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THE BANKERS, THE DEBT AND THE TARIFF.

THE manifesto of the bankers of the world, headed by J. P. Morgan, Montagu Norman of England and Hjalmar Schacht of Germany, calling for the breaking down of the tariff walls of all nations, is one of the most significant documents and events since the ending of the world war, and another step towards the liquidation of the Versailles treaty.

The statement which has stirred up such a hornets' nest and which has not, of course, any immediate prospects of adoption by the governments of the world, is an attempt primarily of Anglo-Saxon, and chiefly American, financiers to establish more widely and certainly their hegemony over the countries of Europe and to secure the payment of the debts which, with the impending collapse of the Dawes plan, is becoming more and more remote.

THE proposals of the manifesto, if adopted, would have far greater results than are hoped for by the American bankers who signed them. If carried to their logical conclusion, these proposals would lead towards a strong basis for a United States of Europe, having its beginning in a customs union, which would be directed not only against the colonial peoples and the Soviet Union, but also against the United States as a creditor nation. They would lead inevitably towards the lowering of American tariff walls, which must result in throwing American industry into direct competition with European industry, with the concomitant low wages, long hours, and "super-efficiency" system upon which German industry, for example, is being rehabilitated for participation in the world market. The revolutionary implications of such a development especially for the American working class, are almost incalculable.

THE daring proposals made by the international bankers are based on a critical situation which they are facing in Europe.

TO consider Germany—since around Germany now revolve the financial and political fortunes of other European powers. German industry has, in the past couple of Dawes years, made an almost phenomenal comeback, at the expense of terrific hardships which the workers had to endure thru the rationalization, so-called, of industry. The rigid application of economy in production, intensification of exploitation, Fordization of industry, vertical, horizontal and international trustification, have enabled Germany once more to take her place among the other great nations. Given a number of favorable conditions and circumstances, she has even risen to the position of being the first among steel exporting nations in the first half of 1926, as compared with her position of seventh in 1924. In 1924 she exported a total of 28,000 tons; the first half of 1926 she exported to the United States alone 128,000 tons. Her balance of trade for the first half year of 1926 showed an export surplus of over 544,-000,000 marks. Surely a bright picture which augurs well for the regular remittance of the Dawes payments!

But there is another side to the picture. A great deal of the export surplus is attributable to the British coal strike, during which Germany has shipped millions of tons to Britain, reaching an unprecedentedly high point. Furthermore, imports have declined owing to a certain stagnation of manufacturing which left the home market saturated with foreign raw and half-finished materials. The monthly review of the Guaranty Trust Company predicts a passive balance of trade for the last half of 1926.

THE bourgeois economist, John Maynard Keynes, shows, in addition, that Germany has borrowed on the international loan market between September 1, 1924, and June 30, 1926, a total of $844,500,000, including the $200,000,000 of the Dawes loan. During the same period the transfer commission has transferred, in one way or another, some $485,000,000. If the discounts, the expenses of issue, the repayments made on foreign indebtedness of previous periods are taken from the $844,500,000 it will be found that the loans have about equalled the payments in the period mentioned. This means that only figures have been exchanged on paper, but that little real money has been transferred and that the interest on foreign loans, averaging 7½ per cent, must still be paid. And the interest on the debts incurred by Germany in the past two years comes to about $50,000,000 dollars per annum.

AND this staggering burden must be borne by a nation which has managed by a purely accidental combination of circumstances to secure an active balance of trade which will, however, soon become a passive balance of trade. It is obvious that if Germany is to pay her debts and the interest upon them to the bankers of America and Great Britain (the first six months of 1926 have seen American loans to German corporations alone amounting to $107,420,000) her foreign trade must be tremendously increased. And upon an active export balance for Germany also depends a good deal of the debt-paying ability of France, Belgium and England.

As the bankers' appeal says: "There can be no recovery in Europe till politicians in all territories, old and new, realize that trade is not war but a process of exchange that in time of peace our neighbors are our customers and that their property is a condition of our own well being. If we check their dealings, their power to pay their debts diminishes and their power to purchase our goods is reduced."

IT is in consideration of such a condition that the international bankers have issued their famous statement calling for the removal of tariff barriers to facilitate trade. This situation affects other countries, as was recently demonstrated by Sir Clive Morrison-Bell, who constructed a graphic map in the Bank of England showing that the height of tariffs in Great Britain was 6 per cent, in Portugal 8 per cent, in France 13 per cent, in Austria 16 per cent, in Czecho-Slovakia 21 per cent, in Hungary 27 per cent, and in Spain 35 per cent.

THIS movement for the abolition of at least high tariffs is no mere bankers' dream, for it has already taken some shape. The second meeting of the central European traffic conference, of which a number of the signatories to the manifesto are members, met in Vienna a few weeks ago and was opened by Richard Reisch, president of the Australian National Bank. The representatives of Austrian, Polish, Italian, Hungarian, Czecho-Slovakian, Jugo-Slavian and Roumanian state and private undertakings who were present condemned high tariffs and urged a uniformity of interstate railway regulations.

The council of the international chamber of commerce meeting in Paris voted into consideration as a policy of the I. C. C. the abolition, or at least the reduction of tariff barriers. And there is no gainsaying the fact that the movement for a Pan-Europa, a United States of Europe, is becoming more popular eevry day, despite the weakness of the Pan-European congress held in Vienna two months ago under the direction of the indefatigable Count Coudenhove-Kalergi.

THE removal of tariff frontiers, it is true, will enable the strong, industrially developed powers to increase their domination of the smaller nations of Europe. It will undoubtedly increase the determined spread of Wall Street's hegemony in Europe, its deeper financial penetration. But the inexorable logic of events and actions will also sharpen the contradictions which are tearing the vitals of world imperialism, and it will affect even the proud and apparently secure American imperialist bourgeoisie more profoundly perhaps than any other event since the world war.

Senator Borah is undoubtedly correct when he says that the bankers' proposal "to repeal all tariff laws . . . would . . . augment the value of foreign investments," would place the nine billions of private investments first on the agenda of Europe before the eleven millions which Europe owes the U. S. government, but he tells only half of the story. The call for the abolition of tariff walls is directed not alone to Europe, but also to America, despite all the denials which fools and hypocrites may make. The denials that America is involved merely affords a formal basis for Coolidge and Mellon to make a volte face in their opposition by declaring that "we" are not included among the nations whose high tariff walls menace "prosperity, rehabilitation and peace."

THE semi-official French Temps interprets the manifesto as primarily addressed to the United States, which is protectionist par excellence, and the creditor of the rest of the world besides. How can Europe's debts be paid, argues the Temps, unless freer access is given to European goods into the United States?

The New York Times, which faithfully reflects Wall Street opinion, says editorially:

"There is . . . a delightful assumption that we in this country have a set of economic laws and rules of trade purely our own. . . . We are quite ready to lay down a set of principles which ought to be religiously followed by all foreign nations, but when they ask us if we mean to act on them ourselves we blandly smile and say, 'We have changed all that in America.' The statements which our bankers signed have to do with the very questions of maintaining our commerce across the seas, and receiving payments on the war debts, which are uppermost in all discussions of American policy and American public finance. To say that this country is exempt from the economic laws operative everywhere is very much like saying that the law of gravitation does not function in the U. S."

THE American tariff of September, 1922, the victory of heavy, producing-for-the-home-market industry, and the farmers over the banks and expect capital, raised huge walls against European imports. In 1921 there had been an excess of American exports to Europe over European exports to America of $1,600,000,000, and the situation was aggravated by an increase of from 10 to 40 per cent in customs duties and the granting of power to the president to increase or decrease customs duties. This made it impossible for Europe to make a payment every year of a billion dollars for interest on government debts and almost two billion dollars for the excess of American exports and for the interest on private debts.

THE memories of the German inflation crisis, the occupation of the Ruhr, followed by the Dawes plan, are still fresh.

The situation has changed quantitatively, but not in quality. The international financiers hope to save the situation by permitting unhampered and extended export possibilities even into the United States. The American industrialists cannot emulate the England of early 1815 which Engels describes as having "supplanted the protection she practiced at home by the free trade she forced upon her possible customers abroad." There is a developing antagonism of interests between the capital-exporting bankers, who want some way out of the blind alley of non-payment of European debts, and the home industrialists who cannot—given the standard of living of American workers—compete successfully with European industry, especially the highly trustified, nationally and internationally, European industry. This was shown in the action taken by Basil Miles, American commissioner to the international chamber of commerce, when it endorsed and urged the extension of th European international cartels. Miles received a cablegram from Washington, presumably inspired by the U. S. chamber of commerce, instructing him to reserve American opinion upon the question "until U. S. interests had further time for consideration."

IT was shown again in the recent investigation of German "dumping" of steel rails to the Boston and Maine R. R. at a price considerably lower than the prevailing American price, said to be about $32 a ton, or $10 under the American market price, which, taking transportation costs and duty into consideration, means about 30 per cent less than the German domestic price. American steel men asserted that since they pay higher wages than the Germans they cannot possibly compete with so drastic a cut.

Officials at Washington acknowledge that this manifesto will be an issue in the election campaign. The probability that the next congress will revise the American tariff downward is not to be excluded from an analysis of the question. Such a downward revision of American customs duties would have the following results:

1. A temporary spurt in European industry, with the probability of favorable export balances and strengthened ability to pay the European debts to Anglo-Saxon bankers and a lengthened period of stabilization in Europe.

2. Entry of American industry into more direct and sharper competition with European industry, increase in the rate of exploitation of American labor, intensified wage-slashing campaign, lengthening of work day, anti-union drive, with an increase in tempo of the radicalization of the American working class.

3. Intensification of imperialist conflicts in the scramble for new export markets and increased resistance in Europe to American financial pressure and attempts to broaden the American sphere of hegemony in Europe; increased exploitation of small agricultural countries by strong industrialized European powers.

If the next congress, and the countries of Europe, do not take steps towards the removal of tariff barriers, the results may be even more disastrous.

World imperialism is in that hopeless quandary which comes when the bourgeoisie attempts to solve a problem which can be solved only by its own overthrow. How desperate is their condition can be realized by the self-destructive measures they propose for a way out, for, as Marx said almost eighty years ago in his address to the Democratic Association of Brussels:

"... the free trade system works destructively. It breaks up old nationalities and carries antagonism of proletariat and bourgeoisie to the uttermost point. In a word, the free trade system hastens the social revolution."

MAX SHACHTMAN.