SPECIAL NUMBER

English Edition. Unpublished Manuscripts - Please reprint.

- INTERNATIONAL - PRESS CORRESPONDENCE

Vol 7. No. 65

24th November 1927

Editorial Offices and Central Despatching Department: Berggasse 31, Vienna IX. — Postal Address, to which all remittances should be sent by registered mail: Postamt 66, Schliessfach 213, Vienna IX. Telegraphic Address: Inprekorr, Vienna.

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

(Concluded up to 15th October 1927.)

By E. Varga.

I. General Section.

THE GENERAL ASPECT OF THE WORLD'S ECONOMY.

The general aspect of the world's economy is at present characterised by the existence of two centres of prosperous business activity, Germany and the United States, naturally not taking into account countries constituting the periphery of the capitalist world as Argentina, Canada, and Australia, which also show a favourable business position.

The exceptionally good business period in Germany and the good business cycle in the United States both rest on the basis of an incipent world-economic over-production of the most important industrial raw materials, coal, petroleum, iron, coloured metals, rubber, and in the near future probably also grain. The over-production of raw materials is reflected by the commencing over-output of industrial products. The general over-production gradually spreading finds expression in the downward trend of prices in regard to all these industrial raw materials and in the keen competitive struggle for markets waged by the principal producing countries.

The existence of a good business position in Germany and the United States has hitherto afforded a counter-tendency to this trend towards economic over-production. If we inquire into the nature of the good business position in the United States and Germany, we must arrive at the result that in both countries the end of the prosperous business cycle is in sight. If, however, a crisis or depression were to occur in these leading capitalist countries, which have hitherto contributed by reason of their favourable business position to the animation of the capitalist world, a new general depression is likely to follow throughout the economy of the world. There is hardly any possibility that in such a case any of the other great capitalist countries could rise out of the present depression to a favourable business expansion.

Germany. As we have several times had occasion to point out, the business process of German economy has, ever since the stabilisation, been distinguished by the brevity of the individual waves of business prosperity. The internal contradictions of German capitalism obviously do not admit of any lasting prosperous business position. These contradictions are: a highly developed capitalist economy, providing all the economic requisites of imperialism but lacking, for purposes of imperialist activity, the requisite capital for capital exportation, the colonies, and the military power; in addition, a highly developed capitalist country, dependent on a regular importation of capital, a country which is called upon to pay out of the values it produces an annual 2,500 millions in the form of Reparations and whose capital resources, as a result of all these circumstances, do not suffice to complete any of the new investments successively initiated.

CONTENTS

Added to this, we have, after a relatively short duration of good business, a lack of capital, and that not because the goods accumulate in the sphere of circulation, though this is also the case in certain branches of industry, but because the economic strength of the country does not suffice to complete the initiated expansion of the productive apparatus. As a consequence of the lack of capital, the bank-rate was raised early in October to seven per cent., a fact which must in itself be looked upon as a sign of an incipient crisis.

The peculiarity of the present good business position in Germany lies in the fact that it should exist in the face of a considerable amount of unemployment. More than five per cent. of the workers organised in trade unions in Germany are out of work, a proportion attained in pre-war times only on the occasion of acute crisis.

The United States of America. The character of the business position in the United States is different from that in Germany, and in a certain sense it shows even greater anomalies. Apart from small depressions of no more than a few months' duration, the good business position has lasted ever since 1921. It is based on a super-abundance of monetary capital, i. e. of gold. What is most remarkable in this connection is not the expansion of the productive apparatus, but the increasing output for purposes of mass consumption, the construction of dwellings on a large scale, the manufacture of motor-cars, the development of instalment business, and so on. What is therefore imminent in the United States is the classical form of a crisis of over-production, a superfluity of goods in Section I.

In view of the great super-abundance of gold and monetary capital in the United States, it is prohable that that country will shortly experience a serious depression, but not a money or credit crisis. Whereas in Germany a short-lived but serious crisis is to be looked for, the United States is faced with the prospect of a depression of longer duration, which will find expression mainly in a marked decline of production connected with an acute degree of unemployment.

Great Britain. During the last few weeks, the economic position of Great Britain has shown a certain improvement, which, however, only sufficies to provide work for the new generation of workers without offering a possibility for the reabsorption of the million and more unemployed. If we regard the trend of economy in Great Britain in the year 1927, we shall see that in the first three or four months, so long as there still remained from the time of the mining lockout a deficiency to make good on the home market, an improvement in the business position was apparent. This was followed in the summer months by a decline, succeeded again by another improvement. The foregoing refers to the great English staple industries, coal, iron, naval construction, engineering, cotton, whereas in the "new" industries, electricity, automobile-construction, wireless, rayon, and so forth, there is a good business position with big profits. The importance of these new and rising industries, however, is too small in the entirety of British economy to bring about a general uplift.

Since there is no prospect whatever of an improvement in coal-mining, which alone occupies as many workers as all the "new industries" together, and since an improvement is highly improbable in the case of the cotton industry, Great Britain's second staple industry, we think that the improvement noticeable in the last few weeks is extremely unlikely to develop into an exceptionally good business cycle, quite particularly so if, as we expect, the favourable business position in Germany and the United States does not last beyond the end of the current year.

France. In France the process of adaptation of economy to the stabilised currency has not yet been completed. There is a depression which does not cut very deep, a gradual stabilisation crisis, unaccompanied by any very serious insolvencies or any great degree of unemployment, though to all appearances short-time work is very extensive.

Italy. Here the situation is similar, though, in keeping with the fact that the new north-Italian industry is far better adapted to export purposes than the French, the depression is far more serious. The crisis has been mitigated by the compulsory measures carried out by the Government in favour of the leading industries, comprising a reduction of wages, a reduction of house-rents, pressure on the petty-bourgeoisie with a view to lowering the retail price level; likewise by the vigorous influx of foreign capital.

Poland. Polish economy has continued to improve throughout the last few months; its further progress will largely depend on whether the country succeeds in making good its great lack of capital by foreign loans.

In summing up we may say that at the beginning of October the business position throughout the capitalist world was better than at any time in the course of the last two or three years.

There are, however, pronounced indications that in those centres where it is most apparent, viz. Germany and the United States, the improvement in the business position is rapidly approaching its end, which will also entail the end, or at any rate the material diminution, of the corresponding signs of improvement in the other capitalist countries. In our opinion, therefore, the year 1928 is likely to be characterised, not by a further advance, but on the contrary by a relapse into a far-reaching depression.

UNEMPLOYMENT.

So far as can be estimated from statistical data, unemployment has in the last few months shown no particular change, save in the case of Germany, where it has greatly receded.

If we compare the unemployment in July with that prevaling a year ago, we shall see in the case of Germany a reduction to one third. The relative returns for **Great Britain** cannot be used for a purpose of comparison, since in July 1926 the number of unemployed was greatly enhanced by the mining lock-out. In the other countries the percentage of unemployed is practically the same as last year. In **Beligum** and presumably also in the **United States** it is greater, in various of the smaller countries rather smaller. In **France** and **Italy**, in regard to which countries there are no percentage data, unemployment is obviously greater. The actual returns are contained in our special section.

Percentage of Unemployed among the Workers Organised in Trade Unions.

		Gt. Brit. (insured)	Belgium*	Holland	Denmark	Sweden	Germany	Germany sh.-time	U. S. A. Degree of (occupation 1919 = 100)
1926	July . . .	14.6	2.6	7.4	17.4	8.5	17.7	16.6	93.5
1927	April . . .	9.4	5.3	7.5	11.3	12.4	8.9	3.7	93.2
	May . . .	8.8	5.2	6.3	20.1	10.0	7.0	2.9	92.6
	June . . .	8.9	4.7	6.0	18.5	9.5	6.3	2.7	92.3
	July . . .	9.3	5.3	7.0	17.3	8.2	5.5	2.6	91.0
	August . .	9.4	—	6.6	16.5	7.8	5.1	2.8	91.0
	September .	9.4	—	—	—	—	4.6	2.4	—

PRICE FORMATION.

In countries with stabilised currencies, the wholesale prices have during the last few months shown but slight changes. It is a remarkable fact that in the United States in particular the tendency towards price depreciation has come to a standstill. It would be wrong, however, to draw any far-reaching conclusions from this fact in regard to the general business position, for this depends mainly on the price increase in respect of cotton, whereas the other important raw materials continue to show a falling tendency, as demonstrated above. In France and Italy the stabilisation has entailed a drop of prices, albeit quite a slow one, so that the price level in proportion to the rate of the currency, or in other words the price level in gold, is much higher now than before the stabilisation.

---

*) Including short-time workers.

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

	U. S. A. Bur. Lab.	Gt. Britain con	Germ. Stat. R. A.	France	Italy Milan Ch. C.	Po and	Swed. Comm. C.	Switzerland (Loreur)	Sv. U. Gosplan	Japan	Brit. India	China
1926 July . .	151	150	133	836	654	181	148	146	182	179	145	157
1927 April .	144	146	135	636	565	206	143	147	175	170	145	173
May .	144	148	137	628	537	208	145	147	174	171	146	171
June .	144	149	138	622	509	206	146	147	173	172	149	169
July . .	145	149	138	620	491	210	146	147	171	170	147	171
August .	147	149	138	618	485	207	146	148	170	—	—	171
Sept. .	—	150	140	—	484	—	—	—	—	—	—	—

THE CURRENCY QUESTION AND THE GOLD PROBLEM.

The currency oscillations of the European exchanges may in general be considered to have come to an end. There are still a few stragglers among the European States in this respect, as for instance Spain, Poland, and Roumania; but in general it may be said that the currencies of the capitalist States have regained a common gold basis and thus also a stable relation to one another. The entire aspect of the currency question, too, the observation of the small oscillations between the gold import and gold export points, the endeavours of the individual note-banks to maintain a certain ration of cover for the notes in gold and for this purpose to import gold from abroad if necssary, the whole question, indeed, of the purchase of gold by the note-banks — all these things are now essentially the same as before the war.

It would, however, be incorrect to assume that pre-war conditions have actually been re-established. There are three great differences.

1. The relation of value between gold and goods has been shifted by one third to the disadvantage of gold. Or in other words, all goods prices are, on an average, 50 per cent. higher than they were before the war. We repeat, on an average, since the price formation as regards individual commodities shows great irregularity. This change in the relation of value of gold and goods had reached its height in 1920; it was subsequently greatly reduced, and even at present there is a tendency towards lowering the price level, a tendency which will very likely cause a renewed sharp drop in prices on the occasion of the next crisis in the United States, thus re-establishing the pre-war proportion between gold and commodities.

2. The geographic distribution of the gold stocks have fundamentaly altered. More than half the visible gold supply is now in the United States. This is a generally recognised fact, of which we do not intend to speak any further.

3. Although all the important capitalist countries have again returned to the gold standard, there is yet a pronounced difference between the present and the pre-war organisation of gold currencies. Before the war, the leading capitalist countries possessed a real gold standard, that is to say, the bank-notes had to be exchanged into gold on demand and were so exchanged; gold circulated together with the bank-notes in the inland goods traffic. With the exception of the United States, there are nowadays only so-called "gold-value standards", that is to say, the note-banks are under no obligation to redeem their notes in gold. Gold does not circulate in inland traffic. The stability of the currency is only maintained on the world market by means of gold remittances or credit operations. This currency system, which existed prior to the war in the Austro-Hungarian Monarchy, is now in use in all capitalist countries with the exception of the United States.

This means that price formation is not immediately determined by the relation of value between gold and commodities, but is effected by an adaption of the price level in all capitalist countries to the American price level. Or, as it has often been put the European countries have not a gold standard but a dollar standard.

The gold production stood as follows in thousands of kilogrammes[1]):

1913	768	1923	553
1920	507	1924	586
1921	497	1925	593
1922	481	1926	600

In keeping with the primitive form of the quantitative theory, prices ought to be lower now than before the war. Without troubling much about the theoretical solution of the contradiction existing in their opinion between the diminished gold output and the increased price level, bourgeois economists make the future price formation the subject of their main endeavours. Again and again the apprehension is voiced, that as a result of the insufficient gold output there will in time be a shortage of gold and a consequent period of falling prices, lessened profits, and dull business.

In summing up, we may say that the stabilisation of the currencies of the capitalist countries may be looked upon as complete. At the same time we may observe a general change from the gold standard to the gold value standard, save as regards the United States. The apprehension that the gold output which is smaller than before the war, might fail to cover the requirements of capitalist economy for gold as a basis of currency, is not justified. The fear of a drop in the price level as a result of the decrease in the gold output is altogether unfounded. True, a price drop will ensue, not for want of gold, but because since pre-war times no such change has come about in the value of gold or of commodities, i. e. in the labour contained in any particular unit, or in the costs of production, as would justify the present high prices of commodities. On the contrary, we have the impression that, in industry for certain and perhaps also in agriculture, the productivity of labour has increased more than is the case in the production of gold, so that the general price level ought by rights to be lower now than was the case before the war.

INTERNATIONAL CAPITAL MOVEMENTS.

The general aspect of international capital movements has become extremely complicated of late. Speaking in a general sense, it may be said that the **chief capital-exporting countries** are the United States, whose visible capital exports are still growing (we shall later have occasion to speak of contrary tendencies), and in the second place Great Britain, besides which we have the neutral European States. with a considerable exportation of capital if compared with their economic importance, viz. Holland, Switzerland, and Sweden (match industry). Among the larger imperialist States, Italy, Poland, and Germany **import capital.** There is also a very great importation of capital to the agrarian and semi-colonial countries; in particular Canada, the South American countries, and Australia year by year absorb greater quantities of foreign capital for the development of their productive apparatus with a view to the better exploitation of their great reserves of natural wealth.

Some of the capital-importing countries carry on capital exportation as well. Germany accords ever larger credits to its customers on the world market; Italy invests productive capital in the Balkans. Capital exportation is at present still forbidden from France, but the French Government has invested great funds in the United States, and very probably some form of private capital exportation has been resumed in spite of the prohibition. It should not be imagined that international capital movements consist simply of a uniform series of transactions between importing and exporting countries; there is rather a complicated and manifold process of mutual investments of various kinds, productive capital and monetary capital, long-termed and short-termed investments, and so forth.

The development of capital exportation is to a certain extent connected with the distribution of the gold supplies of the world. Naturally not in the primitive sense that the negotiation of a loan is tantamount to a gold transport from the capital-exporting to the capital-importing country. This is only quite exceptionally the case; thus, part of the German Reparations Loan of 1924 was transported from America to Germany

---

[1]) "Annuaire Statistique Internationale 1926", p. 99. (For 1926 press reports).

in the form of gold bullion. Similarly, gold was recently exported from America to Argentinia on the basis of a loan.

But these are exceptional cases. In reality capital importation means an importation of goods. The connection with the gold stocks is a far more complicated matter. It is in general not so arranged that a country negotiating a loan actually effects purchases to the same amount in the country granting the loan; the bulk of such purchases are mostly made elsewhere. Therefore the loan amount is generally placed in part at the disposal of the negotiating country for the purpose of purchases in other lands, which means that the balance of payments of the loaning country is momentarily impaired, while the dimensions of the available gold stocks are a factor in the necessity of maintaining the currency above the gold-export point. This is most clearly seen in the case of Great Britain, which, on the strength of a relatively very small gold reserve, effects great international financial transactions, in which the connection between the gold movement and every more important loan is immediately visible. The easiest position in this respect is that of the United States, which, in view of their great gold reserve, need not reckon with this factor in their loan operations.

As a matter of fact, the United States take the lead in regard to visible capital exportation. While the publicly subscribed foreign loans in the United States totalled roughly 700 million dollars in the first half of 1927, the foreign emissions of Great Britain in the first nine months of the year (counting the British colonies as foreign territory in this sense) figured at 390 millions[2]). Beside these two great capital-exporting countries, the capital exportation of the smaller neutral countries is of less importance.

The grant of foreign loans means first-rate business for the American banks of emission, since the commission ranges between three and ten per cent. of the loan total.

The following fact is likewise of interest. While the capital exportation of Great Britain has at all times been greatly influenced by political considerations, the same circumstance cannot be said to obtain in any marked degree in the United States. Only in regard to France, which has not yet funded its debts to the United States, is there a prohibition as to the raising of loans on the American market. On the other hand, the American list of emissions of last year contain mention of practically al the countries in the world. Tokio, the capital of that State which is most antagonistic to America in regard to international politics, was granted a loan of 30 million dollars; great loans were granted to Italy, but also to Yugoslavia. Loans are granted to Germany and to Poland at the same time. In regard to Latin America, it is true. there appears to be a close connection between capital emissions and foreign politics.

We made mention above of the complicated character of international capital movements and of the consequent unreliability of statistics in regard to capital exportation. The best investigation into the question of capital movements is no to hand, in the shape of the balance of payments of the United States in 1926, published by the American Board of Trade. Here for the first time an attempt was made to cover such capital movements as are not effected in the form of public emissions, not by mere estimates, but by circular inquiries with the leading banks[3]). The result is sensational, inasmuch as it causes the actual total of capital exportation from the United States to appear far smaller than was hitherto supposed.

The most important factors in capital movements are as follows:

Capital Exportation

(in millions of dollars).

New loan emissions in the United States	1,002
Other foreign investments of American capital	350
Miscellaneous	25
Together	1,357

Capital Importation.

Repayment of foreign loans	470
Repayment of debts to the United States	35
Sale of securities to foreign countries	298
Miscellaneous	32
Together	835

Balance of Capital Transactions	522

It follows that the actual exportation of capital only figured at 522 million dollars. A very important item has, however, still to be considered, viz., "net changes in the banking accounts of foreigners (according to questionnaire)", representing an increase of 359 millions. This means that the capital invested in America by foreigners has increased by 350 millions during the war. It we deduct this item from the balance of the public capital movements, viz. 522 millions, there remains for 1926 an actual capital exportation from the United States of no more than 163 million dollars. It will thus be seen that in 1926 America had a large capital exportation at long sight, but that this is faced by a very significant capital importation, especially as regards money on short call. It is customary to designate this state of affairs as follows: "America is an exporter of capital at long sight and an importer of capital at short sight."

The returns of this balance of payments also afford some guidance in regard to the amount of money invested in America. In the balance of payments we find these two small items:

	Millions of Dollars
Paid for foreign loans to the United States	150
Paid for short-termed loans and commission	78
Together	288

Since we can by no means assume that the interest on the foreign capital invested in America amounts to more than five per cent., it results that in the United States roughly between 4,500 and 5,000 million dollars of foreign (and in this case European) capital are invested. Since the amount of American capital invested abroad, aparat from the inter-Allied debts, is estimated at 1,200 million dollars, we arrive at the unexpected result that practically the half of the American capital invested abroad was raised in Europe. It follows that in regard to capital invested abroad, the position of Great Britain in relation to the United States is stronger than is generally supposed. It may furthermore be gathered how extremely complicated the movements on the international capital market are and how carefully the figures published every day in the newspapers need to be handled.

THE WORLD'S GRAIN CROP.

Although reports regarding certain important countries, such as France and Italy, are still outstanding, a survey may already by gained of the outcome of the world's grain crop. It may be asserted with a considerable degree of accuracy that the grain harvest on the northern hemisphere will in general be somewhat above that of last year, and that within the individual countries there have not been any particular changes. An excep-

---

[2]) All figures relating to capital exportation show great deviations, while their reliability is but limited. Each statistical report contains different figures, and that for the following reasons:

a) Sometimes the funding of debts is included, sometimes it is not.

a) If a loan is offered for subscription at different places (e. g., London, New York, and Amsterdam), it will often figure at its total amount in each statistical report.

c) Sometimes the assumed basis is the nominal amount, sometimes it is the rate of emission.

d) Almost all statistics fail to make mention of "loans emitted under-hand", i. e. loans not officially offered for subscription.

e) There are no statistics as to the formation of short-termed goods and money credits.

f) There are no statistics covering the inland securities bought abroad or sold to foreign orders.

All these factors prove that the statistics of capital exportation are of a very limited value.

[3]) Unfortunately we are as yet not in receipt of the original, but only of a very detailed excerpt, published in the "Frankfurter Zeitung" of September 28th and 29th.

tion must be made in the case of Roumania, where the outcome of all grain crops has considerably fallen short of that of 1926. So far as reports have already been received and worked up by the Roman Agrarian Institute, the total outcome of the crops on the northern hemisphere is given in the following table:

(In millions of double centals)	1927	1926	Average 1921—25
Wheat			
Europe (20 countries) . . .	191.9	183.0	171.8
North America (3 countries)	362.2	340.8	323.5
Asia (4 countries)	101.5	99.2	101.7
Northern Africa (3 countries)	17.2	14.4	14.9
Together (30 countries) . .	672.8	637.4	611.9
Rye			
Europe (20 countries) . . .	195.7	175.6	181.1
Canada & U. S. A. . . .	20.1	13.2	22.6
Together (22 countries) . .	215.8	188.8	203.7
Barley			
Europe (20 countries) . . .	120.7	123.3	113.5
Canada & U. S. A. . . .	77.8	62.7	58.5
Asia (2 countries)	23.0	27.7	26.2
Northern Africa (3 countries)	17.6	12.0	16.2
Together (27 countries) . .	239.1	225.7	214.4
Oats			
Europe (20 countries) . . .	182.7	191.3	166.3
Canada & U. S. A. . . .	250.8	240.5	265.3
Northern Africa (3 countries)	2.3	1.7	2.4
Together (25 countries) . .	435.8	433.5	434.0

The countries included in this table produce about two thirds of the total output of the northern hemisphere as regards wheat, barley, and oats, and rather less than half as regards rye.

Judging by newspaper reports to hand, it is not probable that the results in the outstanding countries will bring about any vital alteration of the total outcome.

If we presume that the grain crop of the southern hemisphere turns out similar to what it was last year, it appears likely that in the present economic year grain prices will move very much on last year's level or somewhat below it. (The visible stocks of wheat in the British ports, in the United States, and in Canada were at the end of August only slightly — by about 4 million double centals in all — above those of last year[4]).

In maintaining that the price level will probably correspond to that of last year, we presume that the development of monopoly formations will influence prices in about the same degree as in 1926. We have several times had occasion to remark on the efficacy of the Canadian wheat pool. It appears that this year the formation of pools is to extend to the United States. In the decesive American wheat-producing States, Texas, Oklahoma, Nebraska, North and South Dakota, and Minnesota, pool organisations, similar to that in Canada, are now said to be in process of formation, and that with the consent, or at any rate the sufferance, of the Government[5]). The serious position of the farmers represents a great danger in connection with the Presidential elections in the coming year.

In order to illustrate the possible influence of the Canadian and of a presumable American wheat pool, we may refer to the following data: In the past economic year, from the first of August 1926 still the end of July 1927, the total of wheat exported throughout the world was 186 million double centals, in addition to 31 million double centals of wheatmeal. The exporting countries were as follows:

	Wheat	Wheatmeal
	Millions of Double Centals	
Canada	68.4	8.2
United States . . .	40.4	12.0
Argentina	36.8	1.5
Australia	19.0	4.7
Soviet Union[6]) . . .	9.9	—
Total	174.5	26.4

It thus appears that the requirements of the wheat-importing countries are satisfied by five great wheat-exporting areas, among which Canada alone covers more than one third and together with the United States far more than half of the demand. If it is found possible to supplement the Canadian pool by a pool of the most important wheat-producing States of the Union, the result will be a monopolised selling organisation which will be in a position to force up the wheat price, all the more so as there are certain indications of a pool formation in Australia and Argentina. The West European demand for rye, barley, oats, and maize is covered by the same countries, Argentina playing the most important rôle as regards maize.

Naturally the price appreciation rendered possible by a pool combination must not be over-estimated. In considering the wheat-importing countries, we get the following results for the year 1926/27:

Imports in Millions of Double Centals[7]).

Great Britain	54.3
Italy	23.8
Germany	25.3
France	16.9
Belgium	11.0
Together . .	131.3

The balance is divided among a whole number of less important European countries, such as Sweden, Holland, Switzerland, Norway, Czechoslovakia, Ireland, and among some Asiatic countries.

Besides this, Great Britain and Ireland imported 7.4 million double centals of wheatmeal[8]).

All wheat-importing countries, without exception, also produce wheat or rye. Were the price of imported wheat to be forced up beyond a certain limit by the wheat pools, wheat production in the importing countries would naturally expand, or else the consumption of wheat would be replaced by that of rye or other foodstuffs.

With the exception of Great Britain, the great wheat-importing countries are in a position should prices become too high, to cover their own demand by extending or intensifying their production. This is doubtless so in the case of France, Italy, and Germany. Thus, even in the case of a pronounced development of the overseas monopoly organisations, the rise in the price of wheat could not exceed certain limits. Indeed, it is questionable whether the pool formation could for any length of time render a price appreciation in the European countries possible to a sufficient degree to close the "scissors." The effect of the pool would rather find expression in a stability of prices throughout the economic year than in their spasmodic appreciation beyond a certain level.

THE COTTON HARVEST, COTTON CONSUMPTION, AND THE FORMATION OF COTTON PRICES.

It is a well-known fact that in the most prominent cotton-producing area of the world, the United States, the cotton harvest turned out far worse this year than in either of the last two twelvemonths. The yield was estimated officially on September 1st at 12,690,000 bales, as against 18 millions in

---

[4]) September Bulletin of the Roman Agrarian Institute, p. 440.

[5]) Report of the "World", reproduced by the "Frankfurter Zeitung" of September 3rd, 1927.

[6]) From July 1926 till February 1927.

[7]) September Bulletin of the Roman Agrarian Institute, p. 433.

[8]) The difference between the quantities of wheat and meal imported and exported in the same year is explained by stocks afloat, loss in transport, and consumption during transit.

1926. At the same time there was much speculation in cotton, and on September 8th prices were forced up in New York to 23.9 cents per English pound, which was almost double the price prevailing at the same time one year earlier. These facts make it appear desirable to give a survey of the development of cotton consumption and of the price formation in regard to this commodity.

According to the statistics of the International Association of Cotton Weavers, the consumption of cotton figured as follows during the last few years:

World's Cotton Consumption
(In thousands of Bales without Linters).

	American Cotton			All Sorts of Cotton		
	1926/27	1925/26	Av rage 1920/25	1926/27	1925/26	1908/13
Great Britain	2,077	2,093	1,982	3,010	3,022	3,858
Germany	1,214	884	736	1,578	1,148	985
France	825	835	778	1,182	1,179	1,737
Soviet Union	390	273	134	1,477	1,752	2,229
Italy	684	716	584	939	1,037	910
Czechoslovakia	399	353	261	497	477	—
Spain	291	302	246	390	407	334
Belgium	207	177	130	363	353	227
Switzerland	55	66	55	108	114	93
Poland	271	158	145	319	190	—
Other European Countries	456	434	328	550	553	1,111
All Europe	6,871	6,287	5,379	10,303	10,232	—
India	350	10	25	2,601	2,064	2,183
Japan	1,132	882	682	2,851	2,816	1,392
China	274	120	95	1,920	1,755	—
All Asia	1,756	1,012	801	7,372	6,635	—
United States	6,883	6,170	5,575	7,134	6,395	5,128
Canada	192	207	158	201	211	122
Mexico	—	4	25	184	222	—
Brazil	—	—	—	441	782	—
All America	7,075	6,381	5,757	7,963	7,610	—
Miscellaneous	75	50	19	244	204	1,092
Sum Total	15,777	13,730	11,957	25,882	24,681	21,401

The Americans publish figures which slightly differ from the above ("Financial and Commercial Chronicle" of August 27th, p. 1148), viz.:

	Millions of Bales
1926/27	25.61
1925/26	23.55
1924/25	21.85
1923/24	19.65
1922/23	20.96

These figures show that in the five-year period from 1920 to 1925 the consumption of cotton of all kinds was two per cent. lower than before the war, while in the years 1925/26 and 1926/27 it was materially greater.

Cotton Stocks at End of Crop Year[9]):

	Visible Stocks	Invisible Stocks	Together
	In Thousands of Bales		
1924/25	2,150	4,782	6,932
1925/26	2,850	4,815	7,665
1926/27	4,593	5,693	10,286

If we take the estimates of the Agrarian Institute as final and draw the balance of the American cotton with the inclusion of the respective transitional stocks, we shall get the following picture:

———

[9]) "Financial and Commercial Chronicle" of August 27th, 1927, p. 1149. Estimates of the United States Census Bureau.

Balance of American Cotton
Millions of Bales

	Crop	Stocks from Prev. Year	Together	Balance f. Next Year	Consumption[10])
1926/27	17.75	5.62	23.37	7.32	16.05
1927/28	12.69	7.32	20.01	—	—

From the above table it appears that, supposing the consumption of American cotton to be just as great in the year 1927/28 as in the preceding year, this demand could be covered, though at the close of the said year the transitional stocks remaining over would then figure at 4 million, instead of 7.3 million,bales.

THE INTERNATIONAL COAL MARKET.

The situation on the international coal market has improved in the last few months as a result of the American coal-miners' strike. It may be assumed that in the six months of the strike the loss of production amounted to roughly 70 million tons, i. e. about 12 per cent. of the total American output and something like 6 per cent. of the world's production. This loss was covered to the greater part by the stocks in the United States, but the fact of the strike facilitated the exportation from Great Britain to those areas which otherwise are disputed markets for British and American coal. Output in the European countries is pretty much on the level of last year; in Great Britain it is equal to that of 1925. This means that, in spite of the American strike, the total output for 1927 will probably figure slightly above that for 1926[11]).

The following table shows the development of output in the course of the year. With the exception of Poland, the production of the individual countries is at present just as great as, or greater than, the average of the year 1926, though naturally apart from Great Britain, where there was a lock-out last year, and from the United States, where the miners were on strike in the last few months.

Hard Coal Output
(In Millions of Tons)

	Gt. Britai	Germany	France**)	Belgium	Po and	Czechoslovakia	U. S. A.	
1926								
Monthly Average	20.7*)	12.1	4.3	2.1	3.0	1.2	50.1	
1927 January	21.9	13.4	4.5	2.3	3.7	1.3	57.6	
February	21.4	12.7	4.4	2.3	3.4	1.1	53.3	
March	24.0	14.0	4.7	2.5	3.0	1.2	60.1	
April	20.5	11.8	4.3	2.3	2.6	1.1	37.9	
May	22.2	12.3	4.3	2.2	2.7	1.1	39.4	
June	20.1	11.8	4.2	2.3	2.8	1.1	39.8	Strike
July	20.3	12.6	4.2	2.2	3.1	1.2	35.0	
August	20.5	12.9	4.4	2.3	3.2	—	44.9	
September	19.8	12.7	—	—	—	—	—	

*) 1925; **) without the Sarre region, which figured at about 1.1 million tons monthly.

———

[10]) This figure, computed from the American returns, does not wholly tally with that supplied by the International Cotton Spinners' Association (v. Table 1), which figures at 15,780,000 bales. The difference is so slight, however, as rather to confirm the accuracy of both calculations.

[11]) In the recently published report of the Reichskohlenverband, the world output of hard coal is given as follows:

Millions of Tons

1913	1923	1924	1925	1926
1217	1203	1181	1188	1184

As regards the general tendency of development, we can observe a pronounced trend in all countries towards independent production wherever there is a home supply of coal. This is part of the general tendency towards isolation so pronounced since the war. The most drastic example is that of Spain. As from September 1st, the whole Spanish coal industry was "nationalised". The native coal-beds are to be made as productive, as they possibly can, their ouput being passed to the consumers in quantities and at prices established by the Government. The purchase of native coal is made compulsory by statute. Foreign coal may only be imported for the heavy metal industry and the fishing industry, and never without the express permission of the Government. For the promotion of the native coal production, the State is to subsidise the coal industry by supplying it with machinery, materials, constructional plant, and transport facilities. The relative decree finally points out that, as from October 1st, the working hours in Spanish coal-mines are to be lengthened[12]).

British coal exporters approached the President of the Board of Trade with a protest against this Spanish enactment, but apparently without any result, at least so far. Spain absorbs about 5 per cent. of the British coal exports.

Similar, though less drastic, measures for the development of an independent coal industry have been effected in Hungary, Austria, France, Holland, the Union of South Africa, and other countries.

By the development of coal production in countries hitherto importing coal, the exporting possibilities of the two most important coal-exporting countries, Great Britain and Germany, have been diminished. The struggle between these two countries is therefore very fierce at present, though so far it has been mitigated by the prosperous business position of Germany, which has entailed a greater consumption of coal.

In the last six months, Great Britain has succeeded in restoring its coal exports to something like the level of 1925, in which connection widely varying reports are to hand in regard to the profitability of the British coal-mines in the present commercial period.

A tentative and unsystematic process of combination and rationalisation is in progress in British coal-mining. Larger trusts are being formed, unprofitable pits are being abandoned, and at the same time, despite the chronic crisis, operations are commencing on a very large new coal area near Hull, where there are highly favourable conditions in regard to raising and transporting the coal.

While the British coal-mines have regained their competitive capacity on the world market mainly at the expense of the miners, the German collieries are chiefly interested in opening up new ways of utilising their coal. The use of coal as a basic material in the chemical industry is continually extending; there are at present more than 100 new coke works in process of construction, in which connection the realisation of by-products is the primary object in view. Upon the completion of these new works, the coke industry will, after scrapping its antiquated plant, be producing about 10 million tons per annum more than its present output, and the problem of utilising this coke in addition to what is produced by the municipal gas-works becomes more and more urgent[13]). At the same time, the utilisation of the coal in the coal-mines themselves for the purpose of long-distance gas mains is being initiated. Attempts at the liquifaction of coal likewise seem to have so far progressed, that the I. G. Farbenindustrie is commencing to place benzine gained from coal on the market.

All these innovations, together with the progress recorded in fuel technics, aim at gaining more energy from the same quantity of coal and will thus eventually lead to a shrinkage in the coal consumption. Naturally the employment of these new methods will temporarily ensure the German mines such great profits, that they will be able to get rid of their surplus coal at low prices on the world market. The fight for international markets will therefore soon become still more acute, so that there can be no question for the time being of a solution of the international coal-crisis.

---

[12]) "Bergwerkszeitung" of September 3rd, 1927.

[13]) "Deutsche Allgemeine Zeitung" of August 30th, 1927.

THE STRUGGLE ON THE INTERNATIONAL OIL MARKET.

It has at all times been difficult to gain an insight into the proceedings on the oil market, seeing that all reports are sent abroad by one of the great concerns, which controls all the official and economic factors in any way connected with the industry. But never before was the situation so complicated and inscrutable as it is at present. We shall therefore begin by enumerating the various events of the last few years, in so far as they can be ascertained through the press.

1. In the year 1922 the Geological Institute of the United States estimated that the deposits of oil in the United States would only suffice for the next eight years, while the reserves of all the world put together would not last longer than another 53 years. In consequence, steps were taken in America to ensure an oil supply for the United States fleet, certain oil-fields being reserved for the navy. In the current year, however, there is a tremendous over-production of mineral oil in the United States. The output per working day has risen to almost 2,500,000 gallons, and in the Senimole region, where the occurrence is most abundant, steps have even been taken artificially to restrict the copious output. The stocks both of crude oil and of benzine are increasing prodigiously, and prices have considerably sunk. Seeing that part of the surplus crude oil has been gained by deep borings in regions which had already been abandoned as exhausted, it is obvious that the estimates of the Geological Institute were either mistaken or purposely garbled in the interest of the oil trade.

2. In spite of this over-production in the United States, a very violent struggle has broken out of late between the two leading crude-oil concerns of the world, the Royal Dutch and the Standard Oil over the Russian oil-fields[14]).

---

[14]) In the July report of the Rotterdam Banking Association there is a detailed account of the big oil concerns. Seeing that the output of the individual groups changes quickly in keeping with natural developments, and the importance of certain groups lies not so much in their output as in their monopoly of pipe lines and refineries, it is very difficult to find a basis of comparison. For this reason, a comparison has been made on the basis of the stock-exchange value of the respective shares. The result is as follows for companies with shares representing a stock-exchange value of more than 50 million dollars:

	Stock-Exchange Value on Dec. 31, 1926	Net Profit (after deduction of sums placed on reserve and taxes) 1926 in Millions of Dollars
Standard-Oil Group:		
Standard Oil Co. (N. J.)	1151	118
Standard Oil Co. of California	734	55
Standard Oil Co. of Indiana	667	55
Standard Oil of New York	628	33
Vacuum Oil Co.	239	25
Tide Water Associated Oil Co.	219	16
Prairie Oil & Gas Co.	—	16
Prairie Pipe Line Co.	—	14
Ohio Oil Co.	971	14
All other Affiliated Entps.	—	45
Together	4609	391
Royal Dutch-Shell Group:		
a) Koninklijke Nederl. Petroleum Mij.	664	41
b) "Shell" Transport & Trading Co.	570	27
Together	1234	68
Anglo-Persian-Burmah Oil Group:		
a) Anglo-Persian	392	19
b) Burmah Oil	242	11
Together	634	30

3. The object of the struggle between the Standard Oil and the Royal Dutch is the prolongation and extension of a purchase-contract concluded by two of the concerns of the Standard Oil group, viz. the Standard Oil of New York and the Vacuum Oil Company, with the Naphtha Syndicate. This contract provides for a supply of naphtha products to the Standard Oil of New York for the Near East and the erection of a refinery at Batoum by the Vacuum Oil. When it became known that this contract had been renewed, Deterding, Chairman of the Royal-Dutch, addressed a very vehement cable message to his representative in America.

> "I neither knew nor in any way suspected that after the Russians had been ejected from London, the Standard Oil would profit by the absence of any other purchaser with a view to concluding important contracts with the Russians for a period of five years, thus allowing them to flood the Indian market and oust American oil from there.
>
> "You may announce that I shall never cede to Russian oil, and that I shall continue fighting it with American oil as long as ever the latter is confronted with Russian competition on the Indian market. I attach importance to declaring that it is a matter of honour for me to sell American oil in India and anywhere else in the place of this stolen product. Please to show Mr. Walter Teagle[15]) the following cablegram:
>
> > "If necessary, I shall instruct you to hand the following declaration to the American press, seeing that I have nothing to hide.
> >
> > "I wish to do honest business with honest business men who have paid for what they sell, and not, as the Standard seems inclined to do, with business people who it was that provoked this dishonest volte-face in of legitimate trade. It is my intention to fight to the last and, if need be, in all parts of the world, since we attach weight to making it known to all the world, who it was that provoked this dishonest volte-face in the oil the oil business"[16]).

4. This was the beginning of a complicated system of intrigues which it is difficult to record. The Standard Oil of New Jersey protested in the press against the Russo-phile attitude of the Standard Oil of New York and apparently identified itself to some extent with the Royal-Dutch. The Chairman of the Vacuum Oil, on the other hand, most emphatically opposed the Royal-Dutch and the parent company of the Standard Oil group. He argued that if it were forbidden to buy Russian oil on the grounds that it was stolen, it ought to be forbidden to buy anything from Russia, where everything was nationalised. It was also just as bad to sell to a thief as to buy of one; yet no one had protested when Russia had purchased great quantities of cotton in the United States. At the same time, newspapers connected with the Standard Oil of New York pointed out that a few months before, the Royal-Dutch had themselves entered into negotiations with the Naphtha Syndicate, which had only been frustrated by the fact that the Royal-Dutch had demanded a selling monopoly for Russian oil products on the world market; the Royal-Dutch had therefore no right to display any moral indignation.

What cannot be fairly established is the question whether the differences between the Standard Oil of New Jersey and the New York group are to be taken seriously or are merely a blind. It is a fact that the most decisive influence on all Standard Oil groups is exercised by Rockefeller. On the other hand, there is a certain division of labour among the individual groups. The Standard Oil Company of New Jersey supplies the European market, Germany, France, Italy, Roumania, Poland, Scandinavia. The New York Standard Oil only supplies Greece and Bulgaria, besides the Near and Far East. The Royal-Dutch has a special agreement with the Standard Oil of New Jersey regarding the European market[17]). This difference of market areas explains the difference in the attitude of the two groups in respect of the problem of Russian oil.

In Europe the Standard Oil of New Jersey and the Royal-Dutch have jointly to encounter the immediate competition of Russian oil; hence there is a certain community of interests between them. In the market area of the New York Standard Oil Company, the Near and Far East, the sale of Russian oil products meets with political difficulties; in a number of British colonies Russian ships can clear only with great difficulty, if indeed at all. It is just in these regions, however, that the geographical situation is far more favourable to the Russian trade than to the American. It is therefore more advantageous for the New York Standard Oil to procure oil from Soviet Russia instead of from the United States, when selling it in southern Asia. This would mean, however, that it could then compete under favourable conditions with the Royal-Dutch in the latter's own particular territory. We can thus comprehend why the Royal-Dutch was anxious to procure a monopoly for the sale of the Russian products.

5. After the challenge of Deterding, Teagle, Chairman of the Standard Oil Company, came to Europe to interview his rival. Before he could confer with Deterding, however, he sprang a great surprise on the latter and on all Europe by concluding the negotiations between the Standard Oil and the I. G. Farbenindustrie. The patents of the I. G. for the manufacture of artificial benzine out of coal were thus acquired by the Standard Oil for exploitation in the United States[18]).

6. On July 28th, the interview between Deterding and Teagle took place in Paris. As regards the results of this discussion, the correspondent of the New York "Times" learnt that the two leaders agreed as to the advisability of avoiding dealings with the Soviets, so long as the latter did not formally recognise the private-property rights acquired by the Royal Dutch and the American companies in Russia under the Tsarist regime. It was, furthermore, emphasised, that the Standard Oil of New Yersey would be greatly surprised, if the present situation were to lead to a "world oil war". As regards the Russian business of the Vacuum Oil, it was established that the Standard Oil of New Jersey would persist in its attitude towards the Russian problem, but that it had no influence over the Standard Oil Company of New York, which was a separate enterprise and had the right to effect whatever foreign purchases it considered fit[19]).

7. Under the impression of these events, the Standard Oil shares dropped by 10 per cent.

8. According to press reports, the Royal-Dutch has in the last few weeks taken up a competitive struggle with the Stan-

---

(Continuation of footnote 14.)

11 Great Independent Concerns:

The Texas Co.	387	36
Gulf Oil Corporation	466	35
Philipps Petroleum Co.	137	21
Sinclair Consolidated Oil Corp.	192	18
Union Oil Co. of California	235	12
Marland Oil Co.	132	12
Cities Service Co.	168	11
Pure Oil Co.	118	11
Mid-Continent Petroleum Corp.	54	9
California Petroleum Corp.	82	7
Barnsdal Corp.	58	6
Together	2029	178

In regard to this table it should be pointed out that on the one hand the big components of the Standard Oil group no longer form so compact a unit as formerly, but that on the other hand some of the big independent concerns and numerous small American mineral oil companies are subject to Standard Oil influence in a far greater degree than hitherto.

[15]) Chairman of the Standard Oil of New Jersey, the parent company in the whole Standard Oil concern.

[16]) Quoted from the "Informations Financières" of August 18th, 1927. It would appear, however, that the cablegram was of earlier date.

[17]) v. the Article by Prof. Alfons Goldschmidt in the "Berliner Tageblatt" of October 19th, 1927.

[18]) The actual contents of the agreement between the I. G. and the Standard Oil are unknown, The press reports in this regard are contradictory. It would seem, however, that the main point is not the acquisition of the coal-liquifaction process, but rather the exchange of certain patents and experiences of great importance for the preparation of benzine from crude oil, these being mainly discoveries made by the I. G. in the process of its experiments for the liquifaction of coal.

[19]) "New York Times" of July 29th, 1927.

dard Oil in Syria, Asia Minor, and the neighbouring countries. On the other hand, the Royal-Dutch is anxious to belittle the significance of the fact that the I. G. is now commencing to put artificial benzine on the German market. Kohen, general manager of Shells, announces that in the coming year the I. G. Farbenindustrie will produce only extremely small quantities of the artificial spirit. "I therefore consider it altogether out of the question", he says, "that market or price conditions should be in any sense vitally influenced by the sale of such small quantities. . . . The same may be said of the co-operation between the I. G. Farbenindustrie and the Standard Oil. The development in the near future will not be influenced by these plans and agreements. At present, the enormous over-production, especially in the United States, is the dominating factor on the oil market[20])."

9. No more can the actual state of affairs be fairly established as regards the benzine-fabrication of the I. G. Farbenindustrie. The I. G. has applied to the German State Railways to get the transports of artificial benzine classed under a lower tariff, a point which has been conceded as from September 15th. The loading-stations indicated in this connection are Ludwigshafen, Leuna, and Kötschen, so that liquifaction works may be presumed to have been established at the other two places as well, though hitherto wholly unknown to the public. The "Börsen-Courier" of September 12th states that for the current year already contracts have been concluded for 120,000 tons of oil gained from coal. Next year, the output of the Leuna works is to be increased to 300,000 tons. Within the last few weeks, 12,700 building workers have been employed for the purpose of constructing new works and enlarging those already in existence. In the Leuna works and in the lignite mines belonging to the company, 16,500 workers and employees are engaged; together with the above-mentioned 12,700, this makes a total of 29,200[21]).

The state of affairs is rendered still more complicated by the fact that the first output of the Mosul oil-fields is, allegedly, to be expected shortly. By contract, the output in the Mosul region has been fixed at a minimum of two million tons per annum; if this output figure is not realised, the concessionary agreement becomes invalid. In such an event, the "Turkish Petroleum Company" would be obliged to suspend its operations forthwith. For the purpose, however, of putting the products of the Mosul region on the market, pipe lines would have to be laid from Mosul to the Mediterranean, ending in Syria or Palestine. This would entail several years' work.

These are the most important facts in regard to mineral oil in the last few months. They naturally do not suffice in order to render a practical analysis of the situation.

It must in the first place be borne in mind that oil is a product of a special kind, in regard to which not only the profits of the great concerns, but also military and political considerations play an important rôle. **Mineral oil is indispensable for modern warfare.** The finest fleet, the most up-to-date air fleet, and the most magnificent tanks are nothing but scrap iron, if the supply of motive power is not ensured. The supply, moreover, to that region where the war is taking place. The possession of the most gigantic oil-fields in the United States, e. g., would avail the American Government but little in the case of a war in Europe or Asia, supposing Great Britain were to cut off the supplies by reason of its naval predominance. Besides the profit interests of the two world-controlling concerns, the American Standard Oil and the Royal-Dutch-Anglo-Persian, the foreign policy of Great Britain and America must be taken into consideration. Oil means foreign policy, and foreign policy means oil policy. War is waged **by means** of oil, and wars are waged **for the sake** of oil.

To quote an instance: Hughes, the former United States Secretary of State, who was officially opposed to the recognition of Soviet Russia, is now the legal adviser of the Standard Oil of New York and the Vacuum Oil. Ivy Lee, the "public relations counsel" of the Standard Oil and obviously the man entrusted with "manipulating" the press and public opinion, recently published a book called "The Soviet Union, the World Riddle", in which he advocates that the United States should invest money in the Soviet Union and enter into commercial relations with it. In this way, he argues, the wealth of the Russian people will increase, and they will rid themselves of all revolutionary doctrines, just as the American workers have done. This is an American form of propaganda for the Americanisation of the Soviet Union and for intimate economic collaboration.

The course of the Geneva Naval Disarmament Conference proves the growing tension between the United States and the British Empire. A rivalry in naval armaments threatens. The antagonism between the two great Powers lies in the first place in the Pacific (China, Japan, Australia). Without oil, the fleets are powerless. The United States possess very few naval bases in those regions, while all the Asiatic oil fields are monopolised by Great Britain, save for those of the Soviet Union. The greater the tension between England and America, the greater the importance of the oil supply in Asia and therefore of the Russian oil fields.

The existence of oil in the Soviet Union is therefore of the greatest possible future significance[22]).

The output figured in 1926 as follows in millions of barrels:

United States	757
Mexico	90
Asia	66
South America	58
Roumania	24
Poland	6
Soviet Union	62
Whole World	1,071

(Data from the "Annuaire Statistique International", 1926, p. 84.)

At present, the output of the Soviet Union may be presumed to occupy second place, before Mexico.

THE WORLD IRON AND STEEL MARKET.

The international iron market has been characterised during the last few months by the following facts:

1. In all great countries of production, with the exception of Germany, the output of iron and steel has receded from month to month. The steel output has receded since March by one fourth in the United States and one third in Great Britain.

2. As a result of its great inland business prosperity, Germany has placed only small quantities of iron on the international market. The fight for the European market has been waged between Great Britain on the one side and France, Belgium, and Luxemburg on the other. The development of foreign trade in iron and steel products in the most important countries in the first half of 1927 is illustrated by the following comparison[23]).

Imports (Thousands of Tons)

	Germany	Gt. Britain	U. S. A.	France	Belgium & Luxemburg
January	128.9	555.4	57.5	7.4	44.8
February	143.1	443.4	44.7	7.5	36.0
March	129.6	478.1	56.8	10.8	52.8
April	199.1	404.7	54.8	12.0	46.2
May	185.6	355.9	73.0	16.7	46.5
June	185.5	332.6	63.0	13.7	55.1
Monthly Average of 1926	86.1	311.7	88.9	14.3	49.0.

Exports (Thousands of Tons)

	Germany	Gt. Britain	U. S. A.	France	Belgium & Luxemburg
January	476.3	219.3	211.5	454.9	339.7
February	352.2	251.7	158.4	456.1	360.2
March	373.4	353.0	155.6	463.6	432.9
April	342.8	334.5	167.9	508.5	376.4
May	342.7	422.4	175.9	450.5	368.9
June	306.4	366.0	158.2	421.0	343.6
Monthly Average of 1926	400.2	248.9	171.8	337.3	303.6

---

20) "Börsen-Courier" of September 20th, 1927.

21) All items from the "Börsen-Courier" of September 19th, 1927. It can naturally not be ascertained, how much of this report is true.

22) v. "New Republic" of August 6th, 1927.

23) "Frankfurter Zeitung" of August 29th, 1927.

3. The British heavy industry has made a vigorous move for the purpose of securing its home market against Continental iron imports. As from September 1st, it grants such English dealers and consumers as engage to cover their requirements exclusively within the country and to import no foreign iron or steel, a price reduction of from 5 to 7½ shillings per ton. In the announcement of this rebate, which was signed by several dozens of the leading iron works, it is pointed out that the imports of foreign iron and steel are rapidly rising[24]).

These imports figured as follows in millions of pounds:

1923	14
1924	22
1925	24
1926	29
1927	50 (estimate)

4. The German iron and steel industry replied to the discount plan of the British heavy metal industry by a price reduction both as regards crude iron and steel and in respect of rolled products. This reduction ranged from three to ten marks per ton and thus ensured the competition of German iron on the international market. It should be pointed out, however, that all the iron and steel prices published in the press are fictitious, seeing that in the disputed territories sales are very largely effected below the official quotations.

5. By the conclusion of the Franco-German commercial agreement and by the official fixation of those duties on iron and iron goods which had been determined beforehand in the private negotiations between the French and German heavy metal industries, the existence of the Continental steel cartel is now ensured. Prior to 1929, no notice of dissolution can be given. At the latest session of the Continental steel cartel, Germany was accorded further facilities. For output in excess of its quota, Germany had hitherto to pay to the cartel funds two dollars per ton on inland, and four dollars per ton on foreign sales. The penalty for exceeding the inland production, established at 72 per cent. of the total output, has now been reduced to one dollar per ton.

The following table shows the formation of the iron and steel output in the most important procuding countries:

Iron Output
(Thousands of Tons)

	Gt. Britain	Germany	France	Belgium	Luxemburg	U. S. A.
Monthly Average 1926	528[25])	804	783	283	209	3308
March 1927	683	1086	801	314	230	3539
April 1927	691	1052	774	310	225	3477
May 1927	732	1130	794	319	238	3445
June 1927	662	1068	747	302	224	3139
July 1927	656	1109	769	320	225	2999
August 1927	606	1116	773	317	238	2994
September 1927	592	1105	—	—	—	2775

Steel Output
(Thousands of Tons)

	Gt. Britain	Germany	France	Belgium	Luxemburg	U. S. A.
Monthly Average 1926	626[25])	1028	699	281	187	3794
March 1927	965	1415	704	315	203	4571
April 1927	864	1288	681	301	206	4161
May 1927	897	1378	712	321	210	4080
June 1927	759	1328	672	300	203	3524
July 1927	694	1362	677	314	203	3229
August 1927	652	1426	694	326	216	3520
September 1927	777	1371	—	—	—	3083

[24]) "Times" of September 1st, 1927.
[25]) 1925.

CUSTOMS POLICY AS A WEAPON IN THE FIGHT FOR MARKETS.

In the same degree in which international capitalism again approaches the aspect of pre-war times, and in which the distinction between regions of over-production and under-production (as in the first few post-war years) gives way to the tendency towards over-production so characteristic of "normal" capitalism, thus causing the fight for markets again to come to the fore, in the same degree renewed importance attaches to the customs policy as a means in this fight.

In keeping with the contradictory character of capitalist economy, it is impossible at any time to discover a common line of customs policy among the capitalist States. Indeed, the formula of "prohibitive duties to protect our own native industry and free trade in all other countries" would most approach the actual desires of financial capital to-day[26]).

But this ideal cannot be realised by any country, for like every other capitalist policy, customs policy is, when all is said and done, a policy of power; it depends on the actual power of a State, in what measure this ideal can be realised. Or expressed in purely economic terms, a country is the more in a position to put through its own directives of customs policy:

a) If the home market absorbs most of the native productions, or, in other words, the smaller the "export quota". (Consistent with the actual state of affairs in the imperialist epoch, it is here presumed that industry is concentrated in trusts and cartels, so that the customs protection can be fully taken advantage of on the home market.)

b) If the exported products occupy a monopoly position on the world market.

c) If exportation is connected with the exportation of capital.

Or, to put it politically, if the State in question can force through its policy by virtue of its political and military position.

Or, again in other words, the proportion in which the bourgeoisie is able on the one hand to put through its own customs policy, or is obliged, on the other hand, to compromise with the other capitalist States, depends on the political and economic position of the individual States.

From this point of view, we shall here review in brief the customs policy of certain imperialist States and the tariff wars which have of late arisen therefrom.

The Customs Policy of the United States.

The most independent and arbitrary of all customs policies is that of the most powerful imperialist State, the United States of America. The export quota, i. e. the price total of goods sold to foreign countries, amounts to less than ten per cent, for industry to about six per cent. A considerable portion of the industrial exports is composed of goods possessing the character of a monopoly on international markets (certain articles of machinery, cash registers, safety razors, etc.) A very considerable part of the exports at the same time constitutes capital exportation. In view of its predominant position, moreover, the United States is in a position to remain independent of other countries in regulating its customs policy.

As a matter of fact, the United States put through its customs tariff without regard for the other States and without making the least concession as regards a change of tariffs in its commercial treaty negotiations. On this basis, its grants all countries the same treatment, while demanding most-favoured-nation treatment of all of them. This means that, if two other countries grant each other mutual concessions in regard to customs, the United States must automatically come to enjoy all these privileges as well. As a weapon against all such States, as are disinclined to grant the United States most-favoured-nation

[26]) A certain exception may still be made for England, a country in which the banking and commercial capital together with the finishing industries still outweighs the heavy metal interests, a country which depends on exportation for the disposal of a very great part of its output, as a country, finally, in which there is a strong tradition in favour of free trade, dating back to the times of industrial predominance. Here a change to a protective-tariff system can only be effected very slowly.

treatment or as dare to discriminate in their customs tariffs to the disadvantage of goods of the United States, the latter has a clause in its customs tariff which empowers the President to impose excess duty on the goods of such countries or possibly to prohibit their importation altogether.

In contradistinction to the customs system of most European countries, the United States has an ad valorem customs computation, that is to say, the duty is not levied per unit of the commodities at such and such a rate, but is expressed in percentage proportion to the value. Any one importing goods into the United States, must declare the value thereof and certify the accuracy of the declaration. The material used as evidence of value comprises copies of invoices, attestations by American commercial attaché in the country of origin, etc. If the American customs authorities suspect that the declared value is lower than the actual value, they may presume to send their own customs officers to the respective enterprise in the foreign country and to require the producer to afford them insight into all the books for the purpose of establishing the actual sale or cost price. If a French or German manufacturer, e. g., refuses to permit the American customs officers insight into his books, the United Customs authorities are authorised to prohibit the importation of all goods of the firm in question.

In this way the United States most unscrupulously exploits its predominant position in relation to the weaker capitalist States. All attempts on the part of the various international organisations to counter-act the arbitrary proceedings of the United States customs authorities have hitherto remained without avail. Fully three years ago, on November 7th, 1924, the International Chamber of Commerce passed a resolution against this system, the most important passage of which is as follows:

"Whereas, in particular, the investigation of the books of exporters in various countries by foreign agents and the demand by the latter of the delivery of technical details regarding secrets of manufacture, appear to surpass the limits of normal prudence such as may be employed by a country in the interest of a regulation of its own imports, the International Chamber of Commerce appeals to the American national committee of the said Chamber with a view to intervention by the latter with the competent quarters and communication to the latter of the justified complaints of the exporters of the various countries."

The intervention of the International Chamber of Commerce was of no avail. The system in question is still in force at present. What it really means is obvious, if one considers what would happen, supposing, e. g., some small European country or China were to send customs agents to the United States to demand insight into the books of the American trusts for the purpose of customs control.

In connection with the Franco-German commercial treaty, this customs policy on the part of the United States led to serious friction with France. To appreciate this fact, we shall, however, need to go into rather greater detail into the general circumstances of the case.

The French Customs System.

France has at all times had the most rigid customs system of all European States. France has a minimum tariff, below the rates of which no commercial treaty must go, and a general tariff to be applied to countries which have no commercial treaty with France. In the case of commercial-treaty negotiations, the respective rates can, in exchange for concessions on the part of the other party, be reduced to a level between the general and the minimum tariff positions.

The present French customs tariff really dates back to the year 1892, but has several times in the war and post-war periods been changed by decree in keeping with the currency depreciation. At the close of the war in 1918, France gave notice of cancellation of all commercial treaties, and in the following year a new customs tariff, with minimum, general, and intermediate tariff rates, came into being. In May 1927, when the commercial treaty negotiations with Germany made it appear advisable for France to have an additional weapon at its disposal, the general tariff rates were raised to four times those of the minimum tariff.

At the same time, the draft of a new and definite customs tariff was submitted to Parliament. This new tariff contains 1700 items and almost 9000 rates.

As is usual on such occasions, the press and the organisations of the various industries raised innumerable protests against the new customs tariff, demanding increased customs protection. The object of controversy was the question whether the most important branches of national production, industry and agriculture, had been accorded equal protection and whether the individual branches of industry were entitled to equal measures of defence. Furthermore, it was debated, whether, in view of the present currency conditions, the proposed tariffs provided as great a degree of protection as before the war. Finally also, whether the customs protection was higher or lower than in other countries.

The conflict of interests between the individual groups of the bourgeoisie prevented the new customs tariff being put to the vote; all the more so as the "Humanité", followed by various petty-bourgeois papers, started a vigorous campaign against the new tariff draft, pointing to the renewed rise in prices which would inevitably accompany its enactment. Seeing that in France the elections are fairly imminent, the bourgeois parties deemed it advisable to postpone the discussion of the customs tariff indefinitely and to make shift in the meantime with decrees.

Meanwhile, after three years of negotiations, the Franco-German trade treaty has been concluded and came into force on September 6th, thus bringing the differences between the French and the American customs policy to a head.

The Franco-German Trade Treaty.

The conclusion of the negotiations in this regard was preceded by three years of serious conflicts, in which connection we need but refer to the peculiar mechanism of such discussions, the outcome of class relations in the imperialist States. Since the war, the following system has developed. The actual discussions are conducted by the leading men of the great cartels and trusts, or the heads of the industrial groups. If they come to a temporary result, the work is transferred to the leading commercial officials of the States in question, or to the diplomats. Only when the treaty has been completed, and sometimes when it has been in operation for several months, is it submitted to Parliament for ratification. This mechanism, which, on close observation, we find again and again in all trade-treaty negotiations, corresponds to the character of class relations in the imperialist States. The representatives of the high finance reign supreme, the leading bureaucracy governs, and the sovereign parliament confirms the agreements already concluded.

The nature of the newly concluded Franco-German commercial agreement is such that, subject to small restrictions, the two countries grant one another virtual most-favoured-nation treatment, France adhering for the most important German goods to the rates of the present minimum tariff until the lapse of the commercial agreement at the close of 1928. The restrictions consist in the fact that for certain goods, such as French wines in Germany in particular, definite maximum consignments have been established, while on the other hand German citizens are not permitted to settle freely in the most important French colonies, such as Morocco or Farther India.

Since the conclusion of the treaty was preceded by very lengthy private negotiations between the capitalists, it is natural that both the German and the French press should be satisfied in general with the terms of the commercial agreement, while it is only individual industries that raise certain objections in their own interest. The customs rates for German machinery, e. g., amount in many cases to no more than one third or one fifth of the rates provided in the French general tariff, while they are also far lower than those provided in the new French customs tariff draft[27]).

---

[27]) "Deutsche Allgemeine Zeitung" of August 31st, 1927.

The signifance for the bourgeoisie of the conclusion of the Franco-German trade agreement also consits in the fact that the establishment of the customs rates for Germany anticipates the Parliamentary decision in regard to the prospective customs tariff, that the French Parliament is placed before an accomplished fact.

Particular importance also attaches to the following fact: Among the European States, as we have already observed, France has at all times had the most independent customs policy, and that for similar reasons to those obtaining in the United States, viz., the exportation of luxury goods of a strictly monopolist character, comparatively little foreign trade, in keeping with the agricultural character of the country, and a vigorous capital exportation. During and since the war there have been many changes. Despite smaller capital exports, French industry must compete energetically with that of other countries in placing numerous staple goods on foreign markets; hence the sudden great elasticity of the French customs policy. Since 1892, this is the first time that France has departed from its rigid customs policy so far as to agree with another contracting party as to certain customs rates, binding these to the duration of the treaty. Thus France is forced to abandon the principle of regulating foreign trade by means of cartels, a method already repudiated at the World Economic Conference.

The Franco-American Customs Conflict.

The conclusion of the Franco-German commercial agreement has led to an acute customs conflict between France and the United States. To understand this fact, the reader must first be acquainted with the following previous events in the goods traffic between France and America[28]).

There has never been a commercial treaty between France and the United States. In the year 1910, France made the following one-sided concessions to the United States:

1. A whole series of goods (List A) were subjected to the rates of the minimum tariff.

2. A considerable number of commodities (List C) were subjected to general tariff rates.

3. The remaining goods were made subject to the rates of the general tariff in force prior to 1910.

In 1921, when the custom rates were raised by 300 per cent. against Germany, American goods were conceded the old tariff rates.

And now, on the basis of the emergency law of July 27th, 1927, and in connection with the conclusion of the Franco-German commercial treaty, the rates of the French minimum tariff have been suspended for goods figuring on List B, being replaced, as from September 6th, by the rates provided in the said treaty. There results the following situation: Germany and the other countries with which France has concluded commercial agreements pay for their goods the customs rates provided in List B of the France-German trade treaty. America, meanwhile, must — in so far as some of these goods do not figure on either of the above-named American lists A und C — adhere to the general tariff, which is on an average four times as high. The United States is thus at a great disadvantage in relation to the other countries. As regards spinning appliances, e. g., the customs rate for American goods is 100 francs, while for goods from countries in trade-treaty relations with France it is only 10 francs.

Hence, great indignation on the part of the American capitalists. Day by day, the New York "Times" has been publishing under big headlines articles of protest, in which it points out that France desires to have a weapon against the United States in the new negotiations on the problem of indebtedness. For the rigid American customs system will allow of no compensation in that direction.

For the time being, the United States elects to employ political channels only. It instructed its Ambassador in Paris to protest against this discrimination. The French Government preserved an outward appearance of solicitude and declared its willingness temporarily to reduce the rates of the general tariff by 50 per cent. in favour of American goods pending the discussions for a trade treaty with the United States. But in spite of this favour the American goods were taxed twice as high as the German (and those of other treaty States) on List B, mainly machinery, electrical appliances, and the like.

In a session on September 16th, the American Government declined the French offer, since the demand as to the conclusion of a customs convention was contrary to the principle of an independent establishment of customs rates by the United States. Kellogg declared that if the French Government did not yield, America would have recourse to counter-measures, obviously by applying to French goods the 50 per cent. premium envisaged in the American customs tariff, if not, indeed, by altogether prohibiting the importation of French goods, a step which the President is authorised to take according to para. 317 of the customs tariff law[29]).

On September 20th, the American Government addressed a rather sharp reply to the French Government, declining all discussion of its customs-rates and adhering to the principle of formal equality. The United States accord **all** countries of the world most-favoured-nation treatment without the least consideration, and they demand for themselves absolute equality in all countries, without desiring to grant any concessions in return therefor.

In a reply dated September 30th, the French Government reiterated its standpoint, to the effect that it could not accord the customs rates established in the Franco-German trade treaty without demanding an equal return on the part of the United States[30]).

To this the American Government replied on October 3rd by a decree, raising the duty on ten categories of French goods by 50 per cent. This was tantamount to the beginning of a tariff war.

Outwardly, this is a conflict between two commercial-political principles, that of formal equality for all countries as regards customs treatment along with a rigid adherence to a rigorous customs tariff, and that of the establishment of treaty rates on the basis of mutual concessions.

Intrinsically, however, it is neither more nor less than a collision between French and American imperialism, a collision, moreover, which merely forms part of a greater antagonism, that regarding indebtedness.

The Forcible Suppression of Freedom of Customs Policy in the Semi-Colonial Countries.

French public opinion is indignant at the presumption with which the United States bourgeoisie demands the advantages of most-favoured-nation treatment wtihout granting anything in return.

The French imperialists, however, are on their part ever ready to suppress by force the customs-political freedom of the weaker countries. At the Peace of Versailles, most-favoured-nation treatment was exacted from Germany without any consideration, and in its vassal States in the East of Europe France has attained exceptionally advantageous customs rates for its luxury goods.

The most shameless procedure of the French, however, was that in regard to China. When the customs authorities of Tientsin desired to levy an export duty on carpets, the French commander simply resorted to force and ordered the Chinese customs officials to be driven out of the French concession.

In this forcible prevention of the customs autonomy of China and other colonial and semi-colonial countries, we may recognise the contradictory character of imperialism in this connection: prohibitive tariffs at home, free trade abroad, and the pledging of the entire State authority in support of the customs-political interests of monopolist capital.

---

[28]) We shall more or less follow the account given by Fr. Jenny in "Le Temps" of September 19th, 1927.

[29]) New York "Times" of September 16th, 1927.

[30]) v. "Bulletin Quotidien" of October 4th, 1927.

II. Special Section.

GERMANY.

The favourable business position of German economy has continued during the last few months, this continuation of business prosperity being mainly ascribable to the new influx of foreign capital.

By reason of the insufficient supply of productive capital for German capitalism, a crises resulted which was in certain respects "abnormal". It did not take the form of an over-production of finished industrial products, but rather expressed itself in the impossibility of following up investments by concluding constructional and other works, seeing that, if the requirements of current consumption were to be satisfied, not enough of the product-value of a given period was available to carry through to completion the enterprises once commenced. The lack of productive capital naturally expressed itself in a lack of loaned capital, since every individual capitalist enterprise endeavoured to procure the capital it lacked by means of credit.

The influx of fresh capital from abroad gave a new impetus to German business. The following figures, which we reproduce from a survey in the "Frankfurter Zeitung" of October 2nd, 1927, show the progress of German emission activity at home and abroad.

German Issue Market at Home and Abroad.

(In Mill. o. G. Marks)	Home Loans	For. Loans	Applic. f. Cap. Increase	Foundations of Jt. Stk. Co's.
			Real Capital Requirem.[31]	
1924 total	176.30	1,002,00	66,00	113,88
1925 total	144,60	1,241,00	593,76	114,12
1926 total	1,366,00	1,517,00	1,242,66	90,38
January	196,30	20,95	91,95	8,69
February	679,70	17,40	81,19	6,90
March	56,00	47,05	188,06	4,44
April	51,00	—	144,26	4,99
May	0,70	56,00	139,92	4,29
June	2,00	160,70	106,19	25,06
July	4,00	434,20	12,85	41,89
August	4,00	124,10	64,90	20,82
September	none	165,60	50,43	5,99
October	none	526,00	—	—

This table shows various characteristics typical of the business boom. Since May last, the home investment market has not been at all receptive for loans. The total of inland loans taken up within the last five months barely figures at 11 millions. Parallel with the failure of the home loan market, we have a rapid influx of foreign loans during the last five months. The place of the inland loans, meanwhile, is taken by capital increases, so that it is obvious that the interest for inland loans has formed an insufficient attraction to those ready to lend capital; thus the firms in search of capital have been obliged to cover their requirements by means of increasing their share capital. This circumstance is a proof, in the first place, of the great lack of capital in Germany in general, and secondly that the business development has now reached a phase in which additional capital is only to be acquired in return for a participation in the profits by way of a new share emission.

In the first five months of 1927, when the raising of foreign loans met with considerable obstacles, short-termed foreign credits, not offered for public subscription, were attracted to Germany in large quantities. How great their sum total is, can naturally not be ascertained with accuracy. The German balance of payments, as published by the Statistisches Reichsamt for the first half of 1927, shows a balance of 2150 million marks[32]). Seeing that the public loans invested abroad amounted to no more than 328 millions, it would appear that a sum of 1800 millions entered the country by some other channels. Out of this sum, the Statistische Reichsamt accounts for 928 millions as the money and foreign-bill deficit of the Reichsbank, and for 210 millions as bank credits. The first-named item is contained in the 941 millions figuring in the balance of payments as "non-distributable capital fluctuations".

It appears therefore that the attempt to prevent the acceptance of foreign loans has remained abortive, seeing that at the time of the prohibition of foreign loans, German economy continued in a large measure to take up short-termed foreign credits.

GREAT OUTPUT IN THE FACE OF GREAT UNEMPLOYMENT.

The present prosperous business cycle is characterised by a very pronounced increase in output side by side with a dregree of unemployment which would before the war certainly have been regarded as constituting a crisis. This anomaly, which cannot be explained away, is the peculiar characteristic of the present business boom. The following data show the development of output in the last few months in comparison with August 1926:

	Hard Coal	Lignite	Crude Iron	Crude Steel	Build Operations: Dwellings	Build Operations: Others	Daily No. o. Waggons furn. by Reichsbahn (in 1000's)
	Mill. tons		thous. tons				
Aug. 1926	12.9	11.4	850	1143	3285	559	113.2
Jan. 1927	13.4	12.5	1061	1309	5264	766	128.6
Feb. 1927	12.7	12.0	969	1234	6151	1317	135.2
Mar. 1927	14.1	13.0	1086	1416	7644	1442	144.0
Apr. 1927	11.8	11.4	1052	1288	5471	1045	148.8
May 1927	12.3	12.0	1130	1378	5506	1171	151.6
June 1927	11.8	11.8	1068	1328	6534	661	148,4
July 1927	12.6	12.1	1109	1362	4481	873	150.2
Aug. 1927	12.9	12.7	1116	1426	5388	830	150.3
Sept. 1927	12.7	12.9	1105	1371	5543	1129	157.2

The most characteristic feature of the business position is the fact that the iron and steel output has risen by 30 per cent. in the course of a single year and that the number of trucks furnished every working day by the Reichsbahn is 15 per cent. above what it was last year. The coal output has not increased, but then it must be borne in mind that August 1926 was the apex of the increased demand for coal caused by the lock-out in the English mining industry. There are no comprehensive data to hand in regard to the finished industries, but it is generally known that in engineering, ship-building, electro-technics, and the chemical and textile industries, the business position is extremely good, at any rate from the standpoint of the capitalists, i. e. that of profits. We shall later have occasion to speak of the signs of an imminent decline of this business prosperity.

And now to speak of the position of the working class.

In the prosperous business cycles of pre-war times, the percentage of unemployed in the trade unions sank below one per cent. At the end of August 1927, it stood at 5.1 per cent., at the end of September at 4.6 per cent. The development in the course of the year is shown by the following figures:

Unemployment in the Trade Union Organisations.

(In percentage proportion to the membership.)

	Unemployed	Short-Time Workers
August 1926	16.7	15.0
January 1927	16.5	6.6
February 1927	15.5	5.8
March 1927	11.5	4.4
April 1927	8.9	3.7
May 1927	7.0	2.9
June 1927	6.3	2.7
July 1927	5.5	2.6
August 1927	5.1	2.8
September 1927	4.6	2.4

The improvement in the position of the labour market in the course of the year is tremendous, more than two thirds of

[31]) Without material investments and shares from amalgation.

[32]) "Wirtschaft und Statistik", No. 17, p. 739.

the number of unemployed having been absorbed, but nevertheless there is still a great army of unemployed.

The number of unemployed developed as follows during the last few months:

Number of Unemplyed.
(In Thousands.)

	In rec ipt of Regul r Benefit	In receipt of Emergency Relief
January 1st	1746	138
January 15th (peak)	1834	234
April 1st	1121	234
May 1st	871	226
June 1st	649	208
July 1st	541	181
August 1st	452	156
September 1st	404	137
October 1st	355	113

The decrease in the number of registered unemployed is greater than might be expected in view of the percentage of unemployed in the trade unions. The reason lies in the growing number of those who have "run out of benefit" and receive neither emergency relief nor unemployment benefit. How great the number of these workers is cannot be established. A computation of the 5.1 per cent. of all organised workers, as last registered, for all wages-earners, would — putting the latter figure at 20 millions[33]) — give us a figure of roughly one million unemployed, and that at the height of the business boom and of seasonal occupation.

The great increase in unemployment in the clothing industry is attributable not only to seasonal influences but obviously also to a certain deterioration in the business position, in the face of a continuously good situation in the textile industry.

Reports from the heavy industries are conflicting.**Coal** production shows a declining tendency and the pit-head stocks are on the increase. The competitive struggle with British coal in the "dispute territories" is very keen. The coal capitalists are attempting to maintain their profits by price-increases on the home market, but have hitherto met with resistance on the part of the Government[34]). A deterioration of the present position may be expected as a certainty.

The situation in the **iron** and **steel** industry is full of contradictions. The home demand is still very great. There are some who maintain that the technical reorganisation of the heavy-metal industry is only now in progress and that next year "the heavy-metal industry will form the main market for its own products". We believe this to be an exaggeration, for it is only in the case of a brisk sale to other customers that the iron industry will be able to continue the reorganisation of its works and to use a great portion of its own output. As a matter of fact, various articles (e. g. that in the "Frankfurter Zeitung" of September 6th) are altogether in a pessimistic tone.

In **engineering** and the **electrotechnical industry** business still continues good, both at home and abroad, though export trade in general meets with difficulties in the way of long-termed credits and the lack of an adequate capital exportation.

---

[33]) The trade census of 1925 returned 14.4 millions of wage-workers and 5.3 millions of clerks and employees, so that to-day there is a total of more than 20 millions.

[34]) In spite of the good business position, the Ruhr miners could only increase their wages by means of a greater working output. A comparison drawn up by a fiscal and capitalistic quarter ("Börsen-Courier" of September 29th, 1927), shows the following figures:

	Kilogrammes raised per shift	Wages p. shift	Cost of labour p. ton o. output
1925	946	7.12	10.40
1926	1114	7.79	9.60
January 1927	1141	7.86	—
June 1927	1131	8.59	10.45

The increase of the earnings per shift over 1925 is outweighed by the increased working output.

FOREIGN TRADE.

In keeping with the exceptional business boom, the lack of capital, and the counter-measures taken against the latter by means of the negotiation of large foreign credits, the commercial balance of the last few months was unsatisfactory. The receptive capacity of the home market was so great, that even such lines as usually yielded an export surplus from Germany, had to be imported.

Foreign Trade in Millions of Marks.
(Present-Day Values)

	Aug. 1926	Mar. 1927	Apr. 1927	May 1927	June 1927	July 1927	Aug. 1927	Sept. 1927
Imports	920	1086	1096	1173	1197	1277	1161	1175
Exports	834	842	797	834	748	891	869	933
Excess of Imports	86	244	299	339	449	386	292	242

The import surplus shows a falling tendency, but as a result less of rising exports than of declining imports, both of which factors, in so far as they are not caused by the fluctuating course of the influx of foreign credits, are symptoms of a decline in the business position at home. The question how German industry will be able to conquer its share in the world markets is still wholly unanswered. The German exportation of finished industrial goods is not increasing, as may be seen by the following figures[35]):

Exports and Imports of Finished Articles on the Basis of Present-Day Values.
(In Millions of Marks)

Quarters		Exports	Imports	Export Surplus
1. Quarter	1925	1530	582	949
2. „	1925	1590	487	1103
3. „	1925	1723	498	1225
4. „	1925	1782	438	1345
1. „	1926	1819	282	1537
2. „	1926	1696	293	1403
3. „	1926	1736	322	1414
4. „	1926	1746	438	1308
1. „	1927	1704	486	1218
2. „	1927	1779	606	1173
3. „	1927	1956	675	1281

In spite of an alternation of good and had business, exports have for the last two years been fairly stationary, while imports have changed considerably in keeping with the business position. In this way, however, there is no possibility of a payment of reparations out of the country's own production of value.

FOREIGN LOANS AND THE REPARATIONS QUESTION.

This brings us to one of the fundamental problems of German economic policy, the attitude of the German bourgeoisie towards the reparations question. In the German bourgeoisie inclined really to make regular reparations payments and to work in the direction of a possible transfer, or is it determined to pursue an economic policy impeding a transfer and aiming at a revision of the Dawes plan?

So far as we can fathom the intentions of the German bourgeoisie, it appears that there is as yet no uniform opinion on this question, two currents are warring with one another within the bourgeoisie, one in favour of an economic obstruction of the transfer and of a system of economic warfare with a view to forcing the revision, and another in favour of a present payment of the reparations with the hope of a revision as a result mainly of outside political developments.

This conflict of opinions is also partly decisive for the attitude observed towards the entrance of foreign capital. There is one tendency which categorically repudiates foreign loans for "unproductive" purposes, seeing that an influx of foreign capital creates a tendency towards inflation, a "borrowed" prosperity[36]).

---

[35]) "Berliner Tageblatt" of August 10th, 1927.

[36]) This designation (in German, "Konjunktur auf Borg") was first employed in the press, and subsequently taken up by Schacht on the occasion of a speech at the end of June, and found its most drastic employment in the expatiations of Lustig, who called the entire development of the past years a **dangerous** step on the downward path.

The leader of this "anti-inflation" policy is doubtless Schacht, Chairman of the Reichsbank, who has undertaken several attempts to prevent the influx of foreign money, though with the only result that instead of cheap, long-termed foreign loans, expensive and short-termed credits are negotiated, while the foreign-bill holdings of the Reichsbank have dwindled and the lack of capital threatened to end in a precipitous downfall of the business prosperity. Schacht's attempt to keep out foreign capital and make a greater use of the inland capital market by lowering the bank-rate, was wholly unsucccessful. He was forced not only to put up the bank-rate again to 6 per cent., but also to raise the rate of interest of the new State Loan, which was already being quoted at 85.9 per cent. This was a process almost unprecedented in the recent history of finance.

The connection between foreign loans and the reparations question is as follows:

"Transfers may only take place if no danger is incurred to the stability of the currency." The more foreign loans Germany raises, the more interest has eventually to be transferred. Since the transfer of interest is a private-economic process, it naturally takes precedence of the transfer of the reparations payments. Even in the capitalist system there is no means of hindering a firm meeting its private economic liabilities. Hence, the more foreign loans, the more private transfers and less prospect of a transfer of reparations; therefore also the more urgent the necessity of revising the Dawes plan.

This very naturally mainly concerns the future; for the present the raising of foreign loans serves the purpose of making possible an economic process which we may call a "bogus transfer" and which consists in paying the reparations by means of alienating the national assets. The foreign loans render the transfer possible at the moment but make it more difficult at a later date.

As regards the foreign loans in particular, the fate of the Prussian Loan of 30 million dollars, which could only be offered for subscription after a lengthy delay, shows that the American Treasury, too has misgivings in view of the anomalous position created by the parallel growth of Germany's foreign debts and reparations payments. The British bourgeoisie quite openly voices its apprehensions, most decidedly opposing the raising of unproductive foreign loans[37]). In spite of the business boom, therefore, nay, possibly because of it and the surplus of imports it occasions, the drawbacks of the Dawes plan are becoming more apparent. It would be an illusion to asssume that Germany can pay the reparations obligations without difficulty or effect a revision of the Dawes Plan peacefully, without an acute economic and foreign-political crisis.

THE DEVELOPMENT OF INCOME IN THE PRESENT BUSINESS BOOM.

We have already pointed out that the business boom has left unemployment at a level such as was experienced before the war only at times of acutest crisis. Nor have the workers involved in the process of production found it possible to exploit the business boom for the purpose of any substantial improvement in their standard of living. The following figures from the "Vorwärts" of August 11th, 1927, which most probably depict the position of the workers more favourably than is in keeping with actual facts, are proof of the above fact.

Tariff Wages per Hour of Skilled Workers in Pfennigs:

	1913	1927 January	1927 July	Percentage Rise January to June
Average of Industries producing means of Production	69.8	97.3	103.4	6.3
Average of Industries Working for Consumption	50.4	81.6	85.9	5.3
State Railways	62.6	82.2	87.1	6.0
Total Average	67.3	94.9	100.7	6.1
Hourly Wages of Unskilled Workers	40.2	66.7	72.7	9.0
Total Cost of Living[38])	100.0	144.6	150.0	3.7

[37]) e. g. "Times" of October 1st, 1927.
[38]) "Konjunkturhefte" 1927, II. p. 115.

These figures show that between January and June the skilled workers only succeeded in improving their real standard of living, on the basis of the tariff wages per hour, by 2.4 per cent., even assuming, of course, that all the returns are accurate The figures also show that just the same amount of real wages is paid now for one hour of skilled work as was the case before the war[39]). But seeing that to-day the intensity of work is undoubtedly far higher than in pre-war times, it is obvious that the exploitation of the German skilled worker is greater now than it was then.

The unskilled worker is slightly better off. Here the wage index figure is 180, as against a rise in the cost-of-living by 150, so that these workers are roughly 17 per cent. better off than before the war. The reason of this improvement lies in the fact that German agriculture had already before the war greatly effected the transfer of the rural population to industry as a result of the penetration of agriculture by capitalism. Besides this, the influx of unskilled Polish workers has been restricted of late as a result of events in Poland.

The average income of a German worker, skilled or unskilled, man, woman, or juvenile, is put by the "Konjunkturinstitut" at 587.63 marks for the first half of 1927, i. e. 96.26 **marks a month.** This sum is smaller than was generally expected. Since it is based entirely on the data of invalidity insurance, we cannot judge of it without being informed as to whether there is or is not a tendency towards inclusion in a lower or in a higher class of insurance. At any rate we can sum up as follows:

1. The business prosperity has certainly absorbed two thirds of the total number of unemployed, but it has left an unemployment total such as obtained before the war only in times of serious crisis.

2. The German reformist trade unions have not succeeded in profiting by the business boom for the purpose of radically improving the situation of the working class.

3. The degree of exploitation of the German workers is at present greater than before the war, as a result of more intensive work, although actual wages are said by official sources to be on the same level as in pre-war times.

THE CRISIS IN SIGHT.

During the time of the writing of this report, the contradictions in German economy have come more to the fore, and the crisis is now already in sight. On October 4th, the Reichsbank raised the bankrate to 7 per cent. It was forced to this step, as officially reported, by the fact that the holdings of bills had risen in the last week of September by 150 million marks, while the circulation of means of payment had risen by about 680 millions to the "unprecedented total of 6150 millions, the gold cover of the total note-circulation at the same time falling to 35.8 per cent. Since June moreover, the bills of the leading banks had been discounted above the official bank-rate.

A bank-rate of 7 per cent. is tantamount to an admission that a crisis is imminent. The high rate will once more attract short-termed foreign credits and thus alleviate the shortage of capital for quite a short while. But the capital requirements of German economy with a view to completing the enterprises already started are tremendous. In the Ruhr region alone, 600 new coke-furnaces are in course of building, while numerous other furnaces are being erected, steel-works and rolling-mills are being brought up to date, the Niederrheinisches Stahlwerk (which is not part of the Vereinigte Stahlwerke) is constructing new tube-works, and so forth[40]). Negotiations are now pending for foreign loans to a total of no less than one thousand millions[41]). But the entire system is already so overstrained and the differences and contrasts are so pronounced, that a fresh crisis appears inevitable.

[39]) The cost-of-living index figure averages 150.

[40]) v. the highly instructive article by W. Greiling, "Ausbau in der Montanindustrie", in the "Wirtschaftsdienst" of September 30th, p. 1483.

[41]) "Berliner Tageblatt".

FRANCE.

The economic position of France has evinced no particular changes of late and may be designated as a very slow crisis of stabilisation. As we predicted would be the case, this crisis is expressed not in the pronounced forms observable in Germany and Poland, but in the form of a general slowing-down of economic life in all directions, output, traffic, the Stock Exchange, etc. At the same time, this crisis differs from most stabilisation crises in that it is accompanied by plenty of ready money and low rates of interest.

Numeric data as to the output in France are very scarce. The production index of the "Statistique Générale" stood in July 1927 at 102 as against 126 a twelvemonth earlier. This would represent a regress of production by about 20 per cent., considerably more than would appear to obtain judging by the report to hand on the situation in the individual industries.

This deterioration of the business position in the last few months is to be seen in the first place in the restriction of railway traffic. The number of good-waggons loaded daily was as follows:

	In Thousands
June	59.5
July	56.5
August	55.0
Beginning of September	60.4

These figures are, in general, below the corresponding returns for 1926.

The decline is still more pronounced in regard to the revenue of the railways, which in France are reported weekly. The falling-off in revenue was as follows[42]):

	Millions of France
31st Week	9.4
32nd „	9.4
33rd „	30.7
34th „	27.8
35th „	24.7
36th „	19.2

The falling off of revenue for the entire year 1927 — taking into account the change in the tariffs — stood at 13.29 per cent., while for August alone it was 17.5 per cent.[43]). This seems to be about the same degree as shown by the recession in output. If this is really the case, we are faced with an actual depression, for a recession of 17 per cent. amply corresponds to the usual difference between a business boom and a period of depression.

There are two facts which would appear to be in contradiction to this conception; the unchanged production in the heavy-metal industry and the small number of unemployed. The heavy-metal output figures as follows:

Production in Thousands of Tons

	Coal[44])	Iron	Steel
Monthly Average 1926	4285	783	703
September 1926	4300	785	706
April 1927	4302	774	681
May 1927	4289	794	712
June 1927	4236	747	672
July 1927	4276	769	677
August 1927		773	694

The output is roughly as great as in 1926, but this does not preclude a depression, since the French coal mines do not cover the home demand and the decreased home consumption is expressed in smaller imports. As regards iron and steel, this branch of industry has hitherto been benefitting by low costs of production and the practical absence of Germany from the international iron and steel market, in the last few months.

In respect of the number of unemployed, the returns published in regard to unemployed in receipt of benefit are altogether worthless. According to these statistics, there were:

Middle of May	48,500
June 30th	23,000
August 4th	17,000
In September	14,000

These figures, however, do not furnish so much as an approximate idea of the actual extent of unemployment. In the first place unemployment relief is given only in a very limited number of towns, and secondly the unemployed individual is excluded from all further relief after having been in receipt of relief for a period of 120 days. In March 1921, it was possible to check the official unemployment returns. On the occasion of the census at that time it appeared that there were 540,000 wholly unemployed, which was about six times as many as were then shown to be in receipt of relief[45]).

> "Careful estimates put the number of unemployed at some hundred thousands, and that of short-time workers at many times that figure[46]).

The spread of short-time work in France is very great at present. In the Isère Departement, e. g., there are no more than 19 unemployed according to official returns. The administrative authorities of the Departement, however, instituted an inquiry into the conditions of short-time work, and in this connection it was reported that in 154 enterprises there were no fewer than 16,534 short-time workers, with working hours varying from 16 to 46 per week[47]).

The return home of foreign workers was greatly contributed to the decrease of unemployment. While in the second quarter of 1926 there was an increase of foreign workers (deducting the number of those returning home) of 55.000, the second quarter of 1927 showed a net decrease by 19,000.

In keeping with the general depression, Stock Exchange business has been very quiet. Supply and demand have been equally small, and after the sharp recession in May (obviously in connection with the German Stock Exchange crash) the level of rates has been fairly stable. On other hand the revenue from the Stock-Exchange turnover tax fell from 35.9 million francs in April to 22.4 millions in July[48]).

Business is likewise hampered by the fact that the currency is not yet legally stabilised. It is Poincaré's policy to refrain from a legal stabilisation, to hint darkly at the possibility of a further appreciation of the rate of exchange, and to intimate in general that the stabilisation cannot yet be looked upon as safely and definitely established. All this, of course, for the purpose of demonstrating his own indispensibility at the coming elections. The uncertainty as to the future rate of exchange renders all credit operations at long sight difficult, as the borrower is afraid of being obliged to pay his obligations at a higher rate, while the lender fears he may get back his money in depreciated francs.

As a matter of fact, almost all the premises for a legal stabilisation are given. By means of the "Caiss d'Amortisation" it has been found possible to turn the short-termed obligations of the Treasury into such of longer terms; the tax revenue is satisfactory, the note-bank has accumulated a tremendous reserve of foreign currency. Thus, apart from the question of inter-Allied debts, the French currency system may be looked upon as thoroughly regulated. It is only inner-political reasons that still retard the legal stabilisation.

State Finances.

The State finances of France are at present in perfect order. The State revenue in the first eight months of 1927 stood at 5,000 milions francs, thus exceeding the revenue of the corres-

---

42) Figures from the "Chronique de Transport". According to an article in the "New York Times" of October 1st, the total deficit of the French railways amounted in this year to 700 million francs.

43) "Börsen-Courier" of September 10th, 1927.

44) Without the Sarre region.

45) "Deutscher Volkswirt" of September 16th, 1927.

46) ibid.

47) "L'Usine" of September 10th, 1927.

48) "Frankfurter Zeitung" of September 4th, 1927.

ponding periods of 1926 by 6,500 millions. Nor can there be any doubt but that the actual revenue will exceed the amount provided for in the budget. In the above revenue, that of the amortisation caisse is not included. This amounted in the first eight months to more than 4,000 millions.

As has always been the case, the greater part of the State revenue consisted of indirect taxes. The most important revenue items of the last eight months were the following:

	In Millions of Francs
Income Tax	8.6
Stamp and Capital Tax	4.0
Luxury Tax	1.2
Spirits Tax	1.2
Duties and Excise	10.6
Tobacco Monopoly (Caisse d'Amort.)	2.4

The Caisse d'Amortisation has accumulated enormous liquid assets, depositing 8,000 million francs of free money with the Bank of France and 1,200 millions in the Treasury. These great liquid funds may be attributed to the fact that in spite of the diminution of the rate of interest for the bonds of the Caisse, and in spite of the prolongation of the validity to a period of from two to five years, the decreased business activity has caused the monetary capital released in circulation to seek investments of an easily realisable form, for which purpose the national bonds appear to be the best suited.

Foreign Credits and Inter-Allied Debts.

As is known Poincaré did not have the agreements in regard to the inter-Allied debts ratified by Parliament; however, he complied with the stipulations contained in these agreements as to payment. This procedure is obviously a political manoeuvre. The French petty bourgeoisie is radically opposed to paying the inter-Allied debts, and Poincaré is anxious not to irritate the electors before the elections. On the other hand the American Government has forbidden French loans to be offered for subcription in the United States until the inter-Allied debt problem has been regulated.

Poincaré is now attempting to circumvent this prohibition by transforming the 8 per cent. Morgan loan raised in 1920 into a 6 per cent. loan. A conversion loan of one hundred million dollars was to be offered for subscription in the United States. Poincaré explains the situation in the sense that the prohibition only extends to new loans and not to the conversion of old ones. In a letter to Kellog, Senator Borah has protested against the negotiation of such a loan, and so far it has not been possible to put through the respective transaction. All the less so, seeing that the relations between the United States and France have become worse in connection with the conclusion of the Franco-German commercial treaty.

In summing up we may say that the economy of France is in a state of depression. All economic life is restricted, without any pronounced crisis. The currency and financial difficulties have been overcome and it is only considerations of home politics that stand in the way of a legal stabilisation.

The position of the workers is greatly deteriorated; in keeping with the slow advance of the crisis, there is a great prevalence of short-time work in the face of relatively little full-time unemployment.

ITALY.

The stabilisation of the Italian currency was in the interest of the entire Italian bourgeoisie, and we have often pointed out that beyond a certain point inflation was bound to be disadvantageous for the entire capitalist class. The stabilisation and the rise in the rate of the lira meant an immediate detriment to the exporting industry. Under the pressure of these interests, Mussolini gave in and stabilised the lira at the rate of 90 to the pound.

As in the case of every deflation, there was in Italy too the contrary price formation to what had obtained during the inflation period. The proceeds of export trade fell at once in keeping with the exchange rate of the lira, the wholesale prices on the home market rapidly followed; on the other hand, the price reduction in retail trade was far slower, as was also the reduction of house-rents, wages, and salaries.

This process is illustrated by the following table[49])

	Lira Rate in Percentage of dollar Parity	Wholesale Index Bachi	Retail Index Milano	Co t of Living
1926 August	17.7	622[50])	647[50])	563
1927 January	22.5	558	655	555
1927 July	28.3	467	548	522[51])
1927 August	28.3	465	—	—

While the currency rose by 60 per cent. in the twelvemonth from August 1926 to August 1927, the wholesale prices fell by 25 per cent. the retail prices by 16 per cent., and the cost of living by 8 per cent.

This is an untenable position for the industrial bourgeoisie, seeing that the wages, which have, as it is, already been reduced to a minimum, cannot be diminished any further if the cost of living is not also lowered. Without a wage reduction, however, and indeed without a lowering of the price level at home, export trade can only be carried on at a loss.

It was therefore altogether in the interest of the great bourgeoisie that Mussolini reduced the wages through the medium of the Fascist trade unions and then proceeded to a tentative compulsory reduction of retail prices and rents, so that the workers should be able to subsist, in the interest of the bourgeoisie, on the reduced wage level. As the above table shows, this attempt led to no positive result.

The above price formation could not but lead to a serious economic crisis and to a general feeling of dissatisfaction. The crisis led to a great increase in the number of insolvencies, whereas in pre-war times there was a monthly average of 600 insolvencies, the current year showed the following figures:

April 845 May 1,030 June 929 July 1,054

It is naturally the small enterprises that are ruined in great numbers, while the big bourgeois circles keep themselves afloat with the aid of the Government, though even these circles are in no enviable position. The situation of agriculture is particularly difficult, seeing that commodities produced at a higher cost of production must, in connection with the stabilisation, be sold cheap.

The main onus of stabilisation naturally rests on the workers. Unemployment is very great; at the same time, wages are being reduced through the means of the Fascist trade unions, although there is hardly any diminution in the cost of living. After a general wage reduction in the spring to the extent of from 10 to 20 per cent., Mussolini has now announced another reduction to a similar extent for October[52]).

Unemployment, in thousands, figured as follows (with the elimination of seasonal influences)[53]).

Average 1926	112
January	177
February	220
March	225
April	220
May	230
June	250

[49]) Compiled from the data collected by the Institute for the Study of the Business Position and from the press.

[50]) September.

[51]) June.

[52]) Early in October there was a session of the Council of Fascist Corporations at Rome, where the new wage regulations were determined; together with the preceding reductions these were not to amount to more than 20 per cent.! ("Bulletin Quotidien" of October 13th, 1927.)

[53]) "Konjunkturhefte", II. p. 96.

In this connection it may be remarked that the Italian unemployment returns give only a very incomplete picture of the actual extent of unemployment, so that they are difficult to compare with the statistical returns of other countries.

The actual number of unemployed probably exceeds half a million. Added to this there is a very considerable number of short-time workers[54]).

The crisis would have called for yet more victims, if the lack of capital connected with the stabilisation had not been mitigated by the influx of foreign capital, whereby it was possible to increase the gold and foreign exchange holdings in spite of an unsatisfactory commercial balance. The following figures show this development:

	Gold	Cover o Foreign Bills	Together	Bills & Loans of State Bank	Money Borrowed
September 1926	1,137	758	1,895	11,899	20,040
December 1926.	1,144	810	1,954	10,700	20,133
March 1927 . .	1,149	944	2,093	9,826	19,438
June 1927 . .	1,168	1,182	2,350	1,915	18,965
July 1927 . .					19,018

Considering the increase in the rate of the Lira, the borrowing of money has greatly increased, although the Bank of Italy has effected great restrictions of credit for the purpose of forcing a price reduction. Upon the whole it appears that the stability of the currency is ensured, provided no foreign-political complication ensues. The only danger is the deficit in the balance of trade.

Foreign Trade[55]).

	In Millions of Paper Lire				In Millions of Gold Lire			
	Imports		Exports		Imports		Exports	
	1926	1927	1926	1927	1926	1927	1926	1927
January . .	1,948	2,047	1,142	1,177	407	461	238	265
February .	2,241	1,962	1,391	1,341	468	439	291	300
March . .	2,417	2,162	1,472	1,411	502	505	306	330
April . .	2,460	1,920	1,428	1,336	512	501	297	349
May . . .	2,473	1,829	1,346	1,286	496	516	270	363
June . . .	2,721	1,906	1,697	1,419	516	551	322	410
Total . .	14,260	11,826	8,476	7,970	2,901	2,973	1,724	2,017

The deficit in the commercial balance is made good by the remittances of emigrants and by foreign credits (in the way of a partial alienation of Italian enterprises by a purchase of shares).

POLAND.

The economic results of Fascist rule in Poland are not yet properly to be estimated, since the time is too short and the situation rendered vague by the British coal lock-out, which gave an impetus to the Polish coal industry. Nevertheless, it is obvious that there has been a deterioration in the situation of the workers, accompanied by a certain improvement in the economic position, especially from the standpoint of the capitalists. In so far as it can be estimated from official data, which have throughout this period been somewhat improved on in the interest of loan negotiations with America, the economy of Poland has in the present year experienced a certain improvement. It must be repeated, however, that the improvement in question is being effected on the basis of a poverty which is altogether incredible in comparison with the Western countries.

The improvement of the economic position is shown by the following figures:

Agricultural Production[56]).

	Area u. Cult. (1000 Hect.)				Yield (1000 Tons)			
	1927	1926	Average 1921—25	1927 in % Prop. to 1921—25	1927	1926	Average 1921—25	1927 in % Prop. to 1921—25
Wheat .	1,138	1,100	1,016	112	14,850	12,813	11,991	124
Rye . .	4,912	4,831	4,454	110	59,844	50,114	51,218	117
Barley .	1,237	1,234	1,163	106	16,288	15,546	14,190	115
Oats . .	2,630	2,605	2,413	109	34,190	30,498	27,989	122

If these data are accurate, there was a substantial improvement in agriculture in 1927, although the extent of the cultivated area is quite small.

Output of Heavy-Metal Industry[57]).

	In Thousands of Tons		
	Coal	Iron	Steel
Monthly Average 1913 . .	748[58])	88	—
Monthly Average 1926 . .	2980	27	66
September 1926	3781	27	76
January 1927	3698	42	99
April 1927	2599	48	97
May 1927	2731	48	96
June 1927	2773	47	103
July 1927	3085	51	111
August 1927	3204	57	115

The statistical returns are very behind hand, but so much is clear, that the output of steel and iron is 50 per cent. greater than that of 1926, while the coal output is far smaller, a natural consequence of the change in the business position at the close of the British lock-out. In July, exports still amounted to about one millione tons[59]).

FOREIGN TRADE AND FINANCES.

The rate of the zloty has remained stable of late years. This was rendered possible by the temporarily better development of foreign trade, by the more vigorous application of the tax screw, by the 15 million dollar credit, and by a rigorous restriction of the bank credits. The most important returns are the following[60]):

Government Budget, Gold Circulation, Foreign Trade[61]):

	Income	Expenditure	Surplus	Bank Notes	State Notes & Coins	Exports	Imports	Surplus	Gold & For. Exch o. Note-B
	Millions of Zloty								
End of 1926 .				593	426	187.7[62])	128.9	58.8	264
April 1927 .	202	166	36	694	435	205.9	255.2	49.3	—
May 1927 .	210	190	20	705	399	196.7	282.1	85.4	—
June 1927 .	199	180	19	728	394	196.4	275.6	79.2	359
July 1927 .	204	177	27	745	384	196.3	234.3	58.0	364
Aug. 1927 .	192	164	28	731	368	208	223	15.0	410

---

54) A correspondent of the "Journal des Debats" writes as follows: "The number of unemployed can be estimated at 500,000, of which 150,000 fall to the share of the provinces of Milan and Turin."

55) "Vierteljahreshefte zur Konjunkturforschung", 2nd Year, II. 1927.

56) September Bulletin of the Roman Agrarian Institute.

57) "Economist" of September 24th, 1927.

58) Old Territory.

59) "Economist" of September 24th, 1927.

60) Compiled from the official Description, partly from the Press.

61) Data from the "Economist", which differ in some respects from other data.

62) Monthly Average.

These figures show a good position of State finances, but after a period of activity lasting roughly a year, they also show a very considerable deficit in the trade balance (caused partly by the great importation of grain as a result of the bad crops of last year). This deficit threatens the stability of the currency and makes the negotiation of a large foreign loan urgently necessary.

The negotiations with the American group of banks headed by Blair & Co. lasted for almost a year. In the summer they led to the grant of a loan of 15 million dollars. The negotiations regarding the grant of the "great" loan took a very difficult course. On September 26th they were broken off as abortive, but a few days later they were resumed with the personal participation of Pilsudski. Finally the Polish bourgeoisie had to submit to the very severe conditions of the Americans.

It would appear that the conditions imposed are similar to those of the German Dawes plan, only still severer and more humiliating for the "independent great Power" of Poland. But without the aid of international finance capital, the stabilisation of the Polish currency was not to be effected, and so the Polish bourgeoisie had to yield, however unwillingly, to the decree of the bankers.

Fascist Poland has thus become an object of imperialism.

THE POSITION OF THE POLISH WORKERS.

Under the Fascist regime, the position of the workers has deteriorated from month to month. Prices and the cost of living rise; wages remain stationary. The officially recorded cost of living index has moved as follows:

(On the basis of 100 to represent January 1914)

January 1926	December 1926	April 1927	June 1927	July 1927
170	199	203	205	211

In such circumstances it is natural that even so tame a body as the Central Commission of Trade Unions was forced to pass a very sharp resolution in the middle of September, containing the following passage[63]):

> "Of late the standard of living of the workers has very considerably deteriorated, although the business position is materially better and production has increased. The wages are in no way proportionate to the progressive rise of prices.
>
> Unemployment relief is smaller than was the case under any Government hitherto. The entire economic policy shows plainly that the Government exclusively safeguards the interests of big industry as against those of the workers."

The official unemployment returns are all very optimistic. According to these figures, there were the following number of unemployed in thousands:

December 1926	July 1927
236	148

As a matter of fact, the number of unemployed is far greater. The decrease of unemployment from January to July has a seasonal character and does not represent an improvement resulting from the business position.

Extensive unemployment, low wages, and a deterioration in the standard of living; such are the results of the Pilsudski regime for the workers.

GREAT BRITAIN.

There has been no particular change in the economic position of Great Britain in the last few months. The hopes entertained of the summer business have not been realised, and it was only in the month of September that the reports from the business world were somewhat more optimistic. The contradiction between the course of business in the great staple industries and in the so-called new industries has continued to obtain. Although the capitalists of the great staple industries, coal, iron, and textiles, have made every effort to regain their position on the world market, they have not yet succeeded. On the other hand the business in the new industries, automobile construction, motor-cycles, electro-technics, wireless, artificial silk, is very brisk.

References to the flourishing new industries are very frequent in the English press. Certainly, great profits are made in these lines. But if we attempt to ascertain the quantitative importance of these industries for the entirety of British economy, we must arrive at the result that, roughly speaking, they do not represent more than ten per cent. of the entire industry, both as regards the number of workers employed, and also as regards the value produced. The flourishing condition of the new industries can therefore not make up for the difficulties of the old staple industries.

This fact applies particularly to the workers. The number of unemployed in receipt of benefit, which sank in May to below one million, exceeded that mark again during the summer and stood at the end of September at 1,050,800. Added to this, there is a great number of unemployed not in receipt of benefit and a still greater number of people receiving Poor Law relief. In 1926, 50 million pounds were expended on poor relief, only about one fifth of this sum being used for the families of locked out coal miners. The position of the labour market can therefore be described in the sense that British capitalist economy is able to find employment for the annual addition of young workers but is not in a position to reabsorb the army of unemployed in the productive apparatus, the bourgeois efforts at promoting emigration not meeting with any great degree of success.

The present optimism of the British bourgeoisie is founded at present mainly on the spirit of defeat prevalent among the British proletariat[64]) and the complete adoption by the reformists of the programme of "industrial peace". In the first eight months of this year there were in England no more than 787,000 strike days, as against 162 millions in 1926 and 8 millions in 1925. The industrial peace desired by the capitalists can indeed be said to have been realised in 1927, for in relation to a working class of 20 millions 787,000 strike days is an insignificant quantity.

The following table furnishes the chief comprehensive data of British economic life.

Output[65]).

	Unemployed in %	Coal Mill. Tons	Iron Thou. Tons	Steel Thou. Tons	Electr. Indust. Index 1920 = 100	Electr. Output Index 1920 = 100
Monthly Average 1913	3.7	24.3	869	649	—	—
Monthly Average 1925	11.5	20.7	528	626	—	—
March 1927	9.9	24.0	683	965	107	147
April 1927	9.4	20.5	691	864	112	144
May 1927	8.8	20.7	732	897	116	138
June 1927	8.9	20.1	662	759	128	126
July 1927	9.3	20.3	656	694	126	123
August 1927	9.4	20.5	606	652	126	123
September 1927	9.4	19.8	592	777	122	138

---

63) "Vorwärts" of September 17th, 1927.

64) The "Daily Telegraph", one of the leading papers of the British bourgeoisie, wrote as follows on August 20th:

> "It was a black year both for the political and for the trade-union labour movement. In the co-operative world there was a spirit of apathy and discouragement unparalleled in history, and this was naturally reflected in the Labour Party, of which the trade unions form a substantial part and which is completely dependent on their financial support."

65) Monthly Bulletin of the "Economist".

COAL MINING.

In examining the separate branches of industry, we find that the position of mining is in general unchanged. The number of miners engaged in work decreases from week to week, figuring at the end of September at 982,000, so that about 300,000 miners are obviously out of work. The British coal capitalists make great and partly successful attempts to force the sale of coal on the world market and to recapture the markets lost during the coal struggle; in the latter regard they have mostly been successful. But a considerable part of the mines are working at a loss, although the wages have again been greatly reduced after the lapse of the provisional agreements made at the end of the lock-out[66]).

In spite of all the efforts of the capitalists, the coal output in 1927 fell short by about 20 per cent. of that of pre-war times.

IRON AND STEEL INDUSTRY.

When the shortage of production caused by the coal lock-out had been covered by increased production, the iron and steel output started declining from month to month, as may be seen from the data of the above table. The output for August was the lowest for that month since 1920.

In this connection it is interesting to note that the home consumption of steel is materially larger than before the war but that a great part of it is covered by imports. The export of iron and steel amounted in August to 342,000 tons, as against a monhtly average in 1913 of 414,000 tons. Imports, on the other hand, figured at 286,000 tons against a monthly average of 186,000 tons in 1913[67])

So as to counteract these great imports of iron and steel, the British iron producers determined to grant all such iron-working enterprises as engaged to cover their requirements at home, a special rebate on prices. As to the results of this experiment there are not any data to hand, but it is hoped that Continental iron imports may thus be kept down. In general, the situation of the iron and steel market is more hopefully estimated for the future.

IRON-WORKING INDUSTRIES.

In the iron-working industries a certain improvement has been apparent of late. Shipbuilding has received some new orders and is now better employed than for the last five years. Automobile construction and the electrical industry have had a very good year. In the small hardware trade, too, there is a certain improvement.

TEXTILE INDUSTRY.

The greatest difficulties obtain in the cotton industry, the importance of which is extremely great, especially for England's foreign trade. The cotton industry occupies 600,000 workers; in general, four-fifths of its products are exported. In 1924, the exports of cotton goods represented roughly 25 per cent. of the value of all exports, i. e. nearly as much as the exports of woollen goods, iron, steel, and machinery together[68]). It is therefore comprehensible that in view of the growing deficit of British foreign trade, the position of the cotton industry should attract general attention.

The British cotton trade is greatly divided up. Until recently it possessed quite a loose organisation in the Master Cotton Spinners' Association, whose policy was directed towards successively shortening working hours, so as to adapt production to demand. Latterly, however, a growing number of enterprises have been opposing this policy by not adhering to the resolutions and working full-time, whereby their output was rendered cheaper than that of all other firms and they effected greater sales at the cost of the others. The difficulties were increased by the peculiar old-fasioned system of financing the entire British cotton industry, the shares being placed mainly with small capitalists and only being partly paid-up at the time of foundation. In the case of bad business fresh payments must be called in on the shares, which the shareholders are at such times hardly able to pay. Until quite recently there appears to have been no concentration of the industry on the part of the big banks.

Keynes in particular has of late attacked this primitive system of financing and market regulation, by making active and latterly successfull propaganda for a cartel of the cotton spinners. The result was the Cotton Yarn Association, which already compromises 75 per cent. of the spinning mills working up American cotton. (Those working up Egyptian cotton are in a much better position.) By uniting with the old Masters Association, the new cartel has replaced the system of short-time work by that of a joint determination of yarn prices. The new price basis was to come into force in October.

At the same time the production quotas of the separate factories were fixed and the possibility created of transferring quotas among the enterprises, so that single concerns could be laid idle without loss of profit, while the others could work full time[69]).

This is, as is to be seen, a system on strict cartel lines the success of which within the country depends in the first place on the question whether it will be possible to bring in the outstanding 25 per cent. of firms in the cartel, and still more on the question whether it is possible to reduce the cost of production so far as to compete with the rising industries of Asia and Southern Europe.

Seeing that raw cotton is sold at a world market price which is uniform for all competitors, it is mainly a question of reducing the wages. If the cotton cartel can be put through, it will mean that, in place of short-time work such as has existed for years in England, there will be complete unemployment for one part of the English cotton weavers and the possibility of full-time work for another section. It will also mean a reduction of wages, for only thus can the British industry compete on the world market. The privileged position of the workers in the great British staple industries is a thing of the past.

AGRICULTURE.

The development of British agriculture continues to follow its old course. In the current year, another 138,000 acres of arable land were turned over to pasturage. In agriculture, the production of wheat and potatoes increases at the cost of the other kinds of grain. Cattle-breeding is gaining ground at the cost of tillage; cattle-breeding increases, and the bad land is made into pasturage. The situation of the farmers is described by the "Spectator" as being just as bad as in 1879.

"Extensive tracts of land, not further than 60 or 70 miles from London, are now altogether worthless. The farmers are not in a position to get the necessary capital for the improvement of the land. The branches working for the secured home market, such as market-gardening, poultry-farming, etc., flourish; those that are exposed to international competition are in a critical position. The demand for foodstuff duties becomes more and more insistent, but cannot be complied with in view of the small importance of agriculture in England."

---

66) Statistics submitted to Parliament by the Minister of Mines show that since 1922 the earnings of miners continue to fall short of the increase in the cost of living. The proportion was most favourable in April last, when the earnings were 62 per cent. and the cost of living was 65 per cent. above the standard of July 1924. By the new wage reductions, the proportion has greatly changed to the detriment of the miners. There are no statistics illustrating the present proportion.

67) "Economist" of September 24th, p. 507.

68) "Times" of September 6th, 1927.

69) "Times" of September 16th, 1927.

FOREIGN TRADE.

The development of foreign trade is shown by the following table:

Foreign Trade in Millions of Pounds.
(Without Transit Trade and Precious Metals.)

	Imports	Exports	Import Surplus
Monthly Average 1913	54.9	43.8	11.3
Monthly Average 1925	97.4	64.4	33.0
Monthly Average 1926	93.1	54.2	38.9
March 1927	102.7	62.1	40.6
April 1927	88.9	52.6	36.3
May 1927	84.0	63.3	20.7
June 1927	88.7	56.0	32.7
July 1927	83.7	56.1	27.6
August 1927	81.3	59.4	22.1
September 1927	93.3	60.5	22.8

The exports of the last few months fall far short of those of 1925. So do imports. As a result of the diminution of imports, the adverse foreign trade balance lessened, but it rose again considerably in September.

MONEY MARKET AND STATE FINANCES.

In the last few months the English money market has been experiencing considerable tension. The English bankers had to make every effort to save the rôle of London as an international banking centre and to protect the gold holdings of the Bank of England so as to prevent the pound from sinking below dollar parity, while at the same time affording British industry a low rate of interest for loaned capital. The carrying out of these contradictory tasks did not wholly succeed; the British capital market is not in a position to answer all requirements. The Australian conversion loan in particular was a great failure, and subsequently caused Australia to take up another loan in America. The sterling rate was for a time below dollar parity, and it was only by very complicated transactions into which we cannot enter here that it was found possible to avoid an increase of the bank rate in connection with that effected in Germany.

CAPITAL EMISSION.

The following table shows the capital emission in the first nine months of the respective year:

Capital Emission in the First Nine Months in Million Pounds.

	1913	1924	1925	1926	1927
Total	150.3	134.6	160.4	154.9	249.8
Intended for Home Purposes	25.6	58.9	119.3	82.8	171.2
For British Possessions	56.9	41.1	35.5	45.8	52.9
For Foreign Countries	67.8	34.6	5.6	26.3	25.7

The capital emission of the current year was extremely large and, what is more important, a tremendous part thereof was destined for home purposes. While capital exportation amounted to less than half that of 1913, the capital invested at home is seven times that of the last pre-war year.

If we analyse the home investments, we shall see that 67 millions represent Government loans and 104 millions other advances. In further scrutinising the employment of these sums, we are bound to be struck by the following items:

Electricity production $10^1/_2$, docks, harbours, and navigation 11.6, oil 7.3, English railways 14.2, Colonial railways 16.6, various industries 23.2 million pounds.

For coal, iron, steel, and engineering, only 1.7 millions were employed[70]).

[70]) "Economist" of October 1st, p. 544.

UNITED STATES OF AMERICA.

Apart from small interruptions in the prosperous business of the United States, not lasting for more than a few months, there has been a good business cycle for the last six years, ever since 1921. According to all pre-war experience, therefore, a change should be imminent.

The following tables show the development of the most general indications of the progress of American economy.

	Fed. R. Board Index o. Ind. Produktion 1921/25 = 100	Index of Occupat. o. Workers 1919 = 100	Ind. x o. Loaded Waggons 1919 = 100	New Building Orders Mill. Doll.	Constructl. Index 1913/25 = 100
July 1926	107	93.5	—	519	124
April 1927	109	93.2	108	604	128
May	111	92.6	107	552	126
June	108	92.3	104	632	144
July	105	91.0	101	534	128
August	107	91.0	104	552	119

Companies Founded.
(In the first 7 Months[71].)

	Mill. Dollars
1926	7655
1927	3142

Insolvencies.

	Number 1926	Number 1927	Liabilities 1926	Liabilities 1927
First Quarter	6.081	6.643	108.5	156.1
Second Quarter	5.395	5.653	101.4	125.4
July	1.605	1.756	29.7	43.2
August	1.593	1.708	28.1	39.2
8 Months	14.674	15.760	267.7	363.9

Save as regards the building activity, the general indices were already in July below the level of 1926. According to press reports, the August figures will be still lower, but for September there will be an improvement in business, though to what extent cannot be said at present. The decrease in the capital invested in new foundations to half the figures for 1926, the rise in the number of insolvences, and the speculative tightness of credit also point to an approach of the crisis. The general estimation of the business position in America varies greatly and is even contradictory.

The American Labour Bureau estimates the situation most optimistically[72]):

> "The degree of occupation in a number of leading industries was greater in August than in July, and in September there were signs of a further improvement. A great part of the present unemployement may be put down to the summer lull in the industrial output, which necessarily lessens the number of workers employed in such industries as restrict their operations during the summer."

While the official quarters are optimistic, the authoritative private observers are far more careful in their estimates.

Dunn is particularly so.

> "The slow development of the expected autumn improvement in demand has led to a slackening of the more favourable factors in other branches of trade as well. The general trend of business was perhaps better than during the last few weeks, but with the exception of a few individual branches it cannot be said to have come up to last year's level"[73]).

[71]) "Journal of Commerce."
[72]) "Journal of Commerce" of September 20th, 1927.
[73]) "Journal of Commerce" of September 27th, 1927.

The following table shows the output figures of the most important branches of industry.

Output Returns of the Main Industries.

	Coal Mill. T.	Iron Thou. Tons	Steel Thou. Tons	Automobiles 10.0's (2)	Cotton Thou. Bales	Oil Mill Farr
July 1926 . .	47.1	3275	3693	317	462	65
April 1927 . .	37.9¹)	3477	4161	353	619	73
May	39.4¹)	3445	4080	352	633	73
June	39.8¹)	3139	3524	277	663	75
July	35.0¹)	2999	3229	233	569	78
August . . .	44.9	2994	3520	271	633	78
September . .	—	2775	3232	—	627	—

¹) Strike. ²) Passenger cars.

For the purpose of judging these figures, we must enter into the conditions of the industries mentioned.

Coal. In consequence of the recently concluded strike of the organised coal miners, the coal output has fallen far short of last year. That a strike was possible at all shows that the coal capitalists do no consider the position very good. On the other hand, the fact that the mine-owners of Illinois granted 72,000 miners the wage of 7½ dollars a day received before the strike, thus putting an end to the strike without reducing the miners' wages as they had intended doing, points to a favourable estimate of the situation.

Iron and Steel. The iron and steel output has for months shown a downward trend. On October 1st, no more than 179 furnaces were alight with a daily output of 90,800 tons as against 215 furnaces with a daily output of 105,400 tons in September 1926[74]) — a decrease of roughly 15 per cent. At the end of September the Steel Trust was working to 65 per cent. of capacity. At the same time, however, a very considerable rise in the number of orders received is said to have been recorded[75]). On a average, the prices are six per cent. lower than a year ago. Profits are receding; likewise the number of orders in hand with the Steel Trust. Apart, therefore, from the increased receipt of orders in the last few days of September, all returns speak of a palpable crisis in the steel industry.

Automobile Construction: In automobile construction quite particular circumstances obtain. In the summer of 1926, Morgan's automobile concern, the General Motor Co. succeeded in competing very successfully with Ford by producing better and cheaper cars. Ford retaliated by going over to a new model, which step led to a very marked restriction and then even to a complete suspension of output in the Ford works. The place formerly occupied by Ford was taken by Morgan (General Motor Co.).

In the first six months of the year, this firm made a profit of 120 million dollars, as against 102 in 1926. But the new Ford model is now ready and the output in the Ford works is to be increased to 10,000 daily. 400,000 cars are said already to have been ordered. The fight between Morgan and Ford will soon be raging fiercely on the automobile market, and an over-production of cars seems inevitable.

Textiles. In August the textile industry was still greatly occupied, a natural consequence of the cheap cotton of last year. In view of the higher prices of cotton this year as a result of poor crops, a deterioration in the near future is highly probable.

Oil. As already remarked, there is a critical over-production of mineral oil in America. The stocks grow daily by some hundred thousand barrels. The price per barrel of crude oil, which was $ 2.25 in July 1926, has sunk in a twelvemonth to $ 1.27, a drop of 44 per cent.

The building industry until recently kept to the high level of last year and even above it. It is increasingly obvious, however, that this is mainly due to speculation, based on the very low rate of interest of loaned capital. A speculative construction of hotels and dwelling houses in the big cities, far beyond the requirements of the wealthier part of the population, is sure to lead to a big crash in the building trade.

Agriculture. The position of the farmers has slightly improved[76]), but there can be no talk of an end to the farming crisis. The farmers are unorganised small capitalists who are systematically exploited by finance capital, concentrated in monopolist combines, both as sellers and buyers and as debtors, though just at present, in view of the approaching Presidential elections, both parties are making the farmers all sorts of promises. The farmer gets no more than 30 cents out of every dollar paid by the consumer for foodstuffs[77]); he enriches the trusts by buying their industrial goods, and he has to pay usurious interest to the bankers. Though the prices of farms have increased of late, the position of the farmers is still very difficult.

SIGNS OF CRISIS ON THE MONEY MARKET.

The peculiar feature of the United States business position is the fact that in spite of the obvious over-production in some important branches of industry (oil, copper, very soon automobiles), in spite of the great falling off in iron and steel production and the speculation on the building market, there is plenty of money. This is a result of the accumulation of more than half the world's visible supply of gold in the United States. The curious part of it is, however, that while in 1920 the Federal Reserve Bank system aggravated and accelerated the crisis by credit restrictions, it is now staving off the critical development by keeping down the rate of interest and granting credit on easy terms.

The main outlines of this policy are as follows: On July 25th, the Federal Reserve Bank of Cansas City first reduced its discount rate from 4 to 3½ per cent. Seven other Federal Reserve Banks followed suit on August 5th, among them those of New York and Boston. On the other hand, the Chicago Reserve Bank declared its intention to adhere to the 4 per cent. rate. On September 6th the central management of the Federal Reserve Bank, the Federal Reserve Board, announced that the resolution of the Chicago bank was null and void and that a reduction of the bank rate to 3½ per cent. had been ordered.

We shall not enter here into the question so much discussed in America, as to whether the Federal Reserve Board had not exceeded its rights. It is of interest that many condemn the reduction of discount as encouraging speculation.

As a matter of fact, the fluid money and the low rate of interest have led to great credit operations for the purpose of speculation. The "broker's loans" in the New York region amounted on October 5th to 3395, as against 2813, millions in the corresponding week of 1926.

The total credits granted by the Federal Reserve System increased between August 17th and September 21st by 400 million dollars. They now stand at 20,933 millions, the highest sum ever attained.

At the same time there was an increase in the general price level by a few per cent.

FOREIGN TRADE, CAPITAL EXPORTATION, BALANCE OF PAYMENTS.

In the last few months the foreign trade of the United States showed no sign pointing to an immediate influence of a worsened business position. The commercial balance is as satisfactory as in 1926; the gold influx continues unchanged.

---

74) From "Iron Age".

75) "Journal of Commerce" of October 28th, 1927.

76) E. Meier, of the Federal Farm Loan Board, announces that this year's harvest will yield the farmers a surplus revenue of 1000 million dollars. "New York Times" of August 14th, 1927.

77) Borah in the "New York Times" of September 3rd, 1927.

Foreign Trade.

	Goods Imports	Goods Exports	Gold Imports	Gold Exports
	In Million of Dollars			
Monthly Average 1926	368	393	17.8	9.8
January 1927	355	412	59.4	14.5
February 1927	303	365	22.3	2.4
March 1927	372	398	16.4	5.6
April 1927	363	405	14.5	2.6
May 1927	346	382	34.2	2.5
June 1927	347	349	14.6	1.8
July 1927	327	343	10.4	1.8
August 1927	372	371	7.9	1.5
September 1927	341	426	—	—

Exports, in Millions of Dollars, were as follows:

	1925/26	1926/27	Increase or Decrease
Grain	257.4	398.6	+ 141.2
whereof Wheat	167.3	318.1	+ 150.8
Fodder	27.1	28.2	+ 1.1
Meat	113.8	80.7	— 33.1
Animals Fats and Oils	131.9	112.1	— 19.8
Tinned Fish	14.2	17.3	+ 3.1
Fruit	105.0	128.1	+ 23.1
Vegetables	18.8	20.1	+ 1.3
Condensed Milk	17.8	14.8	— 3.0
Dairy Produce	11.8	11.3	— 0.5
Sugar	21.3	9.2	— 12.1
Other Foodstuffs	29.8	26.8	— 3.0
Total	748.9	847.2	+ 98.3

The problem of capital exportation was treated in the general section. We shall merely add that capital exportation is coming to play an ever increasing part in America's foreign policy. We need but mention the negotiation of an Australian loan of 40 million dollars just after a 7-million dollar loan had proved a failure in London; the apointment of D. W. **Morow,** partner in the firm of Morgan, as United States Ambassador in Mexico. (He naturally severed his business connection with Morgans at once(!). At the same time, early in October, another partner in the Morgan firm, **Lamont** by name, arrived in Japan to discuss the country's financial and economic position with Japanese bankers and politicians.

In the general section we drew attention to the recently published balance of payments of the United States. The question is so interesting, however, that we here reproduce a comprehensive table[78]), so as to give our readers an idea of how many items, of which as a rule nobody thinks, go to make up a carefully prepared balance of payments.

Balance of Payments of the United States in 1926.
(In Millions of Dollars)

Items	Exports Visible and Invisible Items and Cash (Credit)	Imports Revenue (Debit)	Balance
Goods Traffic:			
Import and Export of Goods	4808	4431	+ 377
Silver	92	70	+ 22
Bunker-Coal & Oil f. Foreign Ships	78	20	+ 58
Ships' Repairs and Stores	10	4	+ 6
Sale of Ships	1	0	+ 1
Unrecorded Postal Consignments	19	25	— 6
Alcohol Contraband	—	40	— 40
Overhead Expenses of Enterprises Working for Importation (Deductl.)	30	—	+ 30
Together	5038	4590	+ 448
Freight Payments and Receipts:			
Overseas and Great Lake Traffic	113	175	— 62
Receipts of American Railroads in Transit Traffic. Payments for Freight Abroad in Conn. w. Amer. Imports	—	20	— 20
Travellers (Tourist Traffic)	115	761	— 646
Overseas Passenger Traffic	63	—	+ 63
Revenue from Long-Termed Private-Capital Investments:			
Received for Americans Abroad	678	—	+ 678
Paid for Foreign Investments in U. S. A.	—	150	— 150
Proceeds fr. Short-Termed Interest & Commission:			
Received from abroad	57	—	+ 57
Paid to abroad	—	78	— 78
Remittances for Immigrants	35	322	— 287
War Debt Income of U. S. A.:			
Interest Payments	160	—	+ 160
Capital (Repayments)	35	—	+ 35
Other Govt. Revenue & Expenditure	17	68	— 51
Gifts for Charity and Missions	—	46	— 46
Film Hire Fees	75	4	+ 71
Insurance Business	80	70	+ 10
Miscellaneous minor Items:			
Import of Canadian Power-Current	—	12	— 12
Subscription of Am. & For. Newspapers	5	1	+ 4
Am. Advertisements Abroad & vice versa	1	8	— 7
Cable Fees	5	—	+ 5
Total (I)	6493	6307	+ 186
Capital Movements ("Funded Capital").			
New Am. Capital Investments Abroad	—	1332	— 1332
Changes in Former Am. Capital Investments Abroad:			
Debenture Payments to Americans	250	—	+ 250
Sinking-Fund Payments to Americans	20	—	+ 20
Re-sale to Foreigners of Am. Foreign Investments	200	—	+ 200
Foreign Shares and Debentures sold abroad	286	—	+ 286
Foreign Shares and Debentures bought in small Batches abroad	—	115	— 115
New Direct Capital Investments in the U. S. A.	32	—	+ 32
Changes in former Capital Investments in the United States:			
Repayments and Sinking Fund Payments to Foreigners	—	25	— 25
American Securities sold abroad	636	—	+ 636
American Securities bought abroad	—	509	— 509
Total (II)	1424	1981	— 557
Purelycash Items:			
Gold	116	214	— 98
Bank-Notes (Paper Money) of U. S. A.	—	40	— 40
Total (III)	116	254	— 138
Sum Total (I—III)	8033	8542	— 509
Non-Funded Items:			
Net Changes in International Banking Traffic acc. to Questionnaire	359	—	+ 359
Difference (Errors and Ommissions)	—	—	— 150

78) "Frankfurter Zeitung" of September 28th, 1927.

The table shows:

a) That America pays much more in interest on short-termed money to foreign countries than it receives from them. In the current year the proportion is probably equal, for on the one hand the French Government has invested great sums in America at short terms, and on the other hand much capital is being transferred at short terms to Europe, now that the rate of interest has been reduced to $3^1/_2$ per cent.

b) Even for loans, America pays one quarter of what it receives to foreign countries.

c) The American tourists spend 646 million dollars more abroad than foreign travellers spend in the United States.

d) The total new capital investment abroad is insignificant, not more than 198 million dollars. (Of the 557 million representing the increase of American holdings of foreign securities, 359 million must be deducted to represent the increase in the accounts of foreigners in American banks.) This is so small a sum as to fall short of the margin of error in the entire calculation, so that it is ultimately questionable whether there has been any capital exportation from America at all.

e) Nevertheless, the American bourgeoisie profits greatly by the international capital market since it invests money at long terms abroad at a rate of 5.25 to 8 per cent., whereas it hardly pays more than $2^1/_2$ to 4 per cent. for the short-termed foreign money invested in the United States.

*

In summing up we may say that the course of business in the United States has certainly deteriorated of late. Production has declined; in the branches of industry which produce more than last year, an over-production is either already apparent (oil) or else imminent (building, automobiles). The outbreak of a crisis is delayed by the very low rate of interst and by the extension of credit through the Federal Reserve Bank. At the end of September there was an improvement, but this is likely to prove nothing but the seasonal autumn business increase, which will not delay the crisis for any length of time. When it comes, the crisis will probably assume the form of an acute restriction of output, extensive unemployment, and a sharp drop in prices, but not a collapse of big capitalist undertakings.

Proprietor, Publisher and responsible Editor: Franz Koritschoner, Vienna, XIX., Chimanistraße 29.
Printers: "Elbemühl", Vienna, IX., Berggasse 31.