditioned by the lag in the individual sector of agriculture. Consequently, the proportions of national income going to accumulation and to personal consumption respectively are different from what was laid down by the Five Year Plan, the move being in favour of accumulation. None the less, the increase in wages indicated in the estimate figures will be realised, if there is a strict observance of all the projected measures in the realm of distribution of commodities directed primarily and preponderantly to the supply of the working population.

Summarising the foregoing, we have to say that the realisation of the estimated figures, so far as the most important elements—capital construction and the socialisation of agriculture—are concerned, justify us in expecting that the period necessary for the accomplishment of the Five Year Plan will be successfully diminished to approximately four years.