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Economics and Economic Policy in the I. Quarter of 1927.

(Concluded up to 20th April 1927.)

By E. V a r g a.

I. The Capitalist World and Revolutionary China.

While we were yet engaged in writing this survey, there ensued the defection of Chiang-Kai-Shek from the left Kuomintang and the long-foreseen and expected dissensions within the camp of the Chinese revolution. The relations of forces within the Chinese revolutionary movement are for the time being inscrutable, and the situation is fraught with danger. In view of which it is all the more important that the foundations of the entire situation be discussed and examined.

This discussion shows that in spite of the great difficulty which, in the development of the Chinese revolution to a stage beyond the limits of a mere bourgeois revolt, has doubtless been incurred by the secession of Chiang Kai Shek as a result of the defection of the great-bourgeois elements, there is no cause for the European proletariat to despair or even to feel alarmed. Those causes which have given rise to the Chinese revolution have by no means been eliminated through the desertion of Chiang-Kai-Shek; they will continue to exist and to have effect, and the same reasons will lead to the same results. It must be obvious to any Marxist that the revolutionising of a people of 450 millions cannot possibly be a straight forward process devoid of temporary set backs.

Intervention in China.

"Under the present circumstances it is absurd to dream of trying to change or control the complicated process of alteration in the international life of the most powerful nation of Asia, with the help of a few gun boats or regiments."

(*"Times"*, Leading Article of February 27th, 1925.)

The capitalist world, with Great Britain at its head, is now actually carrying out armed intervention in southern China. This is the real state of affairs, whether a formal declaration of war has ensued or not. 171 warships of the imperialist Powers, the largest fleet ever assembled in Chinese waters, have been anchored off Shanghai since the middle of April. The

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embarked foreign troops, belonging to the various imperialist Powers, aggregate several tens of thousands. Hesitatingly, with countless reservations, the imperialist Powers follow the lead of Great Britain in this policy of intervention. But they do follow it. The warships of the United States joined in the bombardment of Nanking. Great Britain, France, Italy, the United States, and Japan acted in concert in protesting at

Hankow against the shootings in Nanking. All the "protocol Powers" gave their consent to the raid on the Soviet embassy at Peking.

But yet the imperialist Powers are not openly at war with China as they were at the time of the Boxer rebellion. They hide behind the reactionary Chinese generals, arm them, and provide them with money. They do not intervene with their naval artillery unless the "protection of their nationals" can be put forward as an excuse. In spite of the momentary reverse, revolutionary China has become a Power, and the imperialists hesitate to declare war openly. The differences between their interests, moreover, are so great that the united front existing at the present moment was merely the outcome of long deliberations and clever British manoeuvres and is liable to fall apart any day.

The more and more pronounced "non-capitalistic development" of the Chinese revolution forces the British bourgeoisie to venture on the hopeless attempt to crush the Chinese revolution by force of arms, and compels the other imperialist Powers to second Great Britain in this enterprise.

The Chinese revolution has various aspects, in keeping with the fact that practically all classes of the Chinese people — with the exception of the feudal lords and the reactionary military cliques — are participating in it.

Taken as a whole, the Chinese revolution is an anti-imperialist movement of emancipation. As such it aims at the abolition of the "unequal treaties" and the achievement of political and economic independence (with an independent customs and taxation policy). In regard to these aims, all classes of the Chinese people are unanimous.

Within this general anti-imperialist movement of the entire Chinese people, however, the movement differs according to the different classes participating in it. We can distinguish the following main tendencies:

a) The Chinese revolution is partially a bourgeois movement, aiming at the legal equality of the native with the foreign bourgeoisie, which means the foundation of an independent, united, bourgeois China, the abolition of the still powerful position of the feudal lords, abolition of the internal customs, the rule of the generals, the irregular collection of taxes, etc.

b) The Chinese revolution is at the same time a social movement on the part of the poor peasants and artisans, forming the predominant mass of the Chinese people, with a view to an improvement of their hard lot, a reduction of the ground rents, and measures against the unlimited taxation abuses of the military clique, the classes in question not being altogether aware that it is only together with the proletariat, and led by the proletariat, that they can attain their ends.

c) The Chinese revolution, however, is also a social movement on the part of the proletariat itself, which, crowded together in the large towns by the tremendously rapid capitalist development of the country, is struggling upwards by the aid of its trade unions and political organisations.

Seeing, however, that the small-peasant, petty-bourgeois class, though in an overwhelming majority, is not capable of leading a modern State, the internal problem of the Chinese revolution culminates in the question:

Is the great Chinese peasant people destined to experience a new chapter in its history under the leadership of the proletariat? In view of the numerical weakness of the latter, there can be no question of proletarian dictatorship, but only of a leadership on the part of the proletariat "within a bloc of the peasants, the workers, and the rural and urban petty-bourgeoisie, and excluding the big bourgeoisie" (v. Bucharin, "Perspectives of the Chinese Revolution", Die Kommunistische Internationale of March 5th, 1927). Until a few days ago, the Kuomintang, the revolutionary, anti-imperialist popular party of China, comprised all the three tendencies of the Chinese revolution. The Communist Party of China represents in the Kuomintang, the revolutionary, anti-imperialist popular party of developed revolutionary elements of the other classes, the intellectuals in particular; the Left Wing of the Kuomintang embodies the great masses of the peasants and the petty-bourgeoisie, and the Right Wing and Centre the various strata of the Chinese bourgeoisie.

The attitude of the imperialist Powers to the Chinese revolution changes according to whether the bourgeoisie or the

proletariat appears to gain the upper hand in the whole movement. For the purpose of a survey, the situation may be delineated as follows:

Under the pressure of the revolution, the imperialists as a whole would be inclined to renounce their special privileges and to reconcile themselves to the creation of an "independent" capitalist China; that is to say of a China affording the requisite security for the investment of capital, under a bourgeois dictatorship; a China hostile to the Soviet Union, with a social system such as we saw under the rule of Sun Chuan Fang at Shanghai¹). For in such a China — even supposing the unequal treaties to be abolished — foreign capital would, in view of the weakness of the Chinese bourgeoisie, continue to exploit the country economically just as much as hitherto, albeit under another outward form. Hence the united front of all the imperialists, for the purpose of supporting the Chinese bourgeoisie against the peasants and workers, the Right Wing of the Kuomintang against the Left Wing, and Chiang-Kai-Shek against the trade unions and Communists.

Even in their entirety, however, the imperialists cannot submit without a struggle to the creation of a "non-capitalistic" China, since this would:

Firstly, prevent the possibility of the economic exploitation of the country;

Secondly, greatly strengthen the position of the Soviet Union, thus substantially diminishing the possibility of a successful attack on that country; and,

Thirdly, render inevitable emancipatory movements in all colonial countries, such as India, Farther India, Cochinchina, Corea, and the like.

The Economic Importance of China for the Capitalist World.

China, with its more than 400 millions of inhabitants, is potentially the greatest market and the widest field for the investment of foreign capital; at present, however, its significance is still very small, though rapidly increasing.

China's foreign trade figured as follows, in millions of American dollars²):

	1910	1919	1922	1924	1925
Imports	306	899	784	816	711
Exports	251	877	544	625	582

At the same time it should be remarked that the significance of exports to China is greater in regard to quality than is indicated by the above figures, for it is mainly finished industrial products that are imported into China. What is yet more important, however, is that the prospects of development are practically unlimited, since the consumption per head of the population figures at present at no more than 2 dollars worth of foreign goods, as against 50 dollars worth in Germany.

Whence Does China Purchase?

The following table shows the percentage proportion in which the most important countries share in supplying China with commodities:

	1913	1924
Hong Kong	29.3	23.5
Great Britain	16.5	12.1
British India	8.3	7.4
Singapore	1.5	0.9
Japan	20.4	22.6
Corea	0.6	1.1
United States	6	18.4
France	0.9	1.0
Germany	4.8	3.7

These statistics are somewhat upset by the intermediary part played by Hong Kong, since the goods imported thence

¹) Naturally the imperialists will do their utmost to prevent the establishment of a united bourgeois China, since dismemberment is the best guarantee for the oppressors.

²) Data from the League of Nations material, "Memorandum sur les Balances du Commerce Extérieur 1910—1924". Computed in dollars at the rate there indicated. For 1925: "Chinese Economic Monthly", August 1926.

come from all parts of the world, as also by the fact that the goods imported at the frontier are not recorded. The decline in British imports and the great rise in those from the United States are obvious.

We reproduce no figures to show the distribution of Chinese exports, which resemble imports in this respect. It should be pointed out that the main articles of exportation, silk, soya, beans, tea, and cotton, are goods which can easily be dispensed with or substituted from other parts. A boycott of Southern China would thus hit the capitalist States hard in respect of their exports but not of their import requirements.

The Significance of Exports to China.

Exports to China figured as follows in proportion to the total amounts exported³⁾:

	1913	1924
Great Britain	2.8	2
India	2.3	2.3
Japan	24.4	19.3
United States	1	2.4
France	0.3	0.3
Germany	1.2	1.7

Great Britain's share is, in fact, larger than here shown, since British exports to Hong Kong also go to China.

Foreign Capital in China. There are no reliable statistics of the foreign capital investments in China. According to an estimate of the American "Foreign Policy Association"⁴⁾, the Japanese investments are by far the greatest. Next in order come the British. The United States had invested roughly 70 million dollars in commercial enterprises and 80 million dollars in missionary institutions, hospitals, schools, etc. All the railways are directly or indirectly foreign property.

In the "Frankfurter Zeitung" of January 6th, 1927, Professor Lederer puts the Japanese investments in Manchuria alone at more than 700 million marks.

The Antagonisms among the Imperialist Powers in the Question of China.

We should like to give a brief sketch of the position of the chief imperialist Powers.

The United States have occupied no territory of China and have no special privileges to defend there. Their capital investments there are very small⁵⁾ — mainly in banking, wireless stations, accessory plant of the Standard Oil Co. On the other hand, exports to China have developed very rapidly.

The consequent policy of the United States is as follows:

"Open door" in China; no further expansion of the "sphere of interest" of the other Powers. Equitable treatment of the capital of the United States in all districts, including those occupied by Japan and Great Britain. Before all, the United States have at all times sought to hinder China from coming in any way under the influence of Japan ("yellow peril"). At the same time there is, as we shall see later on, a strong anti-British tendency. The United States have brought pressure to bear forcibly and successfully on Japan, so as to attain the evacuation of Shantung. (Washington Conference, 1922.) The bourgeoisie of the United States is amicably inclined to the Chinese anti-imperialist emancipation movement, in so far as it does not socially exceed bourgeois capitalist limits. The Americans hope to be able to defeat their competitors by virtue of their economic superiority in the event of the victory of the Chinese bourgeois revolution. They are opposed to all special privileges on the part of individual Powers, because they desire to conquer all China economically.

On the other hand, China is a question of the future for the United States, and no very urgent question of the day. Only 2.4 per cent. of America's exports go to China. Therefore, the United States were most reluctant to join Great Britain in what might end in a war with China. It is by no means excluded that their participation only aimed at getting a free hand, so far as Great Britain is concerned, for any imperialistic operations they may fancy in Mexico and Central America.

³⁾ Jahrbuch für Wirtschaft, Politik und Arbeiterbewegung, p. 193.

⁴⁾ "New York Times" of January 14th, 1927.

⁵⁾ R. W. Dunne, "American Foreign Investments", New York, 1926, p. 160.

JAPAN. In contradistinction to the United States, Japan finds its most vital questions of existence involved in the Chinese problem. More than a quarter of the Japanese exports are directed to China, many thereof by way of Hong Kong. This is the only possible colonial area for Japanese capitalists, affording them the possibility of markets and raw material sources (cotton, iron ore, coal, soya beans, etc.). Japan has annexed large portions of China, such as Manchuria, Formosa, and the like, as colonies⁶⁾, though its attempt during the world war to expand its colonial possessions in China yet further, had to be given up in view of the threatening attitude of the United States.

Japan's Chinese policy is rendered more complicated by the fact that it is determined on the one hand to maintain its dominating position in Manchuria at all costs, and on the other hand to guide the anti-imperialist movement in China into channels which will promote Japanese interests, as those of a "kindred race", in their competition with Great Britain.

This twofold policy has so far been carried through with some measure of success by Japan. It poses as a friend of the Chinese revolution, the Bolshevist character of which it denies. Hence the ostentatious refusal to join in the British policy of intervention.

The burthen of the speech on the Chinese question delivered by Baron Shidehara in the Japanese Parliament on January 18th, 1927, was that "any attempt at enforcing internal peace by pressure from without would entail more harm than good".

In Shidehara's opinion, Japan's policy with regard to China may be summed up as follows: "A tolerant and patient attitude in the present situation in China, and at the same time the protection of the legitimate and important rights of Japan by all reasonable means at the disposal of the Government." He often reiterated that the attitude of revolutionary China was very friendly to Japan, nor could he discover any Bolshevist traits therein, such as Great Britain affirms to recognise⁷⁾.

By this attitude Japan has succeeded to appropriate a great part of the British business prevented by the boycott. After the first massacre at Shanghai, the Japanese bourgeoisie immediately changed their course, took steps to meet the demands of the workers, and thus stole a march on the less astute, more conservative Anglo-Chinese bourgeoisie.

The sympathies of the Japanese bourgeoisie for the Chinese revolution, however, are circumscribed by two hard and fast limits: Manchuria and the bourgeois character of the Chinese revolution.

Therefore the policy of Japan has for the past twelvemonth been directed towards dissuading Chang-Tso-Lin from fighting against the bourgeois elements in the South and towards bringing about an understanding between Chang-Tso-Lin and the bourgeois wing of the revolutionary movement, whose military representative Chiang-Kai-Shek has now declared himself to be. Many assert that a secret agreement long existed between the two generals. Certainly the policy of both Japan and France has for many months been working in that direction.

"We know that ever since September 1926, secret emissaries from Mukden have met those of Chiang-Kai-Shek. What may the purport of their discussions be?"

How much can be concluded from a survey of what has happened since then? Chang-Tso-Lin has declared that the nationalism of the North is the same as that of the South, that the objects of the two parties are identical, and that it is only the Communists, the Bolshevists, that must be crushed without pity.

Chiang-Kai-Shek, on his part, though more or less the prisoner of the Russian agitators, the real winners of his victories — just as instructors from Moscow were the organisers of his army and his strategic campaign —

⁶⁾ Manchuria and Corea are purely capitalist colonies for Japan. The oft-repeated assertion that Japan needs these areas for the accommodation of its surplus population, is based on complete ignorance of the most elementary facts. In 1922, not more than 253,000 Japanese were living in Asia outside the actual territory of Japan, and their number was rather on the decline than on the rise.

⁷⁾ The tone adopted by the new Japanese Prime Minister, Tanaki, towards China is somewhat more severe, but since the United States will not suffer an imperialist expansion of Japan, his policy can but be a continuation of that of his predecessor.

never really established any solidarity with the extremists of the Kuo-Mintang. On the contrary... Were he sure of his troops, there is no doubt but that he would effect a second coup against the same persons who desired to get the leadership of the actual revolution into their own hands. He has not found the courage so far. Perhaps he is waiting for the time when he will be allied with Chang-Tso-Lin.

"What really was the meaning of the parallel march of Chiang-Kai-Shek and Chang-Tso-Lin, the one on Hankow, the other on Shanghai, which Chang-Tsun-Chiang evacuated in readiness for the attack, although his army was far stronger than that of Chiang-Kai-Shek? The taking of Hankow by Chang-Tso-Lin — will synchronise with the entry of Chiang-Kai-Shek into Shanghai?"

If this comes off, it will be easier for Chiang-Kai-Shek, supported by the majority of the moderate elements in the Kuomintang, to separate from the extremists, who will be engaged at Hankow in fighting Chang-Tso-Lin.

In this manner a striking coincidence would bring about the triumph of the moderate nationalists and a solution acceptable to China and the foreigners, after the elimination of the unduly ambitious and self-seeking second-rate military leaders on the one hand and of the Communists in the pay of Russia on the other. The ground certainly appears to be prepared for such a development."

("Bulletin Quotidien" of March 21st, 1927.)

The programme of Japan's Chinese policy is here quite clearly formulated. It is in its essential points seconded by France.

GREAT BRITAIN. Among the imperialist Powers, it is the bourgeoisie of Great Britain that is most hostile to the Chinese revolution, even in so far as the latter is bourgeois in character. In this policy, it has found the valuable support of the right Labour leaders⁹⁾, MacDonald, Thomas, and Snowden.

Three main reasons actuate the British bourgeoisie in this attitude:

a) **Great Britain is the chief colonial Power in Asia.** Counting its mandated territory, it rules over an area of 5.5 million square kilometres with a population of 330 million souls. India forms the mainstay of the world power of Great Britain. In all these colonies, Great Britain is fighting against the emancipatory movement among the suppressed nations and rests its authority on the feudal classes. Success on the part of the Chinese revolution and a humiliation of Great Britain would be extremely dangerous for the latter's position as an Asiatic colonial Power.

b) **Any success of the Chinese revolution, even under bourgeois leadership, strengthens the position of the Soviet Union in Asia in its relation to Great Britain.**

c) **All privileges ensured the bourgeoisie of foreign countries by the "unequal treaties", in the first place benefitted the British bourgeois class.**

A few remarks on this last-named point.

Great Britain has not annexed any large portion of China, but it has the chief commercial centres, Hong Kong, Shanghai, and Hankow, in its power. It subjected the Yangtze valley to its authority, effectually if not formally. Apart from Manchuria, as an external territory, the great bulk of the foreign investments in China are British. The British bourgeoisie, in the first place, governs the international trade of China, while even the export and import trade of the rival foreign Powers passes to a great extent through British hands, via Hong Kong and Shanghai. The profits of British capital in China from international trade, navigation, and banking are very great. Chinese finance is so greatly in British hands, that the closing of the British financial institutes at Hankow, organised as a "counter-strike", proved a very effective economic weapon.

In this entire realm of commercial activity, such rights as are guaranteed the British bourgeoisie in their dealings with

⁹⁾ Thomas is well-known to have said in a speech, that if troops were sent, it would be best to send plenty. Snowden fully agrees with the anti-Soviet agitation of the British bourgeoisie. "The pronouncedly anti-British character of the movement in China is to a great measure due to Bolshevik inspiration. The just aspirations of the Chinese for their national independence have been exploited by the Communists for their political ends."

("Daily News" of January 30th, 1927.

the Chinese by the "unequal treaties", are of the very greatest economic importance, being immediately convertible into hard cash. Hence the tenacious maintenance of the status quo, particularly by that section of the British bourgeoisie which is established in the concessions and is directly interested in Chinese business. These people have grown so accustomed to their privileged position and feel so far above the yellow race, that — even against the will of the wiser portion of the British bourgeoisie at home — they insist on the necessity of an armed intervention for the purpose of crushing the Chinese revolution. The attempt of the British Government to arrive at a peaceful solution of the problem with the Southern Government at Hankow, an attempt, it is true, which was not sincerely meant, seeing that the British were forced to undertake it in view of the low water level of the Yangtze during the winter, which prevented troops from being sent to Hankow, met with the most violent disapproval on the part of this Anglo-Chinese bourgeoisie.

The policy observed by the British Government towards the Chinese revolution has been manifold, being directed, either at the same time or else successively, towards

a) **forming a united front of the imperialist Powers for the common destruction of the Chinese revolution,**

b) **supporting Chang-Tso-Lin and all other counter-revolutionary generals in their campaign against the revolutionary South,**

c) **splitting up the Kuo Mintang, so as at least to prevent the Chinese revolution from getting into "non-capitalistic" waters,**

d) **eliminating the influence of the Soviet Union in China.**

Let us regard these attitudes in greater detail.

a) The British attempt at organising a common intervention met with decided resistance on the part of those imperialist Powers that are competing with Great Britain in the Far East. World political differences originating outside China found sharp reflection in this connection. At the beginning of the current year, Great Britain was still very severely criticised in the international press⁹⁾.

In particular, the bourgeoisie of the United States was unanimous in its condemnation of Great Britain's Chinese policy. We may here quote from the very copious material published in this regard. The "Financial and Commercial", one of the leading organs of the financial bourgeoisie of America, wrote as follows on February 26th, 1927:

"The questions with which the Western nations are faced are far more serious than they were in the past. Those could, if necessary, always be summarily solved; these cannot, and the difference is stupendous. The present questions refer to the relations of two continents and of two different civilisations. For the first time these have been brought face to face. East is East and West is West, and they meet like two strong men. Their understanding must be complete and their union mutual. The solution must be equitable and just or else no agreement can come about and civilisation itself must perish.

This is the given position. It is not the outcome of Soviet propaganda or of the murderous working conditions in the foreign factories, not of the shooting of Chinese at

⁹⁾ The Berlin correspondent of the "Times" (of January 27th, 1927) reproached the German press with its unfriendly attitude towards the difficulties Great Britain was encountering in China. He cited the unfriendly heading appearing in the German press in this connection, titles such as "A Slap in the Face for England", "England's Defeat at Hankow", "The Ultimatum of the Canton Government", "England Forced to Beg Pardon", and so on. Obviously in response to diplomatic pressure, the tone of the German — but not of the French — papers thereupon improved. — Some French press headings: "British Chagrin in China" ("Ere Nouvelle" of February 4th, 1927); "British Gun-Boats in Chinese Harbours" ("Information" of January 27th, 1927); "England Isolated in its Policy of Violence. Official Separation of the United States and Japan from the British Attitude" ("Soir" of January 27th, 1927); "Europe Asks Anxiously: What is Great Britain's Policy and how will it End?" ("Information" of February 16th, 1927.)

Shanghai or of the struggle between ambitious leaders, though all these things have doubtless contributed...

A tremendous transformation has taken place.

For good or ill, China has entered upon a new era. New conditions have been created, new forces are at work. The various questions in regard to foreigners are merely symptoms. The present occurrences cannot be considered hostile to foreigners; they are pro-Chinese, and, as those of us who are best informed assert, they are anti-foreign only in so far as it is believed that foreign influence is hostile to the new spirit of Chinese nationalism.

In the meantime we can be happy that America has not used any hard words nor formulated any ultimatum. If our sole rôle consists in affording first aid, let us hope this will be done before the patient is dead. Just a little quicker; with a more open hand and more generously, even if the manner is unprecedented; thus it will be more in keeping with the needs of the situation and with our own self-respect. According to the latest information however, it is again England that is pointing the way*.) (Italics ours. E. V.)

Colonel Malone, who was in China on behalf of the Labour Party, writes as follows:

"The American press writes sympathetically and humanely about China and thus creates the impression that the American policy is benevolent, whereas the British press, which never lets slip an opportunity of attacking the Chinese and always assumes the most reactionary attitude, produces the worst possible impression regarding the British policy."

In the "New York Times", Mr. Millard well known for his hostility to Japan and for his intimate knowledge of the Far East, opens a violent anti-British and pro-Chinese campaign. And as recently as February, the United States House of Representatives called upon Coolidge with 259 votes against 44, to enter into negotiations with China independent of other nations.

Nevertheless, warships of the United States joined the British warships in the bombardment of Nanking.

This is to be politically explained by the non-capitalistic direction of the Chinese revolution, which happened to be more pronounced at that moment. Locally also by the influence which the British bourgeoisie in China exercises on that of the other nations. By its monopoly of the press (Reuter offices), by agents provocateurs, intrigue, and fraud of all kinds, this class managed to persuade the admirals of the United States to bombard Nanking, although such a step did not altogether fit in with the Chinese policy of the United States¹⁰⁾.

With what means the British bourgeoisie works is shown by the following repudiation of its machinations by the semi-official organ of the French Foreign Ministry, "Le Temps".

Commenting on a report in the British press to the effect that the French admiral at Shanghai had placed himself under the orders of the British major-general, being unable alone to defend the French concession at Shanghai against the Chinese, "Le Temps" of March 29th writes:

"We know very well that there is not a word of truth in all this, and that the facts of the case were altogether different from what these exaggerated or purely invented reports would have us believe.

There was, we are assured, no attempt at a mass invasion of the French concession, nor yet any tragic incident menacing the safety of that quarter of the town which is under our protection.

The measures of the French police have proved sufficient to prevent any serious occurrence, since the military authorities of the South have endeavoured to avoid all conflict, an interesting fact which should be underlined.

There exists no reason why we should entrust the control of our concession to others."

¹⁰⁾ Even after the split in the Kuomintang, the American policy repeatedly differed greatly from that of Great Britain, as is demonstrated in an article in the "China Weekly Review" of April 16th, reproduced three days later in the "Pravda".

The hostility to the British policy in China, indeed, went so far that wire entanglements were erected between the British and the French concessions in Shanghai, and French soldiers with fixed bayonets faced British soldiers similarly armed.

We have already dealt with the negative attitude of Japan towards the British policy in China. There only remains Italy, which sided with Great Britain in all matters. The endeavours of Great Britain, meanwhile, have led to a common Note to Hankow but not yet to any common ultimatum.

b) The British attempt at persuading Chang-Tso-Lin to start a campaign against the revolutionary South, has really remained without success. Chang-Tso-Lin demands money, lots of it, and national concessions. But although he has placed himself at the head of the anti-revolutionary forces of the North, he in fact refrained from doing anything hostile to the South, since Japan did not consent. For Chang-Tso-Lin's basis is Manchuria, and he is dependent on the military support of Japan. It was only the military intervention of Japan against Chang-Tso-Lin's rebellious general (during the war against Feng), that saved the rule of Chang-Tso-Lin from destruction.

c) The split in the Kuomintang, or in other words the breaking away of the Chinese bourgeoisie from the revolutionary movement, was achieved by Great Britain because this was also the aim of the Japanese and French policy and represents an inevitable stage in the history of the Chinese revolution.

d) In regard to the repression of the influence of the Soviet Union in China, Great Britain also achieved apparent success by the raids on the Soviet embassy and consulates at Peking, Tientsin, and Shanghai, in so far as this was also part of the programme of all the other capitalist Powers, and particularly of Japan on account of Manchuria. Apparent success; we repeat, for the fact that all the imperialist Powers (and particularly those that also bombard Chinese towns) proceeded in common against the treaties of the Soviet Union, must serve to show the Chinese people as clearly as day, where they must look for their friends and where for their enemies.

France. In Indochina, France has several millions of Chinese subjects, and by virtue of the railway leading from Indochina to Yunnan, the extreme south-western Chinese province, it has acquired a certain predominance there. The French policy, however, is, as appears from the foregoing statements, mainly decided by France's general relations with Great Britain and its understanding with Japan. In China, France mainly pursues an anti-British policy, which naturally excludes its participation with Great Britain in the suppression of that tendency in the Chinese revolution which is striving to go beyond the limits of capitalism.

The smaller countries, such as Italy, Holland, Portugal, and Spain, obey the commands of Great Britain without resistance.

The German bourgeoisie, which forfeited all its special privileges by the war, is now attempting to profit by this situation by observing a benevolent neutrality in regard to the Chinese revolution, while at the same time attempting to get as much as possible of the Chinese trade into its hands.

These are merely the general outlines of the different interests involved in the Chinese question. They may be summed up as follows: United front against the left, "non-capitalist" wing of the Chinese revolution, envisaging the possibility of common armed intervention. Acute differences in all other respects.

The Significance of the Social Element in the Chinese Revolution.

The opinion is often expressed in Social-Democratic circles that the Chinese revolution is purely a bourgeois movement. In refutation of this standpoint, we may here cite some figures from Chinese, non-Communist sources as to the profundity of the social fermentation among the population¹¹⁾.

The peasant organisations are rapidly increasing in number. At the beginning of March the number of organised peasants was as follows¹²⁾:

¹¹⁾ Our sources in this connection are the publications of the "Chinese Government Bureau of Economic Information", which publishes a weekly and a monthly report in English at Peking.

¹²⁾ "Economic Bulletin" of March 2nd, 1927.

Kwangtung	1,100,000
Kwangsi	50,000
Hunan	1,200,000
Hupei	270,000
Kiangsi	150,000
Fukien	25,000
	2,795,000

In many parts, where the work of organisation is still in an initial stage, the membership figures could not be ascertained. The returns for Fukien have been superseded. The number of organised farmers in these six provinces may without exaggeration be put at 3 millions.

The efficiency of these peasant organisations is depicted in a possibly exaggerated British report as follows¹³⁾:

"Immediately after the arrival of the Canton forces, Bolshevik agents started organising peasant committees, which at present rule the entire province. They dictate the amount of the leases, and any landlord that offers resistance runs the risk of a sound thrashing. One landowner was killed, the workmen's union forcibly releasing the murderer, instituting an inquiry, and declaring the culprit to be innocent."

Other British reports¹⁴⁾ tell of fights between agricultural labourers and farmers; of the latter 60 are said to have been killed in the province of Kwangtung. "The peasants themselves now determine the amount of the leases", this report likewise says, "and any farmer that contradicts them is cried down as an 'imperialist'. One landowner was killed. The old system of ground lease has been abolished and new forms are being contemplated, it being intended that one tenth of the amount fall to the share of the peasant organisation.

We are informed, moreover, that the peasant organisation "Red Lancers", "Black Lancers", and others, are armed and contributed not a little to the defeat of Wu-Pei-Fu.

We need quote no further facts. The movement has all the characteristics of a peasant revolution, though, in contradistinction to former peasant revolts, it is organised over a far wider area and is closely co-operating with the workers organisations.

The trade union organisations of the workers reveal a similar rapid development. At Wuchang alone there were at the close of 1926 (as reported by the "Economic Bulletin" of November 27th, 1926) no less than 80 trade union organisations with a membership ranging from 30 to 9,000. (Apparently the workers of each individual factory were at that time still organised separately.) Altogether, there were in the town no less than 200,000 organised workers. At Shanghai the trade unions were, alternately, either outlawed or dominant in the town: in the latter cases the workers were armed. In March there were 108 trade union organisations with 287,042 members¹⁵⁾, without counting the seamen, dock workers, and business employees. The total probably now exceeds 350,000.

The following survey of the strike movement at Shanghai in 1926 deserves special interest¹⁶⁾.

In the course of the year there were 169 strikes in 165 factories employing 202,297 workers. The longest strike lasted 84 days, which is tremendously long for Chinese conditions. In one factory there were 9, in one 8, and in one 7 strikes in the course of the year; in 4 factories the workers struck 5 times. In a single month there were more than 50,000 workers on strike. This shows the intensity of the movement.

How heterogenous the movement is, is demonstrated by the fact that the publication from which we quote enumerates no fewer than 71 different kinds of demands brought forward by the strikers. The most important of them were:

	Number of Cases
Increase of wages	71
Re-employment of discharged workers	35
Discharge or engagement of workers	26
Payment of wages for strike days	22
No discharge without adequate reason	24
Reduction or establishment of work-time	18

¹³⁾ "Times" of February 8th, 1927.

¹⁴⁾ "Times" (Peking correspondent) of February 22nd, 1927.

¹⁵⁾ "Chinese Economic Bulletin" of April 2nd, 1927.

¹⁶⁾ From the "Chinese Economic Journal" of March 1927.

In reading this whole list of demands, we cannot but be struck by the very great number of "solidarity" demands (such as for the release of arrested workers in 10 cases) and the small proportion of demands for shorter working hours (only in 18 cases). The oppression of the workers' is manifest by the fact that in 10 cases the demand put forward was for the abolition of corporal punishment!

The outcome of the strike movement was as follows:

	Cases
All demands refused	61
Demands partially granted	55
All demands granted	27
Promise of investigation of claims	13
Lockout	2
Undecided	5

In the towns in which the Canton Government ruled, the labour movement was yet more extensive and successful. This is one of the main reasons why the British bourgeoisie is filled with such bitter hatred for the Chinese revolution; it lessens their profits. The reports in the British press reflect the fury of the British bourgeoisie. A report from Hankow, e. g., says¹⁷⁾:

"All categories of workers, from the house-boy to the coolie, are being encouraged to demand more and more wages. The workers in the foreign enterprises now demand the 54-hour week, an annual bonus equal in amount to one month's wages, and the settlement of all disputes by the trade unions. A large coal-mine, with a capital of 1.5 million pounds, is now under the sole control of the miners' trade union, which sells the daily output for the account of its members."

"Strikes and demands for wage increases to quite an extravagant degree, are now the order of the day¹⁸⁾."

"Business has truly been paralysed by the exorbitant demands of the trade unions¹⁹⁾."

"The demands of the trade unions under the Canton regime in China have become exaggerated, so that business is largely rendered impossible²⁰⁾."

There are innumerable reports of this kind in the British press, all showing how deeply the working classes of China have been stirred up by the revolution.

But not only peasants and workers, also the petty bourgeois circles have been affected. A special thorn in the eye of the British capitalists was the demands of the bank clerks.

"It was reserved for the trade union of Chinese servants and employees in the foreign banks to present a list of demands to their employers which exceeds anything ever experienced. All these employees speak English or some other foreign language and are fairly well educated. The majority of them surely possess learning enough to know that there must be a limit to working expenses if business is to thrive. The demands in question range from 60 to 570 per cent. increases of salary²¹⁾."

In view of these demands, all the banks closed down. So says a report three days later. In reality, however, this step was taken for the purpose of disturbing economic life at Hankow by a sort of financial or credit blockade.

The class struggle has penetrated far into the ranks of the petty bourgeoisie.

"The chambers of commerce (organs of the great merchant class), on which the full weight of this campaign against property fell, have been substituted by commercial organisations founded on revolutionary lines (obviously retail traders' organisations), while the members of the chambers of commerce are persecuted as traitors and money-grabbers²²⁾."

¹⁷⁾ "Times" of February 22nd, 1927.

¹⁸⁾ "Times" of February 8th, 1927.

¹⁹⁾ "Times" of March 30th, 1927.

²⁰⁾ "Times" of March 23rd, 1927.

²¹⁾ "Times" of March 23rd, 1927.

²²⁾ "Times" of February 22nd, 1927.

The 450 millions of people in China are in a process of revolution. With the exception of the feudal landowners and the military cliques, all classes of the population are taking part in this movement. By the treachery of Chiang Kai-Shek, the bourgeoisie has separated itself from the revolution and gone over to the camp of the counter-revolution. By acting thus, the bourgeoisie has also betrayed the anti-imperialist emancipation movement, for it is impossible at the same time to fight against the proletariat and the great mass of the peasantry on the one hand and against the imperialists on the other. The bourgeoisie has surrendered unconditionally to the imperialists. The situation may be said to be clearer now, inasmuch as China must either remain bourgeois under the yoke of the imperialists²³, or else become free under the lead of the proletariat and in opposition to the bourgeoisie. This state of affairs is a guarantee for the continuation of the revolution, even if a relapse sets in for the time being.

The Intervention in China: an Attack on the Soviet Union.

Finally, we may refer to the obvious fact that the intervention in China, inasmuch as it is directed against the really revolutionary element in the Chinese movement, is tantamount to an advance against the Soviet Union. This was outwardly demonstrated by the simultaneous raid on the Peking embassy building, the occupation of the Shanghai consulate, and so on. This is the point in which the policies of Great Britain and Japan, divergent as they may otherwise be, fully concur. Both Great Britain and Japan fear that the victory of a Chinese revolutionary party allied with the Soviet Union would mean the loss of their colonies and of their imperialist bases. Therefore the constant slogan of either has been: **elimination of Bolshevik influence**. But just as, since the defection of the Chinese bourgeoisie, the liberation of China from the yoke of the imperialists can only be effected under the leadership of the proletariat, it can likewise only be effected in alliance with the Soviet Union.

II. The United States, the Imperialist Nation.

The most significant tendency in international politics at the present time is the separation of the world into two great camps; the capitalist, conservative, and counter-revolutionary camp on the one hand and the revolutionary camp on the other. The centre of the latter is the Soviet Union, while the United States are more and more pronouncedly constituting themselves as the centre of the counter-revolutionary camp. While the national-revolutionary movements of all the world find their natural basis in the Soviet Union, whither the revolutionary movements of the proletariat in all capitalist countries now gravitate, the economic predominance of the United States points more and more obviously to a position of domination in the capitalist world. This concentration of the world's forces in two rival camps is certainly the most important political factor of modern times.

The development as such is veiled by the fact that relations between the United States and the Soviet Union are relatively good, while the lead in the struggle against the Soviet Union lies rather in the hands of Great Britain. At the present moment the contradiction between capitalist rule and revolutionary movement in the United States has not yet become acute, a fact which mitigates the foreign political relations between America and the Soviet Union. The fight between capital and labour is less acute in the United States than in Europe. The capitalism of the United States is still on the up-grade. Colonial profits and the enormous wealth of the country enable the United States bourgeoisie (like the British bourgeoisie before the war) to grant the working class an improvement in their standard of living, thus enlisting a large proportion of the workers in the service of the bourgeoisie in the character of a sort of labour aristocracy. The rule of the bourgeoisie is therefore

²³ The Japanese affirm that Chiang Kai-Shek is destined to play the same rôle in China as Kemal Pasha has played in Turkey. This simile, however, is not correct, for while Kemal Pasha ousted the hirelings of the imperialists with an armed hand and in co-operation with the Turkish peasantry, Chiang Kai-Shek will be obliged to rely on the support of the imperialists in his operations against the Chinese peasantry.

not immediately threatened in the United States, another fact which mitigates the differences in relation to the Soviet Union, the centre of the revolutionary development of the world.

Added to this it is a fact that from the standpoint of foreign politics these two foremost Powers of the world, separated as they are by great distances, have few immediate points of contact. The capitalism of the United States is at present (at present in a historical sense, that is) in the process of developing into imperialism. Even before the present moment the United States waged imperialist wars and annexed various territories. But these wars and annexations yet served purely political and strategic aims. The economic presumptions of an imperialist expansion, industrial and capital exportation, were wanting in the country itself. In the course of the last ten years, these economic foundations have been fully developed, and the United States have grown into the most powerful imperialist State of the world.

The imperialistic efforts at expansion of the United States, however, are for the time being directed to territories far distant from the Soviet Union. The immediate territory for the imperialistic expansion of the United States comprises North and South America. The American policy of the last few years may be described as offensive on the American Continent and defensive in Asia. It is on the offensive in America, where it is energetically and consistently at work in the form of gigantic capital investment in Canada and South America and in the form of military intervention in Central and South America, and on the defensive in Asia, where the United States have certainly occupied strategically important points, such as Hawaii and the Philippines, but intend them rather for defence against a possible Japanese attack than for economic purposes. In China the United States essentially pursue the policy of the "open door", opposing the circumscription of definite "spheres of influence" for the individual imperialist Powers. They expect the present revolution to result in the creation of a free bourgeois China, where they hope on the strength of their economic superiority to be able later on to do the most excellent business without the necessity of immediate military intervention. Thus despite all its efforts, Great Britain has not succeeded up to the present to induce the United States to take part actively in a war against China.

The Elements of Wealth in the United States.

The United States are undoubtedly the richest of all countries in the sense that, per head of the population, both the production and the consumption values far exceed those in any other land. This is tantamount to the fact that the productivity of labour is greater in the United States than anywhere else. The causes of this superiority are as follows:

Firstly, the **natural wealth of the country**. Ground is available to a much greater extent than in any other capitalist country. In this sense the United States are, or at least were until quite recently, a colonial country. In the soil itself they possess enormous riches of all kinds. These advantageous circumstances, even if the technical equipment were the same, would entail the output of a larger proportion of commodities on the part of each individual worker.

Secondly, however, the **productivity of labour** is greater in the United States than elsewhere also by reason of the fact that each worker sets in motion a greater mass of means of production, since he works with a far better technical equipment than the average worker in another capitalist country.

Thirdly, we have the greater **intensity of work** attained by this superior technical equipment. Labour power is most unscrupulously exploited by the capitalists. It is a well-known fact that in the large American factories no worker of more than 40 years of age is ever newly engaged for a job.

Fourthly, the people inhabiting the territory of the United States represent — apart from the negroes and the white slaves forcibly imported into the States in the first few decades of their existence — the pick of the very best elements of that class which furnishes the emigrants of successive generations. It is obvious that it was just the most enterprising and determined of the European peasant and working classes, those who were least influenced by hampering conservative prejudices, that voluntarily decided on emigration to America. Thus emigration furnished the United States with the very fittest.

Besides this selection of the very best elements from Europe, there has also constantly been a leavening from the lower classes

within the United States themselves. There there were never castes; that is to say the classes were not separated from one another by juridically-traditional barriers. Hindrances of this kind, which in Europe prevent the rise of an individual into the ruling class almost as effectively as purely economic barriers do, were non-existent in America. Until quite recently, the class divisions were in a state of flux in America and in view of the great wealth of the country the rise from one class to another was easily possible²⁴). This enabled the fittest elements of the working or other professionally active classes, bent on individual enrichment, to rise to the level of the bourgeoisie, a fact which did much towards weakening the class-consciousness of the working class in relation to the bourgeois classes. The phantom of individual enrichment, as a matter of fact, still continues to dominate the minds of all Americans.

The great accumulation of wealth which has taken place in America of late, is in a great measure owing to a sapping of the natural resources of the country. While on the surface, so to say, immense riches have accumulated, the natural fertility of the soil has been unscrupulously exploited, the forests have been devastated, and the treasures of the sub-soil, such as coal and petroleum, have been recklessly wasted. Were it possible to set up an economic balance sheet of the United States, not only in regard to the wealth produced by man, but also for the natural wealth of the country, we should see that in the last 50 years the natural resources have been greatly impoverished. We should see that the momentary wealth of the country is to a great part owing to a wasting of natural resources. This fact is most apparent if we review the development of American agriculture.

American Agriculture.

American agriculture differs from that of Europe in two essential points. There are no actual peasants in America, that is to say there are no agricultural producers working in the first line for their personal needs. American agriculture has an altogether capitalistic character, and that in a twofold sense, since it is at the same time pronouncedly specialised as regards products, and since the farmers are capitalistic operators who look upon their farms as profit-yielding enterprises, to which they are attached by no manner of traditional tie and which they are ready to abandon at any moment — together with their entire agricultural activity — if a more profitable occupation is open to them in any other walk of life.

This purely capitalistic character of American agriculture has not failed to entail serious drawbacks for the farmers themselves. Because they are simply capitalists, and small capitalists at that, naturally devoid of organisation, they have necessarily been defeated in the struggle with the industrial capitalists with their powerful monopoly formations. In America there is neither any capitalistic large landed property, with the exception of the southern cotton-growing districts, nor any large landed property in the European sense, i. e. a class endowed with juridically and traditionally established special privileges within a capitalist economy, such as is the case in Great Britain and Germany. As small capitalists, dependent on the market as regards by far the greater part of their output, the American farmers could naturally not take up the fight against the industrialists. Hence for a matter of ten years there has been a crisis in farming in the United States.

The second important point distinguishing American from European agriculture down to most recent times, was the existence of free ground in the economic, though not in the juridical sense of the word. Free in the sense that it was possible for workers to save the very small sums required for the purchase of the ground and of the first primitive means of production. True, the acquisition of the ground was connected with the payment of a certain sum to the railroad companies or to the State, but this represented no economic obstacle, nor was it tantamount economically to the existence of large landed proprietors insisting on rents and hindering production²⁵).

²⁴) See the characterisation of American society by Marx ("The 18th Brumaire", p. 16).

²⁵) That the formal juridical existence of private property in regard to land is altogether different from the economic monopoly of landed property, is forcibly pointed out by Marx in his treatise against Rodbertus in Vol. II, "Theories on Surplus Value".

On a value percentage basis, the proportion of the output directly consumed in farming figured as follows²⁶):

1920	1921	1922	1923	1924	1925	Average
18.4	20.9	23.1	20.9	20.9	19.4	20.4

The extensive development of American agriculture, the expansion of the area under cultivation rather than the growth of intensity in tillage, show results which are characteristic of American agriculture as a whole. The total area of the United States is roughly 1903 million acres. A great part thereof is naturally not to be used for agriculture. The distribution of the total area is as follows:

	Million acres		Million acres
Total area	1903	Grass-lands	231
Forest	484	Tilled ground	523
Steppe or dry pasture	487	Roads, towns, and barren areas	212

Not even the half of this total area has as yet been divided up into farms or other agricultural enterprises. More than the half is still outside all individual cultivation. The area divided into farms is grouped under two heads in American statistics, viz. improved and unimproved land, the latter meaning acquired but untilled areas. The great extension of American agriculture is best characterised by the growth of the land used for farming purposes.

Development of American Farming²⁷).

	1850	1880	1890	1900	1910	1920	1925
	in millions						
Number of farms	1.45	4.00	4.56	4.74	6.36	6.45	6.37
Aggr. number of acres covered in farming	294	536	623	839	879	956	925
Thereof:							
improved land	113	285	358	414	478	503	— ²⁸)
unimproved land	181	251	266	424	400	453	—
Percentage proportion of farm-lands	15.6	18.2	32.7	44.1	46.2	50.2	48.6
Inhabitants per 1000 acres of impr. farm-land	205	176	176	183	192	210	

The above table reveals the following facts:

1. Only half the total territory is at present divided up into farms, while only slightly more than half the farm-land is improved land.

2. The process of the successive dividing-up of the land into farms greatly slowed down in the twentieth century and between 1920 and 1925 there was a diminution of the farm area by some 30 million acres, that is to say, ground formerly used for farming was abandoned, the area under tillage thus diminishing.

3. The development of extensive methods in American agriculture is especially characterised by the fact that in 1920 there were barely more inhabitants per 100 acres of improved farm-land than in 1850. That is to say, that even apart from exportation (which will be treated further on) the population of the United States needs just as much ground per capita for its maintenance as it did 70 years ago. We may still remark that of the 925 million acres of farm-land figuring for 1925, only 391 million acres represented tilled ground, of which again, in 1924, only 344 million acres yielded a harvest, while almost 50 million acres were fallow or yielded no crops. Of the ground not employed for tillage (pasture-land), 115 million acres were arable land.

²⁶) According to the calculations of the Department of Agriculture, cited in the excellent work "The Agricultural Problem in the United States" edited by the National Industries Conference Board (quoted hereinafter as "Agricultural Problem"), New York, 1926, p. 20.

²⁷) "Statistical Abstract of the United States", 1925, p. 81.

²⁸) Not handled by statistics.

4. The above figures show that a further extension of agriculture in the United States would only be possible to the extent of roughly another 150 million acres, or by about 40 per cent. which would probably also include a good deal of inferior ground. This is the limit of extension for American agriculture.

The small intensity of labour in American agriculture is demonstrated by the following returns, showing the number of operatives per 1000 acres:

	Farm-land	Operatives	
		Improved land	Tilled land
1850	17	44.2	—
1880	14.4	17.1	46.4
1920	12.6	24	34.6

We may observe that the number of workers shows a tendency to decline, this being in keeping with the general character of American agriculture, i. e. the desire to cultivate as large a territory as possible with a minimum number of hands.

The extensive character of American agriculture is also strikingly illustrated by the fact that the output per acre has remained unchanged for decades. We reproduce below the

Yearly average	Yield per Acre of the Main Field Crops ²⁹⁾				
	Maize bushels	Wheat bushels	Oats bushels	Potatoes bushels	Cotton lbs.
1866—1875	26.1	12.0	28.2	93.0	176
1876—1885	25.4	12.3	27.4	81.2	171
1886—1895	23.8	12.7	26.1	74.4	177
1896—1900	26.2	12.9	28.9	81.6	193
1901—1905	25.3	14.0	30.7	99.1	185
1906—1910	27.6	14.7	28.4	97.1	180
1911—1915	26.0	15.5	31.7	98.3	192
1916—1920	27.0	13.6	33.2	95.7	163
1921—1925	27.7	13.8	30.8	107.4	144

The extensive character of American agriculture is furthermore manifest in the small increase of live stock. The census returns in this respect figure as follows³⁰⁾:

	Million head			
	Horses	Cattle	Sheep	Pigs
1880	10.4	39.7	42.2	49.8
1890	15.3	57.6	40.9	57.4
1900	18.3	67.7	61.5	62.9
1910	19.8	61.8	52.4	58.2
1920	19.8	66.7	35.0	59.3
1925	16.5	61.6	35.3	51.8
1926	15.8	59.8	40.7	51.2

The increase in the total of stock has thus by no means kept pace with the extension of the area under cultivation; hence the production of natural fertilisers has relatively declined.

The character of American agriculture as an extensive exploitation of the natural fertility of the soil is clearly apparent. The ground is deprived of nutriment which is never given back to it. A substantial part thereof is lost together with the agricultural products which are exported. Another part is lost by being consumed in the American cities, practically all of which have modern drainage systems.

The crisis of American agriculture is not only a crisis of the capitalist producers who fail to realise their profits, but a crisis of the entire system. The extensive increase of the area under cultivation has practically reached its limits. There is little new ground to be exploited. American agriculture must transfer to a system of stabilisation and accumulation, giving back to the soil every year at least as great, if not greater, an amount of nutriment as is removed annually in the form of the harvest. This means great investments of capital, which is for the most part only accessible to the farmers at a higher rate of interest. It therefore means higher costs of production, a disadvantage in comparison with Canada and Argentina, which have still plenty of ground to continue the system of extensive exploitation.

Since, moreover, the agriculture production of the United States exceeds the country's own consumption, part thereof must

be exported. The home market price thus figures at the world market price minus transport costs. Since all the articles of consumption or production supplied by industry are protected by customs duties, so that the price is generally the world-market price plus freight plus duty, an unbearable difference results between the production costs and the sale price of farm products, leading to the ruin of the individual farmers.

Distribution of the Land.

We had occasion to remark above that in the United States there is no large landed property in the European sense. There is real estate speculation on a large scale, but no large landed property passing from father to son, no idle class of landlords merely living in the enjoyment of their rents.

Percentage Distribution of the Land in the Year 1920³¹⁾.

	No. of Farms in thousands	Farm-land Property		Improv. Land Property	
		in %	in %	in %	in %
Under 20 acres	796	12.4	0.9	1.6	
20—49 "	1504	23.3	5.1	7.7	
50—99 "	1475	22.9	11.1	14.4	
100—174 "	1450	22.5	20.4	25.5	
175—499 "	1006	15.6	29.0	38.8	
500—999 "	150	2.3	10.6	9.6	
Over 1000 "	67	1.0	23.1	7.5	
	6448	100	100	100	

The 67,405 large landowners, with more than 200 hectares of ground each, possess together 23 per cent. of the total farm land, but only 7 per cent. of the improved land. Of these, only 1627 were, in 1920, inhabiting the thickly populated north-eastern region in the 14 States of New England, the Middle, and the Atlantic districts. By far the greater part is destined for speculative distribution at a future time.

A substantial and constantly growing portion of the soil is cultivated by tenant-farmers³²⁾.

Percentage of Farms.

	1880	1890	1900	1910	1920
Freehold	74.4	71.6	64.7	63	60.9
Leasehold	25.6	28.4	35.3	37	38.1

Percentage of Area Divided into Farms:

	1880	1890	1900	1910	1920
Self-tilled freehold	51.4	61.8	52.9	59	48.3
Tilled by employees	10.4		6.1		5.7
Suppl. lease for self-tillage	14.9		15.2		18.4
Partial lease	14		16.2		19.3
Cash lease	9.2		9.5		8.4

Self-cultivation recedes year by year and the lease system spreads. In this respect, however, certain restrictions are essential. Partial leases are to be found mainly in the South and are in fact nothing but a veiled system of employment, a pronounced exploitation of the negroes. On the other hand, the leases of the Middle and Western States are in many cases the transition to a later acquisition of private ground; the younger men being tenants and the older ones owners of their farms.

The rents do not appear to be very exorbitant; between 1920 and 1925 they totalled on an average, 12.4 per cent. of the gross yield of farming³³⁾.

It is worthy of interest that in general there is no question of a capitalistic lease such as in England, the tenants being for the most part working farmers. This, however, makes no difference in regard to the splitting-up of enterprises.

The Crisis of the Farmer Capitalists.

The agricultural crisis, the reasons of which we have just depicted, entailed a crisis of farmer capitalists in the years immediately following the war. The two phenomena together are usually referred to as the American agrarian crisis. It found its

³¹⁾ "Statistical Abstract", p. 590.

³²⁾ "Statistical Abstract" 1925, p. 590—591.

³³⁾ "Agricultural Problem", p. 20. According to returns by the Department of Agriculture.

²⁹⁾ "Statistical Abstract", p. 336/338.

³⁰⁾ "Statistical Abstract", p. 609.

expression in a recession of the cultivated area (as already shown statistically) and a diminution of the farming population³⁴⁾ a mass insolvency of the farmers. The immediate reason for this crisis was the "scissors".

Price Formation³⁵⁾

(on the basis of 100 to represent the level of 1913)

	All Goods	Farm Products
1890	80.5	69.8
1900	80.5	70.5
1905	86.2	78.8
1910	100.9	103.2
1913	100	100
1914	98.1	102.6
1915	100.8	103.9
1916	126.8	122.8
1917	177.2	189.6
1918	194.3	218.5
1919	206.4	230.8
1920	226.2	217.9
1921	146.1	123.7
1922	148.8	133.3
1923	153.7	141.2
1924	149.7	143.4
1925	158.7	158.1

The following table affords some insight into the distribution of the annual output value of American agriculture³⁶⁾:

Approximate Distribution of the Gross Revenue of Agriculture in 1924—1925.

	Millions	Percentage
Aggregate price of farming products	17,350	100
Consumed within agriculture:		
Seed, fodder, and waste	4,600	26.5
Consumed by farmers' families	2,360	13.6
Sold and proceeds employed for:		
Lease rents	1,025	5.9
Interest on loan capital	765	4.4
State services	615	3.5
Payment of hired labour	1,205	6.9
Products and services of other branches of business	6,780	39.2

Seeing that rental and lease rates had remained the same and the price of industrial goods had sunk in a far lesser degree than that of farm products, this necessarily led to a loss in working and to a consequent crisis among the farmers themselves.

In post-war times the structural crisis of American agriculture developed most acutely into a crisis in farming. The economic basis thereof was the necessity of passing from the system of constant expansion to a regular system of the exploitation of scientific methods with a use of artificial manures.

The structural crisis was aggravated by the pronounced rise in real estate prices occasioned by the elimination of free land. It was only in the last five years that a certain equilibrium was attained. The following figures were recorded in this connection³⁷⁾:

	1900	1910	1920	1925
Average value of an acre of farmland	15.57	32.40	57.36	40.85
Index of farm products	70.5	103.2	217.9	158.1

The increase in ground price is, in a percentage calculation, yet greater than that of the farm products. We here have a curious contradiction, inasmuch as the profitable system of ruthless exploitation must needs come to an end as the available amount of free land disappears, the ground monopoly is bound

³⁴⁾ The Department of Agriculture estimates the farming population on January 1st, 1926, at 30,655,000, a decline of 479,000 in 1925 and of one million since 1920.

³⁵⁾ "Statistical Abstract" for 1925, p. 313—314. The total index is based on 404 categories of goods, the farming price index on 30 products according to the prices realised by the producers.

³⁶⁾ "Agricultural Problem", p. 19.

³⁷⁾ Compiled from data in the "Statistical Abstract", p. 588 & p. 319.

for the very same reason to be more and more felt in the rising prices of real estate.

Under such circumstances the position of the farmers is very difficult. According to apparently reliable calculations, their income falls short of that of industrial workers. The following is a comparison of yearly income rates³⁸⁾:

Year	Farmers (Int. on Cap. deducted)	Farm Labourers	Other Workers	Wholesale Price Index
1910	526	330	635	100
1915	535	362	691	100.8
1918	1309	586	1123	104.3
1920	508	779	1503	226.2

The method of calculation is purely capitalistic, the price of the ground being considered as a capital investment and the interest thereon deducted from the yearly income of the farmers. That in particular those farmers who bought or leased new ground at the time of high prices, are worse off than the workers, is shown by the marked migration to the cities noticeable at present.

Of 100 farmers in the year 1920³⁹⁾, 31 possessed motor-cars 3.4 owned tractors, 10 had water laid on in their houses, 7 had gas or electric light, and 4.5 possessed wireless sets.

As regards the wages of the agricultural workers in particular, they are anything but high. According to the statements of the harvest reporters, who are always inclined to give too high figures, the average monthly wages without keep stood at 20.04 dollars in 1910, 29.97 dollars in 1915, 65.05 dollars in 1920, 43.58 dollars in 1921, and 47.80 dollars in 1925. Such wages are not at all high. Compared with the price formation, it is only in the last few years that they show a real increase over the pre-war level, which may be taken as a result of the restriction of immigration.

The Struggle between the Farmers and the Industrial Big Bourgeoisie.

For several decades there has been a practically uninterrupted struggle between the farmers and the big industrial bourgeoisie for the control of the country's economic policy. The farmers feel that they are being plundered by the industrial capitalists, by the railroads, and by the banks. They have tried again and again to guide the economic policy of the State according to their own interests. They have several times attempted independently to form "third parties". They have waged fights for bimetalism, against the trusts, and particularly against the high protective tariffs. All in vain. When the Democratic Party came into power, certain duties were reduced, but no pronounced change was brought about⁴⁰⁾. True, there are also customs duties in favour of agricultural products, but they have no real effect seeing that the United States have an export surplus, which, in view of a lack of co-operative organisation on the part of the farmers, causes prices at home to sink to the world market level minus transport charges. On the other hand the trusts have succeeded, by all kinds of corruption, in invariably realising their desires in regard to customs matters and in using the customs for the purpose of governing the home market.

The post-war crisis enhanced the embitterment of the farmers and grew inordinately in view of the "scissors". The year 1921 saw the passage through both Houses of the so-called "Emergency Tariff Act", providing a duty of 35 cents per bushel of wheat, 15 cents per bushel of maize, 25 cents per bushel of

³⁸⁾ "Agricultural Problem", p. 56.

³⁹⁾ "Statistical Abstract", p. 602.

⁴⁰⁾ Lack of space prevents us from reproducing here the changing history of these customs conflicts. Many interesting details are to be found in W. W. Jennings' "History of the Economic Progress of the U. S. A." (New York, 1926). Industrial protective duties have existed uninterruptedly for the last hundred years. The purely agricultural South of those times protested vehemently against them for decades. In percentage proportion to prices, these duties averaged as follows:

1844	1858	1890	1894	1897	1909
35	20	49	39	57	99

At present the duties may be estimated at 50 per cent. of value. A reduction thereof passed in the interest of the farmers in the year 1911, was frustrated by a veto on the part of President Taft.

potatoes, etc. President Wilson vetoed this law on the grounds that it would not help the farmers. What they needed was not customs protection, but better foreign markets and the like. The two-thirds majority required to defeat the President's veto was not forthcoming.

Essentially, Wilson was right. Customs protection without an organisatory combine for the purpose of governing the home market was doomed to remain ineffective in view of an export surplus. The exports of the main agricultural products, however, are very considerable, as the following figures show⁴¹⁾:

Exports in Percentage Proportion to the Entire Volume of Production.

	1914	1919	1921	1923
All goods	9.6	15.3	12.2	8.5
Wheat	19.1	31.2	25.6	29.9
Cotton	62.6	45.1	48.7	58.2
Tobacco	47.2	43.7	36.4	34.7
Meat products	6.1	15.6	9.5	6.5

Among the important agricultural products, it is only maize and oats that show insignificant export totals. In regard to the other products, a duty can only be effective if it is combined with an organisation for the purpose of removing the surplus from the home market, as is done by all the trusts and cartels.

To meet this need was the object of the MacNary-Haughen Bill, that last abortive outcome of the fight between farmers and industrial capital.

At the end of February, Congress passed a Bill, which was officially called the "Surplus Control Act", the essential points of which were as follows:

1. By means of a fairly complicated system of election or nomination, a "Federal Farm Board" similar to the "Federal Reserve Board" of the American banking world was to be created. This institution was to be presided over by the Secretary of State for Agriculture.

2. Para. 6 of the Law says:

"For the purposes of this Law, cotton, wheat, maize, rice, tobacco, and pigs are to be regarded as 'fundamental agricultural products'. If the Federal Farm Board is of opinion that the conditions of production and sale of any other agricultural product are such that the provisions of this law are applicable thereto, the Board will report to the Congress accordingly."

"If the Board finds that in the course of the year there is or may be a surplus beyond home demands of wheat, maize, rice, tobacco, or pigs, or else a surplus beyond the demand for orderly marketing of cotton, wheat, maize, rice, tobacco, or pigs, it will publicly announce this fact and within a fixed time initiate the operations provided for by the present Act."

The operations here provided for are as follows:

- Removal or disposal of the available surplus of the fundamental agricultural products;
- Holding back of the said surplus;
- Safeguarding of these goods against undesirable and excessive fluctuations on the market;
- Financing of the purchase, warehousing, sale, or other disposal of the goods in question.

For each of the fundamental products a fund is to be created, out of which any losses arising from the sale of the said commodity abroad may be covered. This fund is to be replenished by contribution on the part of the farmers. For the purpose of putting the whole system into working order, the Treasury shall, according to the desire of the Federal Farm Board, furnish the latter with sums up to a total of 250 million dollars.

Economic Character of the Law.

Economically, the object of this is that of withdrawing from the home market and selling abroad — by a co-operative organisation of the farmers or by employment of already existing co-operative organisations — such quantities of one or more of the enumerated commodities as shall cause the price of the said article, or articles, to rise to the world-market level plus duty.

⁴¹⁾ "Commerce Yearbook", 1925, p. 94—97.

In its nature, the projected law is therefore opposed in principle to the tendencies of the Canadian and the Australian pools. It is the object of these pools artificially to enhance world-market prices by a monopolised control of supplies on the world market, prices on the home market being automatically driven up by the rise in world-market rates. The basis of operations is the equality of home and foreign prices. The American law, on the other hand, attaches prime importance to the formation of the home prices and aims at getting rid of an export surplus at lower prices on the world market so as to leave the home market no greater supply than it can absorb at a price level equalling the world-market price plus duty. Thus the Canadian and similar pools tend to enhance prices on the world market, whereas the suggested American law would, on the contrary, have the effect of depressing world-market prices in the sense of dumping surplus supplies on the world market. Though outwardly, therefore, there may be many points in common between the two institutions, they are not only dissimilar, but diametrically opposed in their economic characteristics⁴²⁾.

The passage of this Bill through the House of Representatives and the Senate was only rendered possible by the fact that, in view of the preparations already under way for the next Presidential election, both parties were anxious to show the farmers their readiness to do something towards mitigating their sufferings. Both in the House of Representatives and in the Senate, the Bill was passed by a majority, which was recruited almost equally from the two parties.

What is more important, however, is that the Bill could never have obtained a majority, if a bloc had not been formed between the representatives of the farmers and those of the big banks. Simultaneously with the MacNary-Haughen Bill, the MacFadden Bill was discussed in both Houses, this latter being an enactment aiming at the abolition of certain legal disadvantages of the big banks as compared with the small local banks, a matter we shall have occasion to refer to. These two groups, irrespective of the ordinary party differences, formed a bloc to ensure the passing of both Bills.

But what happened next? On February 26th, Coolidge registered his veto against the farmers' Bill, while confirming that Bill which served the interests of the big banks. By the formation of a bloc between these two divergent interests, therefore, the big banks carried their point, while the farmers were duped, as they so often have been in the history of the United States.

In the memorandum in which Coolidge set forth the reasons of his veto, the following are the main arguments, apart from various clauses demonstrating the technical impracticability of the Farmers' Law:

1. The distinction made by the Law in favour of certain products would lead to an interruption of the agronomical development from the production of various crops to the system of a regular sequence of crops.

2. Coolidge's most significant objection is the argument that the Law could do the farmers no good. "Whatever may be the temporary effect of an arbitrary intervention, no one can deny that in the course of time prices are bound to be governed by the laws of supply and demand. To expect an increase of prices and their maintenance at a higher level by an organisation which must necessarily enhance production and curtail consumption, would be tantamount to denying an economic law which is just as firmly founded as any law of nature⁴³⁾."

3. The products included in the plan, are only about one third of the sum total of American farm products. There are several million farmers who raise none of these products at all and would therefore not profit by an increase in the prices thereof (stock-raisers, dairyfarmers, etc.); nay, they would be directly harmed by such a step.

4. "There is the danger that foreign countries would take counter-measures against the dumping provided for by the law, whereby we might experience a diminution of our foreign markets."

⁴²⁾ The complete text of the suggested law may be found in the "Commercial and Financial Chronicle" of February 19th, 1927, p. 998.

⁴³⁾ "New York Times" of February 26th, 1927.

It showed considerable impudence on the part of Coolidge when he ventured — in the face of the wide-embracing American industrial monopoly organisations and of the dumping which many of these trusts carry on — to refer the farmers to the law of supply and demand and to the danger of reprisals on the part of foreign countries, which could hardly enter into account in view of the present predominance of the United States⁴⁴).

American Industry.

Industry forms the backbone of American economy. While the output value of agriculture may be put at roughly 15 thousand million dollars annually, that of industry is just about four times as much.

This vigorous development of industry is connected with the peculiar nature of agriculture in America. Since agriculture was built up on the principle of cultivating as extensive an area as possible with the smallest possible number of workers, the proportion of the means of production and consumption which industry supplies to agriculture is far greater than in Europe, where many of the things used in peasant economy and the peasant household are still made by the peasants themselves. Even part of the foodstuffs of the American farming class passes through the hands of industry before it is consumed in the form of preserves and tinned foods.

Just like agriculture, American industry is based on the principle of as great as possible an economy in labour power, which is the result of the great dearth of workers obtaining, despite immigration, in proportion to the opportunities of industrial expansion. For the purpose of creating the indispensable industrial reserve army, American industry was obliged continually to introduce technical innovations in the way of labour-saving machinery.

The result was twofold:

Firstly, a pronouncedly highly organic composition of capital, greatly in advance of European industry, and

Secondly, an extensive concentration of works (likewise far in advance of European conditions) and their comprehension in monopoly organisations.

The following table shows the development of exports in percentage proportion to the value of output⁴⁵):

	1899	1904	1909	1914	1919	1921	1923
Total output	—	—	9.2	9.6	15.3	12.2	8.5
All branches of industry ⁴⁶	6.5	5.8	4.8	6.2	8.8	6.2	4.3
Industry without foodstuff industry	4.9	5.0	4.5	6.1	7.1	5.8	4.0

We can see that down to the most recent times the export quota of industry has not increased.

Various signs point to the fact that the absorbing capacity of the home market as regards industrial products has attained a relative degree of satiety and that the industry of the United States will be forced to export a larger percentage of its output. Nothing positive can, however, be said on this subject for the time being.

The Development of American Industry.

Factory and Workshop Products

	No. of Works in thousands	Wage Workers	Horse Power	Capital in million dollar	Output Value ⁴⁷
1849	123	975	—	533	1,019
1869	252	2054	2.35	1695	3,386
1899	512	5306	10.01	9813	13,000

⁴⁴) At the same time as Coolidge's veto, a report addressed by the Attorney General to the President was published, expressing the opinion that the Supreme Court would probably declare the Law null and void, as being contrary to the Constitution. The Supreme Court has for decades been a stronghold of industrial capital, which has with its aid often succeeded in getting undesirable laws declared invalid.

⁴⁵) "Commerce Yearbook", 1925, p. 94—95.

⁴⁶) These columns all indicate too small an export quota (by about 2%), basing their figures on the gross industrial production, which, as already remarked, contain many double calculations. ("Commerce Yearbook", p. 95.)

Only Works with Yearly Output Exceeding 500 dollars

	No. of Works in thousands	Wage Workers	Horse Power	Capital in million dollars	Output Value ⁴⁷
1899	208	4713	—	8,975	11,407
1909	268	6615	18.7	18,428	20,672
1914	276	7036	22.4	22,731	24,246
1919	290	9096	29.5	44,466	62,418

Factories, excluding those with Output of less than 500 dollars

	No. of Works in thousands	Wage Workers	Horse Power	Capital in million dollars	Output Value ⁴⁷
1919	214	9000	—	—	62,042
1922	196	6947	—	—	43,653
1923	196	8778	33.01	—	60,556

This table already shows us the pronounced concentration in American industry. By the omission of the works, first with less than 500 dollars and then with less than 5000 dollars yearly output value, the number of enterprises was reduced in the first case to 40 per cent. and in the second case to 60 per cent. of those formerly listed, without any remarkable diminution being noticeable in the number of workers, the capital employed or the product value. It is particularly significant that the omission of the works with less than 500 dollars yearly output value in 1919 should have entailed a diminution of the other factors by less than one per cent.

It must furthermore be pointed out that in judging of the product value column the increase in price levels and the double calculation arising in the working up of industrial semi-finished products, must be taken into consideration. This column is therefore not to be taken absolutely, but merely as indicative of development.

Concentration and Labour Distribution in American Industry.

The following tables afford us a yet clearer insight into the tremendous concentration of American industry. The data refer to the year 1923.

	No. of Works in thousands	No. of Wage Workers	Percentage of Enterpr.	Percentage of Workers
Total	196	8778	100	100
No Employees	8	—	4.3	—
1— 5	79	213	40.3	2.4
6— 20	55	612	27.8	7.0
21— 50	25	818	12.9	9.3
51— 100	12	883	6.3	10.1
101— 250	10	1576	5.1	18.0
251— 500	4	1332	2.0	15.2
501—1000	1	1231	0.9	14.0
over 1000	1	2113	0.5	24.1

The position is as follows:

In 963 works, aggregating $\frac{1}{2}$ per cent. of the total number of enterprises there are occupied 2.1 million workers, or 24 per cent. of the total number of workers.

In 16,500 works employing more than 100 workers each and representing together 8.5 per cent. of the total number of enterprises, more than six million workers, or 71.3 per cent. of all the industrial workers in the country, are engaged.

The result is similar, if we consider the distribution of the wage-workers among the enterprises according to the output value produced there. The respective figures likewise refer to the year 1923.

⁴⁷) The data missing in the table were not collected when the relative statistics were prepared. ("Statistical Abstract", 1925, p. 745.)

Works with an Annual Output Value of (in thousands of dollars)	No. of Works (thousands)	Per cent.	No. of Wage-Workers (thousands)	Per cent.	Output Value (mill. of dollars)	Per cent ⁽⁴⁸⁾
5— 20	62	31.6	190	22	698	1.1
20— 100	72.4	36.9	719	8.2	3,426	5.7
100— 500	42.01	21.4	1721	19.6	9,497	15.7
500—1000	9.56	4.9	1135	12.9	6,753	11.1
over 1000	10.33	5.2	5014	57.1	40,182	66.4

In 10,327 works, each of which put on the market an output value of more than one million dollars yearly, five million workers, or more than the half of all wage-workers in America, were engaged, these 57 per cent. of all the wage-workers producing 66 per cent. of the total annual output value.

The increase in this group with an output value of more than one million dollars yearly was very rapid during the last decade. Between 1914 and 1923, its percentage rose from 2.1 to 5.2, the number of workers employed in this group from 53 to 57 per cent., and the quota of the total output value from 49 to 66 per cent. We can therefore conclude that in roughly 15,000 enterprises with more than 100 workers each, 70 per cent. of the total of workers are employed and are producing some 80 per cent. of the total output value. (If the railways and mines were included in these statistics, the concentration would be yet more apparent.)

Now we must still take into consideration that these 15,000 odd enterprises are not independent of one another, the greater part of them being grouped in trusts. As to how they are distributed in the trusts, we have no available statistics to show, but it is a well-known fact that certain trusts unite very many large concerns. If it were possible to set up any relative statistics, we should see that 80 per cent. of the wage-workers are concentrated in about a dozen monopoly organisations. If we compare this with the circumstance that in agriculture there are 6¹/₂ million separate farmers without any organisatory connection worthy of mention, it is obvious why the farmers must inevitably come off second best in the economic-political struggle.

Monopoly Organisation in American Industry.

One of the most interesting phenomena in the development of the United States is the fact that the juristic superstructure of the country has remained behind in comparison with the alterations in the economic basis. In every connection there are still laws which correspond to a past stage of economic development; these are now antiquated and must be circumvented on all possible occasions. The banks, e. g., are prohibited in most of the States to open branch establishments, and they are never allowed to do so outside the State in which the head office is situated. Nor may they invest the money entrusted to them outside the State to which they belong, and the like.

Similar restrictions obtain for the trusts and cartels. For decades, monopolist capital had continually to be creating new forms of association with a view to circumventing the existing laws; courts and legislators had to be bought, and so forth. Naturally the laws and institutions of a bourgeois State cannot prevent the monopolistic combination of capital. As a matter of fact, monopoly formation is farther advanced in the United States than in any other country, with the possible exception of Germany. Unfortunately there are no statistics in regard to the degree which the concentration of capital has attained in America. Official United States statistics, otherwise so excellent, come to a stop at this point! There are numerous good books about the American trusts⁽⁴⁹⁾ and some very instructive reports by investigation committees, but to my knowledge there is nothing comprehensive from which to draw conclusions as to the quantitative significance of the monopoly organisations in comparison with the total economy.

⁴⁸⁾ This column differs from that reproduced elsewhere in this report, since here the double estimation is eliminated by an omission of semi-finished products passed to other works for further elaboration.

⁴⁹⁾ v. E. Jones's "Trust Problem in the U. S. A.", New York, 1922.

In any case, the power of the trusts is overwhelming. Let us consider some very recent data in regard to the U. S. A. Steel Corporation⁽⁵⁰⁾.

Output 1926	Million Tons
Iron	18.9
Steel	22.7
Finished Goods	16.2
Number of Workers 1925	249,833
Wages Paid	\$ 475,000,000
Number of Works	138
Number of Furnaces	112
Number of Locomotives	1,464
Number of Waggon's	64,705
Number of Ships	35

From the above we see that the output of the Steel Trust is greater than that of Germany and Great Britain together, and it is easy to imagine what pressure this colossus can bring to bear on the policy of the United States. The Steel Trust was founded in 1901 with a capital of

1403 million dollars, or about 300 million pounds sterling, by the amalgamation of a series of already existing trusts. The founders' profit on this nominal capital amounted to about 150 million dollars⁽⁵¹⁾, the lion's share of which fell to Morgan. The actually invested capital is unknown; it is sure to have been very greatly watered. Nevertheless, the company has ever since its foundation paid an average dividend of 5.2 per cent. on common stock and 7 per cent. on preference shares.

Altogether,

1279 million dollars

have been disbursed in dividends. That is to say, more than the original capital, after deducting the founders' profits.

Meanwhile, according to its own estimation, the company has been able to re-invest

8996 million dollars

in the enterprise out of undistributed profits. What "secret reserves" are still available besides this, is unknown. We here see an illustration of a Marxian thesis, that after a certain time every capital will consist of nothing but accumulated surplus value⁽⁵²⁾. These profits were possible, because the iron and steel works that have remained outside the actual trust form one cartel with it. Cartels are forbidden in America. But ever since 1907, Gary had regularly invited the independent iron capitalists to dinners, which no law could forbid him to do, and there the necessary price and output arrangements were concluded.

Enormous profits have been and are secured by these monopoly organisations (Standard Oil, Sugar Trust, Copper Trust, Tobacco Trust, etc.), which have been built up in circumvention of the law, by open fraud (Standard Oil⁽⁵³⁾) or Stock Exchange machinations. Their monopoly is based on capital predominance (Steel Trust), the monopolisation of the means of transport and elaboration (Standard Oil⁽⁵⁴⁾), monopoly of patent and technical process (General Electric, American Shoemachin Co.).

⁵⁰⁾ From the monthly report of the National City Bank, January 1927.

⁵¹⁾ Jones: "The Trust Problem in the U. S. A.", p. 289.

⁵²⁾ This is strikingly evident in the case of Ford. The Ford company was founded in 1903 with a nominal capital of \$ 100,000, of which only 28,000 were paid up, the rest being in the form of patents, drawings, machinery, etc. In 22 years — after deduction of the income and other taxes — the enterprise profited 925 millions. Ford bought out one of his original partners after another; his fortune is now estimated at 1000 million dollars. ("The New Republic", March 27th, 1927.)

⁵³⁾ The Standard Oil Co. had 63 apparently independent firms working in its stead, so as to present the appearance of competition. Jones, "The Trust Problem in the U. S. A.", p. 81.

⁵⁴⁾ The Standard Oil controls no more than about one sixth of the crude oil output of America. "Presumably the St. O. gets the crude oil cheaper, than it would if it produced it itself. The highly speculative nature of crude oil production causes crude oil to be marketed below the average cost of output." Jones, p. 60.

The increasing Predominance of Banking Capital.

Until quite recently, the capital of the banks was relatively less developed in the United States than is the case in Europe. The youth of society in general, the freedom of the soil, the wide possibilities for profitable investment, hindered the growth of loan capital. Down to the present day it has not become the custom in America, to save a small fortune by "drift and self-denial", penny by penny⁵⁵) And it is just savings deposits that form the foundation of banking capital. Instead of economising out of current income, future income is spent in advance by the system of purchasing on the instalment plan⁵⁶).

Thus the savings deposit totals have down to the present time been relatively small, figuring as follows⁵⁷):

	Millions of Dollars			Number of Depositors (thousands)
	Deposits with all Financial Institutes	Savings Deposits ⁵⁸)	With the Savings Banks	
1880	2,134	—	819	2,336
1890	4,060	—	1,550	4,259
1900	7,239	—	2,390	5,898
1910	15,283	—	4,070	9,143
1920	37,315	15,310	6,538	11,428
1925	46,765	23,130	9,065	14,640

Till the year 1910, the sum total of savings deposits was relatively insignificant and did not suffice for the requirements of a rapidly increasing capital. Hence the tendency to prevent by legal enactments the employment of capital accumulated on one territory for the development of productive forces on another. Hence the prohibition of branch establishments altogether⁵⁹), or the sanction for their erection only on that municipal or State territory on which the main office is situated. The rediscounting of bills was prohibited; one bank was not allowed to discount the bills of another, nor put the bank-notes of another bank into circulation. Each bank was an isolated entity. Hence the enormous number of smaller provincial banks with a capital of 15,000 to 25,000 dollars, a senseless splitting up of banking. In the South and West there are States in which there is a bank per every 800 inhabitants. The banks altogether are divided as follows:

	Total Banks ⁶⁰)	National Banks ⁶¹)	Single State Banks	Trust Banks	Savings Banks	Savings Banks	Private Banks
1900	10,182						
1910	23,095	7145	12,166	1091	1121	638	934
1920	30,139	8030	18,195	1408	1087	520	799
1925	28,841	8072	16,983	1680	972	611	523

Every little town has its own small bank⁶²); it is only in the last five years that the number of these town banks has declined.

The backward nature of the entire system is shown by the fact that numerous banks engage in the issue of bank-notes. Down to 1915, there was no central note bank. Even the Federal Reserve system introduced in that year still reveals pronounced characteristics of the old decentralisation, for there is not one, but there are twelve, central note institutes, which have been

⁵⁵) The foreign workers save, but send most of their savings to their native lands.

⁵⁶) In 1925, 6500 million dollars worth of goods was sold by instalment. ("Statistic" of November 6th, 1926, Banking Number.)

⁵⁷) "Statistical Abstract", p. 255.

⁵⁸) "Commerce Yearbook", p. 271.

⁵⁹) In 26 States the banks may not erect any branches at all. Protocol of the Bankers' Meeting, 1926. Special issue of "Commercial & Financial Chronicle" October 16th, 1926, p. 98. Hereinafter cited as "Bankers' Protocol".

⁶⁰) Sanctioned by the central authorities.

⁶¹) Sanctioned by State authorities.

⁶²) Besides these monetary institutes, there are more than 10,000 Building and Loan Associations, with a membership of 8½ millions.

created by the several thousand Federal Reserve banks affiliated to them, all of which have the right to issue "Federal Reserve Bank-notes".

This splitting up of the banking system, in itself a consequence of the relatively small accumulation of loaned capital, is not in the interest of the big industries. This results in the curious situation that the creditary requirements of one independent provincial industrial enterprise is greater than the financial resources of dozens of small banking institutes of the State in question⁶³). The result was also that the leading industries were obliged to create banks instead of big banks exercising a decisive influence on industry.

The history of banking legislation during the last two decades shows the attempts made to create a banking organisation commensurate to the interests of the big industries. No such organisation exists even to-day, though the MacFadden Law passed in February 1926 is a small step in that direction, permitting the National Banks to set up branch establishments, though only in those States in which the State Banks enjoy the same privilege. In 26 States out of 48, the erection of branch banks is still prohibited; that is to say, the big banks are prevented from immediately absorbing the capital available in small quantities. Naturally the tendency towards concentration finds ways and means of surmounting these obstacles, but recourse must be had to complicated methods for the purpose of circumventing the laws. In the place of setting up a network of branch banks, there is the "merger" system, the fusion or incorporation of small financial institutes in the big banks, etc.⁶⁴).

The great change came about in the last ten years. The war and the immediate post-war period brought a tremendous influx of gold into the country. Between 1915 and 1924, the actual influx of gold alone amounted to more than three thousand million dollars. This put an end to the lack of loan capital. The great amount of available money rendered it possible for the requirements of the big banks and of industry to be satisfied by an emission of notes. Thus American banking and the formation of certain gigantic banks in particular made great strides forward. Bank capital became a factor which ranked with industrial capital, though for the time being the latter still holds precedence.

The banking power, representing the sum total of the banks' own capital, reserves, deposits, and circulation, figured as follows⁶⁵):

	Millions of Dollars
Average 1911—15	23,400
" 1916—20	29,900
" 1921—25	56,400
1925	60,400
1926	64,900

In 14 years, the banking power has more than doubled, even if the increased level of prices is taken into account; nominally it has trebled.

At the same time a pronounced concentration has taken place. In those regions where the capitalistic development is most advanced, in New England and California, the number of the independent banks has rapidly decreased, while the number of branch banks has grown. Instead of the absorption of savings in a monetary form, we see an increase in the placing of loans and securities immediately with the small

⁶³) Bankers' Protocol, p. 101.

⁶⁴) The great reservoir, from which the big banks, and Morgan in particular, derived their loan capital, was the life insurance companies. Life insurance is tremendously developed in the United States. There are 300 companies with, roughly, 100 million cases of life insurance (sometimes several for one and the same individual). Their income amounted in 1925 to 3000 million dollars. In 1927 they had reserves of roughly 10,000 million dollars, of which 4000 millions were invested in mortgages and as much again in bonds. American life insurance is the American form of individual savings; it is three times as great as in all the rest of the world taken together.

⁶⁵) "Commerce Yearbook", 1925, p. 551; for 1926 "The Annalist of January 28th, 1927.

savers⁶⁶). Before the war, there were in America 500,000 security-holders, during the war there were 20 millions⁶⁷).

How powerful the big banks have become, is demonstrated by the following table, which we have compiled from the Bank Number of the "Statist":

Amount of Banks' Own Capital and Deposits, Middle of 1926.

	Millions of Dollars
Guaranty Trust Company	565
First National Bank, New York	388
First National Bank, Chicago	353
First National Bank, Boston	299
Equitable Trust Company	460
Continental & Commercial, Chicago	449
Chase	892
Bankers' Trust Company	480
National Bank of Commerce	610
National City Bank	1107
	5603

These ten leading banks have together about 1500 million pounds sterling at their disposal. The splitting-up of banking is a phenomenon which formally continues to obtain, but the importance of the big banks is rapidly on the increase, while the tens of thousands of small provincial banks are sinking into relative insignificance⁶⁸).

How tremendous this development is in the case of the largest institutes, may be seen by the following figures:

	Millions of Dollars		
	1913	1920	1926
Chase National Bank			
Capital & Reserves	14.6	40	76.8
Deposits	120	450	813

	Millions of Dollars		
	1914	1921	1925
National City Bank			
Share Capital	25	40	50
Deposits	276	706	994

Capital Exportation.

Before the war the United States still imported capital. The foreign capital invested in the United States (purely European in its character) has been estimated as follows⁶⁹):

Millions of Dollars						
1843	1860	1873	1880	1890	1904	1914
150	400	1500	2000	3000	3900	5000

On the other hand, there were at an early date American investments abroad. As estimated by E. H. Firk, these amounted in 1914 to 2600 million dollars, so that the net capital debt to foreign countries at the outbreak of the war stood at roughly 2500 millions.

The American capital investments abroad were distributed before the war in the following manner:

Millions of Dollars					
Canada	Mexico	Cuba	Central & South America	China & Japan	Europe
750	1000	100	180	100	350

⁶⁶) Before the war, bond business was considered aristocratic; a few old established houses engaged in it, placing packets of a value of at least 25,000 dollars at a time. It was the war-loans which effected the great change in this respect. — Bankers' Protocol, p. 106.

⁶⁷) *ibid.*

⁶⁸) The reformists make much propaganda for the American Labour Union Banks; in the seven years of their existence, these honourable institutes have managed to accumulate a sum of 127 million dollars in capital and deposits, one thousandth part of the total "banking power". That is how they want to transform capitalism.

⁶⁹) Robert W. Dunn: "American Foreign Investments", New York, 1926. The fundamental work for this entire group of problems. P. 1, 2.

The war and post-war periods brought a complete change in the position of the United States of America on the international capital market. From being a debtor country, it became the greatest capital exporting country of the world.

This was rendered possible by the tremendously favourable commercial balance of the United States, itself a result of an unscrupulous exploitation of war opportunities in determining prices. In the six economic years from 1916 to 1921, the export surplus amounted to more than 17 thousand million dollars; since then, too, the commercial balance has continued to be favourable.

The equivalent of the surplus exportation of goods was made up as follows:

	million dollars
Repurchase of American securities in foreign hands	3,000
State loans to the Allied nations	10,500
Gold	2,500

After the bulk of the securities in foreign hands had been repurchased and the need for gold and silver had been more than satisfied, the period of capital exportation of a large scale ensued, and with it the new era of fully fledged imperialism.

Numeric data in regard to the extent of American capital exports greatly differ, according to whether they include only such foreign loans as were publicly offered for subscription in America or also the purchase of securities issued abroad and simple current credits.

The following compilation is culled from the "Commercial and Financial Chronicle" and refers only to the emissions offered for subscription in America (without operations of conversion⁷⁰).

Foreign Emissions

	Totals in Millions of Dollars						
	1920	1921	1922	1923	1924	1925	1926
Government Loans	191	329	416	187	571	541	481
Other Foreign Emissions	40	15	80	24	195	399	462
Canada (States and Cities)	46	76	94	20	132	49	61
Canada (other)	108	106	40	30	98	95	141
Colonies of the U. S. A.	16	27	43	8	9	9	10
	401	553	673	275	1005	1093	1155

Shares were emitted as follows, in thousands of dollars:

	1926	1925	1924
Preference	48,000	38,000	600
Ordinary	41,000	16,000	3

The actual capital export of the United States of America is larger than here indicated; added to the sums recorded there is the equivalent of securities purchased on foreign stock exchanges, immediate investment of capital in American enterprises abroad, cash credits, etc. Moody estimates the capital exports of the United States in 1926 at 1700 million dollars.

To what a degree the United States have already become a capital exporting country, is shown by the fact that, in 1926, of

6311 million dollars total issue,
1155 million dollars went abroad
this being very nearly the fifth of the total.

The foreign emissions form a source of rapid enrichment for the American banks. The States and enterprises dependent on credits are ruthlessly exploited. The commission of the banks in the case of the Dawes loan was six per cent. of the nominal value.

Capital exportation strengthens the position of banking capital as compared with industrial capital and the power of the big, as opposed with the little, banks. The foreign emissions are the monopoly of certain great emission houses, such as the National City Bank, the Guaranty Trust Company, Morgan's, Lee, Higginson & Co., Dillon-Read, Kuhn, Loeb & Co., quite especially Morgan with his group of big banks. The smaller

⁷⁰) "Statistical Abstract", p. 304, figures for 1926. "Commercial and Financial Chronicle", January 22nd, 1927, p. 434.

institutes are simply instructed how much of each loan they are to take over and dispose of. At the same time the influence of the leading American banks is growing by means of branch establishments, affiliations, and the purchase of shares in almost all countries of the world. The active, directing, and profiteering elements in international business are always the banks of the capital exporting countries.

Sum Total of American Capital Abroad.

The Department of Commerce⁷¹) estimates the sum total of American capital invested abroad at the close of 1924 at 9090 millions dollars.

In the years 1925 and 1926, there was an increase of 2250 millions in the way of public emissions, together with the non-official capital exports probably little short of 3000 millions. The extent of the capital invested abroad (without the war claims of 10,000 million dollars) may be put, for the close of 1926, at roughly

12,000 million dollars⁷²)

With this total, the United States have already surpassed Great Britain as a capital-exporting country.

Direction of American Capital Exports.

Within the last few years, American capital has found its way into almost all the capitalist countries of the world. The main area of exportation, however, continues to be the American Continent, though with an increasing participation on the part of Europe.

Distribution of American Capital Investments according to Continents⁷³).

	1913		1923		1924		1925 ⁷⁴)	
	Dollars	%	Dollars	%	Dollars	%	Dollars	%
Canada & Newf'd.	750	29	2450	30	2460	27	2825	27
Latin America . . .	1330	51	3760	46	4040	44	4210	41
Europe	350	13	1300	16	1900	21	2500	24
Asia & Australia . .	175	7	595	8	690	8	870 ⁷⁵)	8

The distribution in 1926 is not yet recorded. The tendency is towards a greater investment in Europe, though in 1924 71 per cent. were still invested in America.

In Dunn's book, the quota of American capital investment in each individual country of any importance is set forth. We may see that American capital is not only predominant in Mexico, Cuba, and Canada, but has also acquired a firm footing in all European countries, the allegedly boycotted French Republic not excluded. A series of the biggest enterprises, such as the Cr dit Lyonnais, Schneider-Creusot, the Banque de Paris et de Pays Bas, de Wendel, and all the French railways are in connection with American capital, which means indebted to the United States. The number of American concerns owning factories or other enterprises in France, runs into hundreds⁷⁶). Similar circumstances obtain in Germany and Great Britain; in the latter country about 500 million dollars of American capital are invested⁷⁷). In the last four or five months, Italy has received almost 100 million dollars from America. On the other hand, the American capital investment in China and India is quite insignificant⁷⁸); in Asia it is chiefly in Japan where American capital has been invested.

⁷¹) Dunn, "American Foreign Investments", p. 183.

⁷²) This sum is likewise indicated by Winkler in "Moody's Investor's Service". Dunn, p. 183. The "Department of Commerce" estimate for the end of 1925 was 10,405 millions. ("The Balance of International Payments", 1925, p. 15.)

⁷³) Dunn, p. 3 & p. 183.

⁷⁴) From "The Balance of International Payments", 1925.

⁷⁵) And all other territories.

⁷⁶) Dunn, p. 143. Several dozen mentioned by name.

⁷⁷) *ibid.*, p. 151.

⁷⁸) *ibid.*, p. 163-64.

Income of the United States of America from Foreign Capital Investments.

The income from the capital invested abroad is naturally difficult to estimate. For the year 1925, the official estimate⁷⁹) is as follows:

	Millions of Dollars
Income from Private Capital Investments . . .	520
Interest on War Loans	160
	<u>680</u>
Minus Income from Foreign Capital Invested in the United States of America	165
Net Income	<u>515</u>

We consider this estimate to be too low. At the same time, the total forms a big item of revenue and is rapidly on the increase.

American Imperialism.

The economy of the United States thus shows all the characteristics of imperialism, viz. the highest degree of monopoly formation, gigantic industry, capital exportation, colonial expansion, monopolised selling markets, super profits from the colonies, labour aristocracy. Meanwhile the United States have still the advantage of a great area with a relatively sparse population; they can still export agrarian products even though they are no longer an agrarian-export country in the actual sense of the term, since they import more foodstuffs than they export⁸⁰). But, apart from the war years, the export of industrial products has been continually on the rise. At the same time we may observe that the export of industrial products advances parallel with the investment of capital; wherever the United States have invested the most capital, thither the relatively greatest export of industrial products is effected. The percentage alterations in foreign trade is illustrated by the following figures:

	Millions of Dollars ⁸¹)							
	Imports				Exports			
	1910/14	1921/25	1910/14	1921/25	1910/14	1921/25	1910/14	1921/25
Total %	Total %	Total %	Total %	Total %	Total %	Total %	Total %	Total %
Raw materials . . .	2130	33.1	4310	27.4	1689	34.4	3450	36.8
Foodstuffs	421	19.8	1021	23.7	398	23.6	832	24.1
Semi-fin. Products	342	16	535	12.4	307	18.2	606	17.6
Fin. Ind. Products	654	30.7	1565	36.3	389	23.1	720	20.9

Exportation of Finished Industrial Products in the years 1921 to 1925, according to Continents

	Millions of Dollars	Percentage of Total Exp.
Europe	446	19.6
North America	500	48.6
South America	214	72.9
Asia & Australia	356	55.8
Africa	49	70.4

Exports to Europe only consist to the extent of one fifth of finished industrial goods; those to South America to the extent of three quarters.

To-day the United States are the leading imperialist Power, possessing the best equipped army and the best fleet and having their finger in every matter of international politics. In exploiting their economic, military, and maritime superiority, they are just as unscrupulous and brutal as any European imperialist Power.

This is best illustrated by a record regarding the area of the Caribbean Sea, an area in which American imperialism is most active. According to an enumeration appearing in the "New Republic" of January 26th, 1927, the United States have in the 20th century intervened with armed forces on the following occasions:

⁷⁹) "The Balance of International Payments", p. 15.

⁸⁰) Foodstuff imports in 1926: 928 million dollars, foodstuff exports: 892 millions ("Commerce Yearbook", 1926, p. 1084).

⁸¹) "Commerce Yearbook", 1926, p. 108.

Formally independent (actually colonies)	Cuba (since 1901) 1898—1902, 1906—09, 1912, 1917.
"	Panama (since 1903) 1908, 1912, 1917, 1918, 1921.
"	Dominican Republic (since 1905) 1903, 1904, 1913, 1914, 1916—24.
"	Nicaragua (since 1912) 1899, 1907, 1910, 1912—25, 1926, 1927.
"	Haiti (since 1915) 1915.
Independent (?)	Mexico 1914, 1915.
"	Honduras 1907, 1910, 1911, 1919, 1924, 1925.
"	Costarica 1919.
"	Columbia 1903.

In these nine countries, the United States have made no fewer than 32 military "interventions".

The vigorous advance of American imperialism, however, is by no means limited to the Caribbean Sea. The Americans "intervene" in China alongside the British, they keep up a military autocratic rule on the Philippines, they interfere in the Tacna-Arica conflict, they are preparing for a new war against Mexico. There may be many an honest opponent of militarism and imperialism in America besides the numerous hypocrites, but the policy of the country naturally follows its economic interests.

The transition of the United States of America to a system of wholesale capital exportation has engendered certain signs of "old age" in American capitalism. The bourgeoisie, engaged in accumulating vast wealth, but devoid of a sufficient prop on the part of the farmers it exploits, has forbidden immigration and is creating a regular labour aristocracy in the country, while encouraging the fundamentally false ideology of the transfer of capital property to the working class and of the "economic revolution" which is to put an end to capitalism⁸²). A class of rent-holders is developing, and the rate of the development of the productive forces within the country itself is slowing down. We prefer to postpone the publication of statistical data to a later occasion, when more data are to hand. American capitalism, which was still in the full vigour of youth only twenty years ago, is showing the first indications of that condition which Lenin designates as "dying capitalism"⁸³).

III. The World's Economy in the First Quarter of 1927.

The Progress of Business.

The first few months of the current economic year have — taking the capitalist world as a whole — brought with them an improvement of business opportunities both over the corresponding period of the preceding year and over the immediately preceding months, in which latter respect the difference of season must naturally be taken into consideration.

As compared with the preceding year, the improvement appears differently great according to the factor we choose to consider decisive. There was an improvement in the general sense, i. e. the volume of output appears now in our estimation to be somewhat greater than a year ago. Seen from the standpoint of the working class, however, no improvement worthy of the name has occurred. In Germany unemployment has receded on the preceding year, but in Great Britain it has remained unchanged and in France, Italy, and certain smaller countries it has increased.

All this refers to the capitalist world in general. If we regard the most important countries separately, we shall see that the progress of business was anything but uniform.

In the United States it looked about the turn of the year as if the crisis were approaching, which was due according to the experience of pre-war times. The production of important

goods, such as iron and steel, or automobiles, and building orders, showed a sharp decline on the preceding months. In the course of March, however, this changed and now the iron and steel works are once more working very nearly to full capacity, while constructional orders have unexpectedly revived. The general impression is that the decrease of production around the turn of the year was no more than a transient depression and not the commencement of a crisis.

American economists are repeatedly pointing out that in the circulation sphere there is no accumulation of goods, so that there can be no question of a crisis in the old sense of the word. By means of the monopolisation, on the one hand, and the well-developed current economic statistics on the other, it is possible for the producers to survey the market's capacity for absorption and to adapt production thereto. There is a good deal of truth in this theory; it would serve, however, to explain, not the absence of a crisis, but only its altered character, as we had occasion to notice even in pre-war times. The crisis is less remarkable for the fact that the price total of that quantity of goods produced which exceeds the social consumptive capacity has been depressed by vigorous price reductions to the socially requisite value, than for a restriction of production and consequent great unemployment. But what this comprehensibility of the demand and organised restriction of output have failed to provide, is the very fact of several years of great quantities both of consumption and of production. The chief element of the crisis, the reduction of output and sales, can naturally not be prevented by the mere fact that the market is easy to survey.

Great Britain. As was to be foreseen after the great gap in production caused by the coal strike, Great Britain has for the last few months witnessed a rapid improvement in business prospects. Much that had been left undone during the lengthy strike period, had to be brought in. This is one of the reasons why almost all branches of industry in Great Britain have experienced a vigorous revival of business opportunities during the last few months. Even such branches of industry as have for years been suffering from a serious crisis, such as shipbuilding and the cotton industry, have of late shown better progress.

The development, however, is by no means uniform. The results of the defeat of the coal miners are making themselves felt in the sense that the number of unemployed miners has increased by a good 100,000. Seeing, however, that in spite of this increase in the number of unemployed miners, the total number of unemployed has diminished by some hundred thousands persons, it is obvious that an improvement must have ensued in the position of the other industries, especially the finishing industries.

The most remarkable thing in this connection is the circumstance that this improvement in business is not reflected in foreign trade returns. The exports of British goods in the first quarter were even below those of the corresponding period of last year. The entire improvement in business thus consists of an amelioration on the home market. This again shows that it is primarily a question of the gaps in the consumptive capacity of the home market having been filled up.

This only serves to show the weakness of the present British business position. Of all capitalistic Powers, Great Britain places the greatest proportion of its production abroad and is therefore most dependent on foreign trade for its business prosperity. In the case of declining exports, therefore, a favourable business position cannot be of long duration.

Germany. In general, the business position in Germany is very favourable. The output of certain important goods, such as iron and steel, is almost double that of last year. In the iron-working industries, the chemical industry, shipbuilding, and textiles, business is satisfactory, though, as the semi-official "Wirtschaftsdienst" points out in its latest issue, there can be no question as yet of exceptionally prosperous trade opportunities.

Though this restriction must certainly be made, especially as regards the volume of business transacted, there can be no doubt but that the transactions actually made are highly profitable. The capitalist class in Germany is beginning to reap the profits of its rationalisation campaign. An improvement of business in the sense of an increased realisation of profits is to be seen before all in the share quotations, which are at present on an average more than double as high as they were a year ago. Neither war alarms nor China can affect the stock exchange in its optimism.

⁸²) v. my World's Economic Survey, 1926.

⁸³) A series of important questions, such as income distribution, position of the workers, immigration prohibitions, and labour aristocracy had to be omitted for want of space.

Italian Government does not appear to be taking any serious steps towards a stabilisation for the time being.

At the same time we can observe much the same development as in England. Germany's exports increase only very slowly, and the first three months of the current year again show a considerable deficit in the trade balance. This means that the improved business position is to be attributed to the enhanced consumptive capacity of the home market. In this connection certain individual factors play a part, these being the credit of 300 millions to the Soviet Union, considerable orders for the construction of ships, and certain innovations in industry, these last-named being in connection with the rationalisation campaign.

How German business is likely to develop during the next few months it is difficult to foretell. The fact of larger raw-material purchases of late would seem to point to the fact that industry is counting on a continuation of the improved degree of employment and it may be assumed that this expectation on the part of industry will be fulfilled.

France. At the close of last year, France was beginning to experience the currency-stabilisation crisis. During the first few months of the current year the progress of business was pronouncedly worse, and for the first time for many years France is experiencing unemployment, though on nothing like the scale obtaining in England or Germany.

The development of French economy during the last three months has confirmed the accuracy of the analysis of French capitalism contained in our last report. Neither a creditary crisis⁸⁴⁾, nor the wholesale breakdown of capitalistic enterprises, nor unemployment on the same scale as in Germany or England has ensued. This must not be understood in the sense that French capitalism is experiencing no crisis at all in connection with the currency stabilisation, but rather that the form of the crisis is bound to be less sudden or acute than was the case in Germany.

Italy. In Italy the rate of the currency has not yet been so lastingly established as in France. The stabilisation crisis is here apparently more severe. Unfortunately, the available Italian data are partly deficient, invariably delayed, and probably not wholly in keeping with facts. The Fascist Government has its good reasons to depict the economic situation as more satisfactory than it really is. It is an important fact that in the last few months there has been a vigorous influx of foreign, especially American, capital into Italy. Of all countries importing capital from America in January and February, Italy had the greatest quota, a fact which naturally tends to mitigate certain factors of the crisis, such as lack of capital and lack of ready money.

Both for France and for Italy much importance will attach to the question, whether their developed industries will be able, in the face of a stable currency, to take up competition with the industries of the other imperialist Powers, such as America, Great Britain, Germany, and Japan.

As regards the smaller countries, the position of the Polish heavy metal industry has been rapidly deteriorating during the last few months. In Upper Silesia there is again an accumulation of one million tons of coal at the pitheads, which is more than before the commencement of the English coal strike. In Spain, whose currency is very rapidly approaching gold parity, the economic position of all such branches of industry as are dependent on exportation is very precarious. In Czechoslovakia the slack business conditions already reported continue to obtain.

Japan. Here a serious banking crisis has been prevailing since the middle of April. A whole series of banks, among them two leading banking institutes, have been obliged to stop payments. By April 23rd, the note bank had provided over £ 100,000 as emergency credits. On April 22nd, the Government proclaimed a moratorium of three weeks and the closing of the stock exchange. The crisis was occasioned by the breakdown of the gigantic speculative enterprise of Susuki, the Japanese Stinnes. In view of the tardy arrival of the Japanese press, we shall not be able to discuss this crisis in detail until the occasion of our next report.

Unemployment.

In post-war Europe unemployment has become a permanent and universal phenomenon. Below we publish a table, which,

⁸⁴⁾ In the middle of April the bank-rate was put down to 5 per cent., though money was very plentiful.

reaching back for several years, shows the extent of unemployment at the close of each respective year. A comparison of years necessitates the choice of the same month in every case, as thus the seasonal difference is obviated.

Percentage of Unemployment in December⁸⁵⁾

	England	Belgium	Denmark	Germany	Holland	Norway	Sweden
1913	4.1	2.5	8.3	4.8	9.1		
1920	5.8	17.4	15.1	4.1	13.4	6.8	15.8
1921	16.2	6.6	25.2	1.6	16.6	23.4	33.2
1925	10.5	2.8	31.1	19.4	16.0	23.7	19.4
1926	11.9	1.4	22.1	14.2	7.8	24.4	13.0

If we compare the post-war returns, we can see that in all countries in which there are regular unemployment statistics, the number of unemployed is several times as great as it was before the war; the only exception is Belgium, and in regard to former years Germany, where as a result of the inflation business boom unemployment sank below the pre-war level.

The formation of unemployment during the last few months is shown by the following table:

Percentage of Unemployed among the Workers Organised in Trade Unions.

	Gt. Brit. (insured)	Belgium	Holland	Denmark	Norway	Sweden	Germany	germ. (sh.-time)	U. S. A. ⁸⁶⁾ (1919: 100)
1926 Feb.	10.5	4.7	10.5	28.3	22.9	14.8	22.0	21.6	97.0
1926 Nov.	13.5	3.9	8.9	22.6	24.9	13.0	14.2	8.3	95.2
1926 Dec.	11.9	5.6	13.0	32.3	27.7	19.0	16.7	7.3	94.1
1927 Jan.	12.1	7.7	—	32.1	26.8	16.1	16.5	6.6	92.4
1927 Feb.	10.9	—	—	31.7	—	—	15.5	5.8	93.6
1927 Mar.	—	—	—	—	—	—	11.8	4.3	—

THE CURRENCY QUESTION.

Further Progress in Currency Stabilisation.

The three months under review brought further progress as regards the stabilisation of the currencies.

The French franc has remained stable at the rate of 122.50 to the pound, which was established at the close of 1926. True, no legal stabilisation has as yet taken place, but it is highly probable that it will ensue during the next few months at the said level. The French Government has taken up small foreign loans⁸⁷⁾; by an arrangement with the Bank of England, it got back 18 million pounds sterling of gold together with a saving of interest of half a million paper francs a year. The State revenue exceeded the estimate; in short, all the presumptions for a legal stabilisation are forthcoming.

The Belgian currency has now been stable for half a year. This second stabilisation of the Belgian currency, of which the unit is now the "Belga", valued at 5 francs, was effected without any further stabilisation crisis. One Brussels banking-house converted 2000 accounts for sterling and dollar deposits into belgas⁸⁸⁾. Much capital that had fled abroad has now returned, besides which foreign capital has been newly invested.

The Spanish currency is rapidly approaching gold parity. The depreciation in 1925 amounted to 30 per cent., at the close of 1926 it was 22 per cent., now it is no more than 9 per cent. Gold parity is very likely to be regained in the course of the year.

The Italian currency gained rapidly in value during the last few weeks, contrary to the desire formerly expressed by the Finance Minister. The appreciation is presumably a result of the considerable influx of American credits. Meanwhile, the

⁸⁵⁾ For the smaller countries, the pre-war data are those of the last quarter of 1913.

⁸⁶⁾ Here, degree of employment.

⁸⁷⁾ Poincaré's attempt to raise a loan of 80 million dollars by pledging the match monopoly to the Swedish-American match trust, had to be set aside for the present in view of the resistance of the Finance Commissioner.

⁸⁸⁾ "The Times" of January 3rd, 1927.

The Roumanian currency has been subjected during the last few weeks to very violent oscillations. Within one month, the rate has improved by one third. Early in April the note bank effected heavy purchases of foreign bills⁸⁹⁾, so as to prevent an undue rise of the currency, which would have rendered the sufficiently serious position of Roumanian economy yet worse.

To sum up, we can see that there are now five European currencies which during the last few months have experienced marked (i. e. more than "normal") oscillations. We reproduce their rates in the following table:

Foreign Bill Rates in New York.
(Cents per foreign unit.)

	Par	April 1926	November 1926	December 1926	January 1927	February 1927	March 12th 1927	April 12th 1927
Italy . . .	19.3	4.0	4.2	4.4	4.3	4.3	4.4	4.9
Poland . . .	19.3	12.6	11.2	11.3	11.3	11.3	12.0	—
Roumania . .	19.3	0.42	0.55	0.52	0.53	0.57	0.6	—
Greece . . .	19.3	1.3	1.2	1.3	1.3	1.3	1.3	1.34
Spain . . .	19.3	14.51	15.15	15.23	16.0	16.8	17.1	17.5

International Price-Movements.

The international price-movements afford only one aspect worthy of special notice, viz. the continuous decline in the price level in the United States, in spite of a good business position. This phenomenon, which has now been in progress steadily for the last three years with only quite small deviations, presents a serious riddle to American economists according to whose business-prosperity calculations (inspired by pre-war experience) prosperous business cycles should coincide with rising prices and slack business seasons with falling ones. (A similar development, as a matter of fact, may be observed in England). The bourgeois economists cannot make head or tail of this phenomenon. Nor can we well imagine how such a state of affairs could possibly appeal to the theory of marginal utility so exclusively dominant in the United States at present. For our part, we are inclined to think it is a question of a gradual adaptation of the inflationary price-level created during the war to the real value relation between gold and commodity, a development which is bound to assume a yet more violent form in the next economic crisis, leading to a drop of prices below the pre-war level.

The following table shows the development of wholesale prices during the last few months:

Index Figures of Wholesale Prices.
on the basis of 100 to represent the level of 1913/14)

	U. S. A. (Bur. of Lab.)	U. K. (Economist)	Germany (Stat. R. Amt)	France	Italy (Ch. o. C. Milan)	Poland
1926 January . . .	156	156	136 ⁹⁰⁾	634	659	—
1926 July	151	150	133 ⁹⁰⁾	837	677	108
1926 December . . .	147	148	137	628	619	112
1927 January	147	146	136	635	603	113
1927 February . . .	—	—	136	645	601	114
1927 March	—	—	135	655	—	—

	Sweden (Conf. of Comm.)	Switzerland (Luzern)	Soviet Union (Gosplan)	Japan	British India	China
1926 January	153	155	190	192	159	164
1926 July	148	146	182	179	145	157
1926 December . . .	150	147	177	178	146	172
1927 January	146	145	179	178	156	173
1927 February . . .	—	147	—	178	156	173

⁸⁹⁾ "Börsencourier" of April 2nd, 1927.

⁹⁰⁾ Corrected figures in gold.

Wholesale Index Figures in Gold

Yearly Average	Germany	Gt. Britain	France	Italy	U. S. A.
1924	137	151	133	125	150
1925	142	159	133	133	159
1926	134	148	117	131	151
Dec. 1926	137	146	129	142	147

Improvement in the Cotton Industry

The marked drop in the price of cotton has entailed a substantial increase in the consumption of cotton, which figured as follows⁹¹⁾:

Cotton Consumption in Thousands of Bales

1912/1913	22,533
1922/1923	20,884
1924/1925	23,168
1925 2nd half	12,289
1926 1st half	12,343
1926 2nd half	12,934

The cotton consumption, which in the first few years after the war had fallen rather far short of its pre-war extent, has greatly increased, exceeding the pre-war level by 10 to 15 per cent.

The increased consumption is partly due to the drop in the price of cotton. The drop in cotton rates which set in in the late autumn of 1926 has since then come to a standstill. Expressed in cents per pound, usage cotton was quoted as follows on the New York exchange:

June 15th, 1914	13.40
January 2nd, 1925	24.20
January 2nd, 1926	20.85
January 3rd, 1927	12.80
March 8th, 1927	14.45
April 16th, 1927	14.50

Improvement in International Navigation and Shipbuilding.

An improvement has been registered in international navigation in the last few months. In free navigation, the freight rates figure as follows:

Freight Index of the "Economist"

	1925	1926	1927
January	114.5	100.6	118.6
February	116	94.9	120.5
March	106.6	89.5	118.6
June	91.7	89.8 ⁹²⁾	—
September	98.2	112.8 ⁹²⁾	—
December	104.5	126.6	—
Yearly Average	102.2	109.7	—

In "line" shipping, which is gaining in importance in comparison with the "tramp" services, the competition among the different steamship companies is once more very keen. It extends not only to freight rates, but also to speed in passage, the luxury of passenger accommodation, etc. In this struggle, the steamship companies are supported by their Governments with easy credits and subventions, which fosters activity in shipbuilding. Thus we see the old ships being withdrawn from traffic and new, up-to-date ships being built in defiance of the superfluity of tonnage.

There were:

Ships Building⁹³⁾

(Millions of Register Tons)

1913	Beg. of 1926	End of 1926	Lst Quarter 1927
3.5	2.1	1.93	2.57

⁹¹⁾ As per statistics of International Association of Cotton Spinners.

⁹²⁾ Not including coal-freights; reckoning these, November shows a freight index of 169, for the first time the same as the price index.

⁹³⁾ All data from Lloyd's Register.

The world shipbuilding of 1926 showed the following quotas (expressed in gross register tons):

Great Britain & Ireland	639,568
Italy	220,021
Germany	180,548
United States	150,613
France	121,322
Holland	93,671
Japan	52,405

Special interest attaches to the rapid development of Italian shipbuilding, which considerably outstripped that of Germany last year; it included two ships of 33,000 tons each.

In the first quarter of 1927, there was as the above table indicates, a revival of shipbuilding all round. This development is still more pronounced in the tonnage now in course of construction. This figures as follows in thousands of tons:

3rd Quarter	4th Quarter	1st Quarter
1926	1926	1927
268	424	947

Within six months the tonnage in the course of construction has trebled. As regards Germany in particular, the tonnage reported in building is 351,00 tons, but according to the "Bergwerkszeitung" of April 15th, 1927, orders have actually been placed by the German shipyards alone for 500,000 tons of shipping, and with foreign orders the total is nearer 600,000 tons. The difference arises from the fact that Lloyd's registers not the orders placed but the constructions actually begun. Similar conditions very likely exist in England. The degree of occupation of the German and British shipyards will thus in the near future appear yet more favourable than in Lloyd's report.

Abundance of Petroleum in America.

The output of crude oil has acquired such dimensions in the last few months, that a crisis appears imminent. We say "appears", since the petroleum interests are so involved with politics that it is difficult at any time to distinguish truth from rumour.

The total production of the United States of America was⁹⁴⁾

March 20th, 1926	1,928,950 barrels
March 19th, 1927	2,463,450 barrels.

Added to this, there are imports of 200,000 barrels daily. Home output and imports together exceed the demand by 350,000 barrels daily; these must naturally be stocked. The accumulated stores have already assumed alarming dimensions.

Price Development for Petroleum:

	Sept. 1926	Dec. 1 26	March 1927
	Dollars		
Crude Oil (36 per cent. — per barrel)	2.29	1.90	1.28
Lamp Oil (Water White)	9 1/4	6 1/4	5 1/4
Benzine (U. S. Motor)	10 1/4	9 1/2	5 3/8

It is an interesting fact that the Standard Oil Co. is constructing a large petroleum refinery at Batoum for the Soviet Union. The plant will pass into the possession of the Soviet Union immediately after its completion, but will then be rented by the Standard Oil Co. for three, or possibly for six, years and employed for refining the crude oil purchased of the Soviet Union. This transaction is of significance for various reasons of international politics.

Firstly, it is a political demonstration against the policy of isolation practised by Great Britain, for it cannot be doubted that the Standard Oil Co. has concluded the contract in question with the knowledge and authorisation of the American Foreign Office.

Secondly, it represents a practical breach of the united front of the former naphtha industrialists, according to which no one was allowed to take a petroleum concession from the Soviet Union without getting into touch with the former proprietors.

Thirdly, it is in general a breach of the front of expropriated foreigners.

⁹⁴⁾ "Financial and Commercial Chronicle" of March 26th, 1927.

Reparations and Inter-Allied Debts.

We may consider the last few months as an ideological preparation for the revision of the Dawes Plan both in America and in Germany. For want of space, we must limit ourselves here to a record of a few outstanding facts.

The fact that in the current year — when by reason of the faulty compilation of the German budget the "welfare index" of the Dawes Plan came into operation — Germany pays 300 millions over and above the sum originally provided for by the Dawes Plan, rendered the agitation as to the impracticability of the Plan abortive, at any rate for a time. The result of this fault⁹⁵⁾ in the compilation of the German budget is the much-discussed declaration made by H. Robinson, a member of the Dawes Commission, to the effect that Germany can pay the reparations and at the same time prosper economically.

Now attempts are being made in Germany towards repairing the error committed. In the budget discussion the impression was given that it was only with the greatest difficulty that Germany could establish the equilibrium in its budget. In the Reichstag a great demonstration of practically all parties was instituted for the purpose of protesting against the onus of the reparations payments.

In America there is a growing tendency directed against the settlement of inter-Allied debts and reparations hitherto in operation. Sterett, the retiring member of the Transfer Committee, declared in a report addressed to Coolidge, that Germany would be able to pay the full reparations, but not throughout an entire generation; it would have to be established, for how many years the obligation to pay reparations was to last⁹⁶⁾. 116 professors of Princeton University have joined the action of Columbia University in demand of the new regulation of the inter-Allied debts and reparations. Mellon attempted, without much success, to defend the policy hitherto pursued by the United States. Professor Seligman of Columbia University has again launched a serious attack on the settlement of debts, pointing out that France had already spent more on reconstruction than it would receive from Germany in reparations⁹⁷⁾. A. Paish, the celebrated English national economist, pointed in a letter to Coolidge to the necessity of a revision of the Dawes Plan and the inter-Allied debt agreements⁹⁸⁾. The powerful banking group which negotiates the international loans, the capital exports of the United States (Morgan and the other big international emission banks), urges the necessity of a new settlement while the industrial capitalists vote for a continuation of the existing system. In this fight the banking capital is bound sooner or later to gain the upper hand.

February 9th saw the dissolution of the Debt Negotiation Commission instituted by the Senate of the United States, without any ratification of the agreement with France. For international reasons, Poincaré appears not yet to have summoned up courage enough to submit the Mellon-Beranger agreement of April 29th to Parliament for ratification. He therefore chose the expedient of offering the United States 10 million dollars as advance plus 20 millions as interest on the "commercial debt", i. e. 30 millions in all, as arranged in the said agreement. Should the agreement subsequently be ratified, this would rank as the first instalment under that agreement. Mellon accepted the money, though without, at any rate publicly, acknowledging that it should represent the first instalment in the sense of the agreement⁹⁹⁾. Presumably, however, some secret agreement exists to this effect.

A similar agreement has been concluded between Poincaré and Churchill, France paying six million pounds, to rank as second instalment under the agreement after its ratification.

In summing up we may say that no speedy change is to be expected in the question of reparations and inter-Allied debts, but that powerful factors are at work in the interest of a new settlement; these would certainly lead to ultimate success, if the aggravation of political differences were not working in the opposite direction.

⁹⁵⁾ So anxious were the legislators to attain a reduction of direct taxation by an increase in customs and indirect taxes, that they completely overlooked the necessity of paying due regard to the stipulations of the Dawes Plan and overshot the mark.

⁹⁶⁾ "Deutsche Allgemeine Zeitung" of February 8th, 1927.

⁹⁷⁾ "Times" of March 26th, 1927.

⁹⁸⁾ "Bergwerkszeitung" of March 10th, 1927.

⁹⁹⁾ "Frankfurter Zeitung" of March 6th, 1927.

IV. Special Section.

The general section of our report being longer than usual, we have no choice but to abridge the special section as far as possible.

GERMANY.

During the last few months, the economic position of Germany has shown an upward tendency. The following table records the most important data of German economy, permitting of conclusions as to the extent of production:

Main Returns in regard to German Economy.

	Daily Output			Potash Sales	Building Contracts	Rail-truck Work-Hours (1000's)	Goods ¹⁰⁰ Turnover (Mill. Mk.s.)
	Coal ¹⁰⁰ 1000's of tons	Iron	Steel				
January 1926	380	22	32	949	3916	102	11,800
February 1926	345	22	34	1855	4088	108	7,360
March 1926	355	23	35	1334	3442	112	7,350
January 1927	422	34	52	1904	6030	124	13,480
February 1927	409	35	51	1828	7408	137	8,440
March 1927	399	36	52.4	1649	9084	146	

The advance on the preceding year is obvious all along the line. Those industries too, which do not publish any immediate output returns, such as engineering, and the textile, chemical, and electrical industries, have all been doing pronouncedly better business than last year.

Save in regard to coal mining, moreover, the development appears not yet to have reached its apex. Coal mining is again regressing; the daily output is diminished by the insertion of idle shifts; and some of the miners have been discharged. The favourable period for German coal mining as a result of the British coal lock-out has come to an end. British coal has succeeded without much difficulty in reconquering its place on the world market.

But we must not be blind to the fact, however, that the German coal output is far larger to-day than it was before the war. Considering the great progress made in heating technics, it is undeniable that the consumption of energy in German economy is at present much greater than in pre-war times. The iron output stood in March at 1,085,859 tons and the steel output at 1,415,083, in both cases the largest returns recorded since the end of the war.

The improvement of the business position in the metal-working industries is in part owing to certain individual factors, such as the Russian credits, big orders (for about 600,000 tons) placed with the shipyards, orders on the part of the State Railways, and the like. Meanwhile, the improvement in the case of the textile, footwear, and similar industries points to an increase in the consumptive capacity of the broad masses of the population.

Business Prosperity and the Labour Market.

The improvement of business is also reflected in the condition of the labour market.

Number of Unemployed in Receipt of Relief.

	(in thousands)			
	December End of Month	January	February	March
1927	—	1826	1696	1131
1926	1746	2057	1943	1782

The number of the unemployed does not include those who are in receipt of emergency relief and who probably number several hundred thousand. It is, moreover, probable that the bourgeois-bloc Government is managing the distribution of unemployment benefit more severely than hitherto. Down to February, the unemployment total (including the emergency relief beneficiaries) was just about on the level of 1926; it was in March that the great improvement ensued. Nevertheless, there is even to-day, despite the good business period of the capitalists, an army of some 1.6 million unemployed. Rationalisation

¹⁰⁰) Ruhr district.

¹⁰¹) Calculated by the turnover-tax revenue ("Deutscher Volkswirt" of April 14th, 1927.)

has enhanced the profits of the capitalists, but the vast number of unemployed have not yet found their way back to productive work.

The improvement in business merely affects inland trade; exports even fall short of those of last year.

The commercial balance of Germany shows for the six-month period from October 1926 to March 1927, a deficit of 1339 million marks.

Progress of Capital Fluctuations¹⁰²) in 1926.

	Quarters				Total
	I.	II.	III.	IV.	
Foreign Loans Introduced	324	450	346	397	1517
Loans to Foreign Countries	7	8	16	36	67

We may see from the above that last year Germany imported roughly 1,500 million marks of capital in the form of loans. True, it began at the same time to export capital to foreign countries, but the total in this second connection is still quite insignificant. An outflow of capital of quite another kind occurred meanwhile in the form of goods credits, such as the Russian credit and the projected credit to Roumania — an immediate export of capital by means of the erection of branch factories, participations, etc. But these are only the first tentative steps of the new German imperialism, which is not yet sure of its ground and limited as regards means.

FRANCE.

The economic position of France is in the first place characterised by the circumstance that for the last four months the franc has been stabilised at the rate of 122.5 to the pound sterling. It is probable that this will remain the definite exchange rate of the French currency. In this connection it should be pointed out that in the last few months the note bank intervened more urgently in the sense of preventing a further rise of the franc rate than in the contrary sense.

Thus the soundness of our opinion as to the possibility of a time when, prior to the commencement of the Poincaré administration, the franc rate was practically at its lowest, we wrote as follows¹⁰³):

"Can the French currency be stabilised? Undoubtedly it can, if the French bourgeoisie wants it to be."

As soon as a big-bourgeois Government had been formed under Poincaré, the confidence of the bourgeois class in the French currency was restored. Nay, not only that of the French bourgeoisie, but also that of their foreign confrères¹⁰⁴).

We can distinguish three groups of measures taken in the process of franc stabilisation.

a) The salutary reform of the French Treasury. The main danger, as is well known, consisted in the fact that the French Treasury had enormous debts of a quite short-termed nature, and it was principally to be feared that, if these short-termed obligations could not be renewed at each individual date of maturity, the Treasury would get into financial difficulties, or at any rate be forced to increase the fiduciary circulation by fresh recourse to loans of the note bank. In a former survey we recounted how the big French banks made use of this weapon against the various Governments of the Left cartel, thereby forcing them to give up the idea of a levy on capital and, indeed, to capitulate altogether. As soon as Poincaré seized the reins of Government, the situation changed entirely. In the first few days of his administration, Poincaré received from the banks a loan of 1000 million francs and has ever since been sure of their permanent support. This support is the foundation for the restoration of public "confidence", which is expressed financially by an increase, it is true, of the French State debts, but at the same time by a far more favourable composition of these

¹⁰²) "Konjunkturforschung", No. 4, p. 13.

¹⁰³) v. our Economic Survey of the 2nd quarter of 1926.

¹⁰⁴) Compare B. M. Anderson "The Progress of French Finance" in the February issue of the Economic Bulletin of the Chase National Bank (second in size among American banks). The entire article is a vote of confidence in the Poincaré Government on the part of the American bourgeoisie.

debts from the standpoint of the Treasury. The floating debts figured as follows:

	August 1st, 1926	March 1st, 1927
	Million of Francs	
Bonds	57,547	61,619
Advances by the Note Bank	37,450	29,600

The result is, therefore, that

Firstly, the debt to the Note Bank has decreased by eight thousand millions;

Secondly, the obligations in the hands of the public have increased by four thousand millions;

Thirdly, the short-termed obligations have been redeemed and replaced by others which will not mature so speedily.

Altogether the result is such, that the position of the Treasury may be said to have been saved for the time being.

b) The second measure was the salutary reform of the State budget. This has been attained by a very pronounced increase of taxation. We here reproduce a comparison between the tax returns of the first quarters of 1926 and 1927, respectively.

The total of taxes collected figured as follows in millions of francs:

1926	1927
7434	8465

Thus the excess in the current year was more than 1000 millions for a three-month period. We must, however, add to this the revenue of the Redemption Office from the tobacco monopoly, the death-duties, etc., amounting in the first few months of 1927 to 1363 million francs. Altogether, revenue in the first three months figured at 9828 millions, or 2393 millions in advance of last year's total for the first quarter.

This tax onus doubtless weighs heavily on French economy. If we compare it with the tax onus in Germany, reckoning the German mark at 6 francs, we should get a total of 1638 million marks, which is almost as much as the German tax return for the same period, in spite of the fact that France's population is not even two thirds that of Germany. Be this as it may, the increased rigour of taxation has righted the French budget, so that the stabilisation of the franc has nothing to fear from this quarter.

c) There remains the question of France's international balance of payments, in which regard there has certainly been no deficit within the last few months. This favourable state of affairs, however, was and is a "borrowed" asset, having been brought about by the following facts:

1. Much French capital, which had fled the country at the time of inflation, has now returned.

2. Poincaré has caused both the railways and numerous towns to accept loans from abroad.

3. Purchases on a large scale have of late been made on the Paris Stock Exchange by foreigners.

In what degree the French balance of payments could have been righted without the aid of these loans from abroad, is a question we shall discuss in detail on a future occasion.

The French Stabilisation Crisis.

In our last report we entered in detail into the discussions of the development of French economy, arriving at the conclusion that the stabilisation crisis would assume far milder forms in France than it did in Germany. The events of the last few months show the correctness of this prediction. No manner of monetary or capital crisis has ensued in France. Short-termed loans are extremely easy to procure, while the bank rate has been reduced to 5 per cent., like the rate of the Bank of England. Long-termed advances still call for high rates of interest, seeing that the legal stabilisation of the franc has not yet materialised and there are still misgivings as to a possible change of the rate. In the last four months the note circulation has not increased; it still averages 53,000 millions, which, reckoned at gold parity, would correspond more or less to the volume of tender in circulation before the war. Neither the failure of big concerns, nor any lack of capital can be observed to have taken place in France.

The stabilisation crisis is expressed by a general, but not very acute, deterioration of business conditions. The index of

industrial production established by the Statistical-Bureau was (on a basis of 100 to represent the level of 1913):

November	December	January
126	121	113

The development of the output of the heavy metal industries during the last few months was as follows:

Production in 1000's of Tons

	Coal	Pig Iron	Steel
October	4569	816	742
November	5738	790	714
December	5945	827	741
January 1927	5122	804	673
February 1927	5662	716	628

It should be pointed out, however, that the January and February output is very similar to that of the corresponding months of 1926.

The deterioration of the business position would appear to have passed its lowest point. Round the middle of March there were reports of a revival in French economy. "L'Usine", the organ of the iron industry, writes as follows on April 2nd:

"If political considerations do not frustrate our endeavours, a speedier overcoming of the crisis may be looked for than was originally expected."

This fact is also borne out by the development of unemployment. The official number of unemployed in receipt of the dole reached its peak — 82,000 — on March 10th, and had by April 3rd receded to 70,000. Now it is obvious that these totals of unemployed in receipt of benefit cannot be taken as indicative of the actual extent of unemployment in France. There were 80,000 unemployed in the 120 largest towns of the country, while there are no fewer than 36,000 boroughs in France, 605 of which have populations in excess of 5000. The actual number of unemployed is therefore far greater. It must furthermore be taken into consideration that when the crisis began, several thousand foreign workers left the country every week and that for political reasons a substantial reduction of working hours was often allowed to take the place of a discharge of workers. Numerous articles in the "Humanité" tell of the extent of these restrictions. But even

the official returns of unemployed cannot serve to show the real extent of unemployment, it yet appears to be a correct criterion for the development of the total unemployment, which has, since the middle of March, shown a tendency to decline.

Price formation is markedly steady. The spasmodic rise of the gold prices which took place in Germany during stabilisation, is conspicuous by its absence in France, where the entire economic structure was far less deformed by inflation. The price index figured as follows:

Price Index at the Close of:

	July	October	November	December	January	February	March
Home Products	733	744	698	648	640	643	647
Imported Goods	1074	808	700	628	624	650	667

Accordingly, the foreign trade of France has suffered far less in the stabilisation period than was the case in Germany. In contradistinction to Germany, again, the foreign trade balance was favourable practically throughout the crisis; it was only in February that a slight deficit was observable.

Foreign Trade

	Imports	Exports
October	5106	6103
November	4994	5329
December	5123	5395
January 1927	4079	4709
February 1927	4779	4597

ITALY.

In the middle of July 1926, at the same time as in France, the currency in Italy began to improve. But whereas in France this movement has for the last four months been followed by an undoubted stabilisation, the lira has continued to advance at a rate which is apparently already beyond the control of the Government.

The most important stages of the currency formation in Italy were as follows:

	Lire per pound sterling	Price index (Milan)
1913	25.2	100
1923 year's average	100	—
1925 year's average	122	546
1926 av. of first 6 months	126	—
1926 July 28th (peak)	154	—
1927 January	112	603
1927 March 10th	109	601
1927 April 12th	100	—

The reason of the rate appreciation is obviously the great influx of foreign capital from America since the agreement regarding the war debts was reached. Already before the close of the year 1926, the State had accepted loans to the amount of 100 million dollars and industry loans amounting to 111 millions.¹⁰⁵ In the current year the influx of loaned capital continued. During the last few weeks, the city of Rome accepted 30 million dollars, and the city of Milan a like sum. Many towns are still negotiating in this connection. Apart from loans, much foreign capital has entered the country by the sale of shares and debentures in industrial enterprises, such as the Snia Viscosa. As at the same time the bank rate is high (7 per cent.) while the credits in lire are strictly handled and the fiduciary circulation has somewhat diminished, a rise of the currency rate is easily comprehensible, especially if we take into consideration that the deficit of the commercial balance (over 7,000 millions in 1926) is counterbalanced by the tourist traffic and the money sent home by emigrants.

In Italy as elsewhere, the policy of deflation has brought about a deterioration in the economic position. The price level has sunk more slowly than the exchange rates of foreign currency, which has been disadvantageous to export trade.

Unemployment is therefore considerable. According to official returns, it figured as follows, expressed in thousands:

July 1926	December 1926	January 1927	February 1927
80	181	100	130

The actual total is probably three times as high. Besides this, there are very many short-time workers.

The business position of the individual branches of industry depends greatly on their respective connection with armaments; the more closely they approach the war industries, the better off they are likely to be. The metal industry is in receipt of extensive Government orders; all arms and ammunition factories are working to full capacity. The same is the case in the textile works, the factories supplying materials used by the army being well occupied, the others badly. The same again may be said of the chemical industry. A very good degree of occupation prevails in the shipyards, which have received some substantial orders thanks to Government subventions for the steamship companies. On the other hand, the exporting industries, such as artificial silk, motor-cars and the like, are poorly occupied.

As regards foreign trade, it appears that the rise in the rate of the lira has not yet caused any change worthy of mention. In the first two months of the year, foreign trade returns were as follows:¹⁰⁶

	Imports	Exports
	Millions of Lire	
1926	4189	2533
1927	4016	2518

If we consider the great improvement of the lira as compared with the preceding year (roughly one sixth), foreign trade may be said to have stood during the first two months one sixth in advance of last year. Nevertheless, there is no doubt but that the position of Italian industry has deteriorated during the last few months, a fact which is admitted by all Italian economists.

¹⁰⁵ "Frankfurter Zeitung" of April 9th, 1927.

¹⁰⁶ "Sole" of April 17th, 1927.

The deterioration of the economic situation in the first place affects the suppressed Italian working class. We can imagine how low the wages must be, if even the Fascist Minister of Economy, Belluzo, declared in a Parliamentary speech on March 12th:

"If any one were to ask me whether the Italian workman gets an adequate wage, I might answer in the negative if I considered the absolute value of the wages received, but I might also reply in the affirmative, considering them in comparison with production."

Italian capital has already occupied the following positions:

Albania. The Credito Italiano has founded the Albanian National Bank with a capital of 12.5 million gold francs, all the 100,000 founders' shares and a quarter of the ordinary shares being in Italian hands. In its statutes, the Albanian National Bank engaged to found a society "for the economic development of the land" with a capital of 50 million gold francs; in reality the Government received this sum. Since the Government could not manage to pay the interest which had been fixed at 7½ per cent., the loan was augmented in June to a total of 70.5 million gold francs, while the payment of interest was postponed for four years. This loan has been guaranteed by the Italian Government.

Roumania. In June 1926, Roumania received a credit of 300 million lire with the obligation to place a certain quota of the petroleum output on the Italian market.

Bulgaria. The Banca Commerciale Italo-Bulgara was founded by the Banca Commerciale Italiana. Much capital is invested in the timber trade in Bulgaria. Italy is the second among the countries importing into Bulgaria and ranks third among the countries taking Bulgarian exports. Italy guaranteed part of the Bulgarian refugee loan.

Yugoslavia. Here Italy could obtain no footing. "Italy has practically no part in the exploitation of the natural resources of Yugoslavia. Nor have loans been negotiated. Various attempts on the part of Italian capital to penetrate into Yugoslav shipping have failed; so have similar attempts in connection with the timber industry." So writes the "Statist". The present struggle between Rome and Belgrade is by no means purely political, but also economic.

GREAT BRITAIN.

In regard to Great Britain, the last few months may be looked upon as a gradual return to normal conditions after the coal lock-out. The business position has considerably improved, but it is not yet altogether apparent in what degree this is a result of the said liquidation of the results of the coal lock-out and to what extent a real improvement in British economy. The most significant factor is the rapid decrease of unemployment. The number of unemployed workers in receipt of relief developed as follows:

	In thousands
January 3rd	1496
February 7th	1303
March 7th	1144
March 21st	1079

Thus the extent of unemployment has returned more or less to last year's level, of which it is still in advance by some tens of thousands.

But, as we pointed out in the General Section of this report, there are now 80,000 or 90,000 more miners out of work than there were last year at this time, so that the degree of employment in the rest of industry is relatively better.

The defeat of the miners in the coal lock-out is now having its effects. As the "Times" remarks with gratification on March 11th, the coal output of the last week of February was on the same level as that of the corresponding week a year ago. But while in February 1926 there were 1,107,500 workers employed in the coal mines, the total number engaged is now smaller by 94,800, figuring at 1,012,700. It is hoped that a longer duration of the American coalminers' strike will mean a further improvement of British sales of coal abroad.

The percentage of unemployed in relation to the total of insured workers figured as follows:

March 15th, 1926	December 20th 1926	January 24th 1927	February 21st 1927
9.8	11.9	12.1	10.9

In spite of the tendency towards improvement, the number of unemployed is still 10 per cent. of all insured workers, while the absolute total still exceeds a million.

The output of heavy industry has improved during the last few months and at present exceeds both that of the period immediately preceding the mining lock-out and the average of the year 1925.

	Coal	Iron	Steel
	Thousands of Tons		
Monthly Average 1925	20,694	528	626
April 1926	21,923	548	672
December 1926	19,862	100	324
January 1927	21,911	442	742
February 1927	21,425	580	840
March 1927	21,436	683	965

Nevertheless, the general tone prevailing in the heavy metal industries is not very hopeful.

"A disappointing factor in the iron and steel industry is the circumstance that the first quarter of the year brought fewer new orders than were expected at the commencement of the year. Business continues on an unsatisfactory level¹⁰⁷⁾."

Better conditions prevail in shipbuilding, as we pointed out in the General Section. Engineering and the cotton industry both show an upward tendency, the latter under the influence of the market recession in the cotton prices. In general, however, the business position is unsettled and the prevailing tone somewhat vague.

Foreign Trade.

One of the factors contributing to the depression in British business circles is the unfavourable development of foreign trade, which stood as follows during the last few months:

	Im- ports	Ex- ports	Import Surplus
	Millions of Pounds		
Monthly Average 1926	93.1	54.3	38.8
January 1927	103.7	55.4	48.3
February 1927	83.0	52.9	30.1
March 1927	102.8	62.1	40.7

¹⁰⁷⁾ "Times" of April 4th, 1927.

If we compare the first three months of 1926 with the first three months of the current year, the aspect of foreign trade is still worse. Exports figured in millions:

1926	1927
189.6	170.5

which means a recession by 19 million pounds.

This falling-off affects almost all the old exporting industries of Great Britain¹⁰⁸⁾

Exports in First Quarter of 1927 less than in First Quarter of 1926, by:

	Millions
Cotton Yarns and Stuffs	36.8
Woollen Goods	14.2
Other Textiles	6.3
Machinery	11.8
Iron and Steel	15.5
Chemicals and Dyes	5.5

We can see that, with the exception of the "new industries", such as electrical goods, coloured metals, and the like, there has been an allround decline in exports. The deficit in the balance of trade is extremely high and apprehensions are continually voiced to the effect that the "invisible exports" do not suffice to cover the deficit.

The unpleasant situation has been aggravated by the bad state of Government finances. The financial year closed with a surplus expenditure of 37 millions, while Churchill's new budget shows an expenditure total of 842 millions. (As Churchill admitted in reply to an interpellation on the part of Lloyd George, revenue is underestimated to an extent of 23 millions, so as to leave the Government a reserve for the purpose of military expenses in regard to China.)

As we pointed out in our report nine months ago, deflation in England has raised all incomes from securities to the gold level, thus imposing a special burden on British industry in comparison to that of France, Germany, or Italy. The increase in State expenditure provided for in Churchill's new budget, thus meets with great opposition on the part of industry, aggravating the general discontent in business circles.

In summing up we may say that the last few months have entailed an improvement in the British economic situation, which is mainly attributable to the reaction after the ending of the coal lock-out, and to a small part also to an improved condition of the home market in the face of a decline of exportation. The general process of the decline of British capitalism has grown slower and was interrupted by the overcoming of the consequences of the mining lock-out, but there are no indications of any radical change in the general tendency.

¹⁰⁸⁾ "Statist" of April 16th, 1927.