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Economics and Economic Policy in the Fourth Quarter of 1929.

(Concluded up to January 15th, 1930.)

By E. Varga.

I. Crisis in the United States — Crisis in World Economy.

1. Lost Illusions.

"Prosperity", "Prosperity for Ever", "Prosperity for All", such were the catchwords with which the capitalist press of the United States characterised the economic position in America for years on end. The European bourgeoisie, harassed by a chronic economic depression, by a revolutionary labour movement, and by the vicinity of the Soviet Union, engaged in the rapid building up of Socialism, gained encouragement and reassurance from the prosperity of the United States, consequently hoping for a revival of capitalism on American lines.

reformist, of all the world, faithful henchmen of the bourgeoisie, grew enthusiastic over the United States of America. They sent delegations, not to the Soviet Union, where the workers had seized power, but to the United States, where the most powerful and brutal bourgeois dictatorship exists. Constantly referring to the example offered by America, they sought to convince their own capitalists that they need but pay high wages in order to enjoy prosperity free of crisis, such as the capitalists of America enjoyed. Not the Soviet Union, where the workers had seized power, but the United States, ruled by capitalist oppressors, was upheld before the eyes of the workers as a pattern worthy of emulation.

"Prosperity for ever" was the watchword. In two thick volumes¹⁾, published in the middle of 1929, the "scientific" ideologists of the United States bourgeoisie headed by Hoover, provided a host of figures for the purpose of bolstering up the official lore of never ending prosperity. "The enormous natural wealth of the country" and the "insatiable demand" were designated as the main pillars of constant welfare. Ermeshed in the teachings of the vulgar economy of the bourgeoisie, these writers, as is customary in times of prosperity, forgot that in a capitalist state the development of productive forces collides after a certain time with the barriers of the limited consumptive capacity of the broad masses. As usual, they were surprised and staggered by the crisis.

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The theory of "organised capitalism" has been destroyed. The most tremendous stock-exchange crash in the history of capitalism, involving great losses to millions, the recession of output in the most important lines of industry by from 20 to 70 per cent., the bankruptcy of innumerable enterprises — all this has taught the ideologists

¹⁾ "Recent Economic Changes", New York, 1929.

of the theory of prosperity a painful lesson in Marxian dialectics.

The theory of "organised capitalism" has been doomed to bankruptcy even for the United States. Though the formation of monopolies is most developed in the United States, there can be no question of overcoming the anarchy of the capitalist manner of production in view of the present tremendous crisis. The opinion that the internal economic differences contained in "organised capitalism" have been mitigated (Bukharin) can no longer be maintained in good faith in view of the fact that during the recent crisis the fortunes of millions were expropriated and that the number of unemployed — none of whom get a single cent of relief — is calculated to amount to six millions, while the big monopolists have enriched themselves by the stock-exchange crisis.

The theory advanced by men like Lovestone has suffered shipwreck. The capitalism of the United States occupies no favoured position in the sense of being able to continue its rise independently of, and undisturbed by, the decline of international capitalism.

Events have proved the view of the Comintern, based on Marxian principles, to have been fully correct. There can be no privileged position for the capitalism of the United States. There is no such thing as permanent prosperity. Each boom must end in a crisis, which instantly and forcibly solves the contradictions necessarily developing during the upward evolution.)

The privileged position enjoyed by the capitalism of the United States by reason of its natural wealth and of the gigantic consumptive capacity of the American home market is bound to suffer a great setback in the present crisis. The wholesale expropriation of the middle classes by the stock-exchange crash and the inevitable increase in the army of unemployed during and after the crisis (as a result of the new wave of rationalisation) point to a restricted consumptive capacity of the home market, the main basis of the relative stabilisation of capitalism hitherto noticeable.)

This circumstance will force the capitalists of the United States, to redouble their efforts in seeking an outlet on the world market for such goods as they cannot dispose of at home. In this connection they will meet with the most strenuous opposition on the part of the other capitalist States, which are also suffering from over-production. These latter States will seek to protect themselves by increased tariffs against the incursion of American goods, or else start a fierce price struggle with America. Thus the United States will be involved in the international commercial competition far more intensely than was hitherto the case, and thereby the general crisis of capitalism will be enhanced and the capitalists of the United States will be forced to participate in the decline of international capitalism.

2. The Reasons of the Crisis in the United States of America.

Statistics published in the United States serve to show the monthly extent of the total of wages and that of the total value of output in manufacturing industry, the latter figure being

*) In my speech at the Xth Plenum of the E.C.C.I. in July 1929, at a time when the learned heads of the business research institutions of the United States were still raving about "permanent prosperity", I myself declared:

"We can safely assert that the American business boom will not cover the year 1930."

And I went on to say:

"We have quite a number of tangible indications for the fact that the present American business boom will come to an end even before Europe, and especially the poorer parts of Europe, can profit thereby."

I merely make mention of this because I wish to demonstrate the superiority of the Marxian method to the amply-equipped bourgeois science.

*) Of the total newly produced value in the economy of the United States, not more than 10 per cent, has hitherto been exported, this percentage remaining virtually unchanged since "Commerce Yearbook" 1928, p. 93).

decisive for the economic life of the United States. These figures, obtained from the index of the "Federal Reserve Board", provide the following picture for the industrial cycle just concluded:

(On the basis of 100 to express the average of 1923/25)

	Millions of Dollars							
	1922	1923	1924	1925	1926	1927	1928	1929
Gross Income of Farmers	10.4	11.3	12.0	12.7	12.1	12.3	12.5	12.65
Index of Wage Total	81.1	103.4	95.7	106.9	104.3	102.0	101.8	109.6
Index of Output Volume	85	101	95	104	108	106	111	122

We can observe that the disproportion between the total sum paid out in wages and the income of the farmers on the one hand and the value of output on the other (the volume being reckoned on the basis of the prices of 1923/25, seeing that goods cannot be added together in their natural form) is constantly on the increase. On an average for the first nine months, the "scissors" figure at 13 per cent. Seeing that the purchasing power of the artisans and of the broad mass of small and middle capitalists also shows a falling tendency, the contradiction between the consumptive and productive forces of society has become altogether drastic, so that a crisis was quite inevitable in accordance with the Marxian doctrine.)

It is an interesting fact that an apprehension of the true nature of the crisis is evinced not by the scientific ideologists of United States capitalism but by some leading capitalists who are apparently quite ignorant of Marx's teaching. Thus Rascob, the head of the General Motors Company, that giant concern which in the current year produced roughly two million cars and attained a net profit of 300 million dollars*), writes as follows:

"We have got production geared up to such speed and efficiency that we are faced with something more than the beginnings of a problem of getting the goods we are making, consumed . . . We have to keep the production machinery throttled down. We dare not develop its latent potentialities."

We can see that this shrewd capitalist has put his finger on the process of decay of United States capitalism in declaring that the capitalists of America do not dare to develop the latent possibilities of production. As an expedient, he suggests that industrial production be limited to five days a week, so that work in the factories would be at standstill from Friday evening till Monday morning. This, he affirms, would give the workers and clerks two days' time every week to make use of their automobiles; far more tyres, oil, and petrol would be employed, new hotels and other establishments would be constructed for the accommodation of excursionists; the workers would wear out their Sunday clothes twice as fast, and so on.

Naturally this suggested solution is adapted to the special interests of the automobile industry. But it serves to show that the big capitalists have a better insight into the real nature of capitalist production than their ideologists.

3. The Extent of the Crisis hitherto Recorded

A proper criterion for establishing the extent of the crisis is to be found in the events in the sphere of production, the recession of output from its peak figure. It is wrong to measure the crisis by a comparison with the output of the corresponding month of the preceding year, seeing that the capacity of output has very greatly increased in the course of the last twelve months.

*) Naturally there are also quite particular instances of disproportion (some of them cutting across the fundamental incongruities), such as the great falling-off of agriculture and spontaneous development of the automobile industry.

*) "North American Review", No. 5 (November 1929)

For the sake of characterising the the sharp drop in output, we quote the following figures, showing the development of the

Production Index of the "Annalist"

May	June	July	August	September	October	November
108.8	107.5	108.5	106.8	105.7	103.7	94.8 ^{a)}

Thus there was a drop from the May peak of 108.8 to 94.8 in November, a decrease of about 13 per cent. And to about 88 in December. In former genuine crises there was a diminution of from 25 to 30 per cent., so that it may be assumed that the peak of the crisis is still far from being attained^{b)}.

The following returns reflect the recession of output in certain important branches of industry since the time of the greatest boom. (The December figures are provisional.)

Output of Automobiles

(passenger Cars and Lorries, United States and Canada together, expressed in Thousands.)

May	June	July	August	September	October	November	December
636	567	518	513	430	394	214	160

Recession 75 per cent.

Building Industry

(Sum Total of Monthly Building Contracts in Millions of Dollars)

July	August	September	October	November	December
652	489	445	446	350	300

Recession 54 per cent.

Iron & Steel Industry (Per Working Day)

(1000 tons)

	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Iron	126	124	122	121	117	116	106	—
Steel	195	195	186	182	180	167	135	120

No. of Furnaces in Blast

	219	218	216	210	205	203	177	—
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Recession in the Case of Iron 10 per cent.

Recession in the Case of Steel 30 per cent.

Recession in the Case of Furnaces 20 per cent.

Number of Railroad Trucks Loaded Weekly

End of September	End of October	End of Nov.	End of Dec.
1,202,111	1,133,510	983,000	923,240

Recession 23.2 per cent.

From these returns we may see that the greatest recession is that in the automobile industry, this being the branch of industry in which the disproportion between the productive capacity and the purchasing power of society is most acutely felt; automobiles being in the United States an article of mass consumption which can, however, be more easily dispensed with than foodstuffs or wearing apparel, so that the reaction sets in most vehemently at this point.

It is obvious that the recession of production entails a corresponding increase of unemployment. The "Federal Reserve Board's" monthly index of the degree of occupation in industry shows the following development on the basis of 1925 to represent the level of 1923-25 (Seasonal fluctuations have been eliminated. — For December 1929, p. 786.)

May	June	July	August	September	October
123	126	124	123	121	117

No more recent returns are as yet to hand.

If we assume that the index of employment has dropped in approximate percentage proportion to the business development index of the "Annalist", i. e. by 10 p. c. between Sept. and November, the degree of employment in the latter month may be put at 110, which means that 15 per cent. of the workers occupied in June were added to the number of those then already unemployed. It is by no means an exaggeration to affirm that by the time the crisis reaches its height, there will be six millions of fully unemployed workers in the United States.

^{a)} Provisional Figure for December: about 88.

^{b)} At the same time the "Annalist" returns show that the height of the business boom was attained in May.

4. Stock Boom and Stock Exchange Crash as Factors in the Crisis.

The belief in an unlimited duration of prosperity led to an augmentation in the valuation of stock and share prices and to an unprecedented degree of speculation which spread to the broadest classes of the population, right down to typists, waiters, and factory workers. The rates of shares, it must be borne in mind, do not depend solely on the rate of interest obtaining at the time or on the profits already attained, but on the advantages expected to accrue in the future.

During the last few years of speculation, however, the rates have risen so greatly as to make the yield out of all proportion to the actual price of the shares. This will be seen by the following examples, showing the percentage proportion dividend paid last year to the highest recorded rate^{a)}

American Power & Light 0.6 per cent.
American Water Works 0.5 per cent.
General Electric 1.0 per cent.
Westinghouse Electric 1.4 per cent.
Standard Oil, New York 1.2 per cent.
United States Steel 2.7 per cent.

To any one not absolutely blinded by the fever of speculation, it must have been obvious that such a state of affairs could not last indefinitely. But the propaganda of "permanent prosperity" would not permit the speculators to come to their senses. The result was that the rates of the leading speculative investments continued to rise. The index of the "Wall Street Journal" comprising 400 industrial shares, rose from 163 in April 1926 to 381 at the beginning of October 1929; that of the "Annalist", covering 25 industrial securities, advanced from 138 in May 1926 to 469 on September 19th, 1929. In 3½ years, therefore, the rates of the leading shares were multiplied by 3½, the original figure thus increasing by 100 per cent each year. A calculation of the total sum of rate increases during the last three years would result in an amount far exceeding 100,000 million dollars^{b)}

Speculation had attained an absolutely unprecedented extent. All available capital flowed to the Stock Exchange. In vain the "Federal Reserve Board" attempted to curb speculation by admonition and credit restriction: seeing that on the Stock Exchange from 10 to 20 per cent. was obtainable for call money, the big monopoly organisations lent their surplus capital to the Stock Exchange instead of depositing it with the banks.

The fever of speculation penetrated far into the circles of small savers. This is best proved by the fact that in the financial year closing on June 30th, 1929, the number of savings-bank deposits had diminished by half a million and the sum total of deposits by 200 millions, whereas in the preceding years this total had increased by an average of two million dollars annually^{c)}.

Naturally the increase of Stock Exchange rates did not represent any real increase in existing fortune. Shares are fictitious capital, actual capital consisting in factories, works, etc. (naturally only in so far as they can yield profit in a capitalist state of society by the surplus value produced by the exploited workers).

But though the increase in the rates represented no more than fictitious values, this does not mean that it had no in-

^{a)} "Annalist" of November 29th, 1929.

^{b)} The relative size of this total is to be seen from the following comparative figures, culled from the "Statistical Abstract of the U.S.A. 1928", p. 289, and referring to the year 1922:

	Millions of Dollars
Total Fortune	321,000
thereof:	
Total Machinery and Tools of Industry	16,000
Total Railroads and Equipment	20,000
Total Livestock	6,000
Total Stock of Industrial Products	28,000
The total increase in the rates of shares thus exceeded the sum total of permanent capital, apart from buildings.	

^{c)} "New York Times" of November 2nd, 1929.

fluence on the formation of business development. The individual shareholders, who in the course of the boom period had realised their profits by the sale of their shares, thereby acquired additional purchasing power and thus also additional consumptive capacity. Economically speaking, this consumptive capacity was unreal, since it did not arise through the creation of new values by means of production. Nevertheless, it acted on the goods market in the sense of an increased demand and lengthened the duration of the business boom by covering up the existing disproportion between production and the consumptive power of society. This disproportion, however, only grew the greater for this reason, and the crisis grew more and more catastrophic¹¹).

These Stock Exchange operations caused the visible exportation of capital on the part of the United States to come to a standstill at the time of the greatest speculation, as will be seen by the following table¹²):

Capital Emission & Capital Exportation of the United States during the Last Industrial Cycle.

New Capital Emissions
(without Conversion) in the First 10 Months.
(In Millions of Dollars.)

	1929	1928	1927	1926	1925	1924	1923
Total	9,267.4	6,042.2	6,448.8	5,368.9	4,958.8	4,753.5	3,472.9
of these							
Canada	313.7	167.4	274.7	197.5	121.2	219.3	55.0
received							
Other	367.3	1,012.3	1,014.7	715.6	702.7	587.8	185.9
countries							
Inland	8,586.4	4,862.5	5,159.4	4,455.8	3,134.9	3,956.4	3,232.0

This table shows that in spite of a great excess, during the first 11 months of American capital emission over the preceding years, capital exportation, save in the direction of Canada, was restricted to a fraction of its former total.

New Capital Emission in the United States in 1929.

In Millions of Dollars ("Financial Chronicle")

	Total	Canada	Other Foreign Countries	Home
January ..	915.1	17.0	22.7	875.4
February ..	894.4	19.2	45.6	829.6
March	984.2	42.2	181.0	761.0
April	676.6	15.6	—	661.0
May	1,127.2	41.0	6.2	1,080.0
June	773.0	111.7	60.5	600.0
July	879.7	23.0	10.4	844.3
August ..	843.2	—	21.2	322.2
September .	1,306.6	—	8.0	1,298.6
October ..	843.4	42.4	10.2	790.8
November..	280.5	8.6	24.1	247.8
Total	9,523.9	322.7	389.8	8,810.7

¹¹) At the same time, the boom period was lengthened and the disproportion rendered more acute by the widely spread system of instalment purchases. The sale of commodities for subsequent payment to clerks and workers means that the purchasing power is anticipated and that more goods are sold than actually correspond to the purchasing power of society. In the last few years, instalment purchases greatly increased throughout the United States; in 1929 one in every three new automobiles was sold in this way ("Frankfurter Zeitung" of December 3rd, 1929), as were also furniture and other things. The total value of such sales may be put at 6-8 thousand million dollars, an important item in bridging the gulf between productive and consumptive capacity

¹²) Calculated by us on the basis of returns in the "Financial & Commercial Chronicle".

This table shows us that at the time of transition from boom to crisis — viz., July, August, September — the emission of capital for foreign countries practically ceased, the United States reverting to their former character of a capital-importing land. In November, capital emission upon the whole shrank to a minimum.

What tremendous sums were absorbed by the Stock Exchange may be seen by the statistics of the brokers' loans, which developed as follows:

Millions of Dollars on September 30th of each Year

1926	1927	1928	1929
3219	3915	5514	8549

In the course of one year the value of loans on securities will thus be seen to have increased by fully three thousand million dollars, a sum which is no trifle even for so rich a country as America and which must necessarily diminish the possibility of capital exportation very greatly.

The individual great monopoly organisations it is true, such as General Motors, General Electric, and Fords, continue their penetration of the world market in the form of capital investments, but this is effected altogether with their own means and not by way of the capital market. On the other hand, the Stock Exchange speculation in American securities spread from the United States to Europe. European short-term capital being invested to a great extent on the New York Stock Exchange either for the purchase of shares or else as loan money.

The culminating outcome of speculation was to be seen in the investment trusts, holding and trading companies which sprang up like mushrooms at the height of the speculation period. These joint-stock companies, which carried on no manner of productive activity, employed their capital solely for the purchase of shares in other enterprises. Their capital was thus fictitious capital of the second degree. It is characteristic that in the month of August 82 per cent. of the new emissions of share capital in the United States fell to the share of such enterprises as these. The apparent profit derived from the increase in rates doubled by these means, for the shares of these enterprises engaged purely in the purchase and sale of shares, rose with the increasing value of the shares they held.

The first relapses in share quotations occurred as early as September, when the initiated monopoly capitalists began to realise that the boom was drawing to its close and that there was no prospect of the low rate of interest on capital invested in shares improving by an increase of the dividend payable in the current year. They started selling, assuring the public at the same time that prosperity was continuing and that the rates of shares had merely been forced up too high.

On October 29th there ensued the great Stock Exchange crash, the greatest ever known in history. Sixteen million shares were thrown upon the New York Stock Exchange market, besides six million shares offered on the unofficial "Club" market. The drop in rates was catastrophic.

Under Morgan's lead, the great banking houses united for the purpose of preventing a yet greater crash by means of purchases. They succeeded in arresting the fell swoop of the rates and even in bringing about a rally, but a fresh drop occurred in November and another in December. The following figures illustrate the extent of the downward movement:

	Peak Rate		
	Sept. 19th	Nov. 13th	Dec. 21st.
"Annalist" Index.			
(25 Ind. Shares)	469.5	221.0	275.0
"Wall Street Journal"			
(400 Shares)	Oct. 9th		
	381.2	198.7	241.0

The trend of certain shares of world-wide fame was as follows:

	1929 Peak Rate	1929 Rate of Oct. 29th	1929 Per cent. Drop fr. Peak Rate	1929 Rate on Dec. 31st ⁽¹⁾
General Electric	403	250	38	243
General Motors	97%	47%	51	40%
United States Steel Trust	261%	185%	29	171
International Harvester	142	85%	42	79
Du Pont de Nemour	231	150	35	116%
Chrysler Automobile ..	135%	39%	71	36%
Standard Oil New Jersey	83	64	23	66%
Radio Corporation	114%	40	65	43%
Westinghouse Electric ..	292%	145	50	144

The crash diminished the total of the fictitious capital invested in shares by a matter of 50 000 or 60 000 million dollars. On the day of the main crash, October 29th, when 16 million shares changed hands on the New York Stock Exchange, the loss amounted to at least 25 000 million dollars."

What role, then, did the stock exchange crash play in the general crisis of the United States?

The stock exchange crisis was by no means the cause of the economic crises; indeed it was the latter which led to the crash. This does not mean, however, that the stock exchange crash was without influence on the course of the crisis itself. Just as the stock exchange boom masked the disproportion existing in society between productive and consumptive capacity by the creation of an unreal additional purchasing power, thereby enhancing the said tension and postponing the crisis, the crash encompassed the apparent purchasing power, unmasked the said disproportion in its full extent, accelerated the crisis and rendered it yet more drastic.

The stock exchange crash spelt the expropriation of the fortunes of many millions of "small people" (small and middle-sized capitalists, clerks, employees and skilled workers.¹⁴⁾ And who were the gainers? Naturally the big capitalists who managed in good time to dispose of their surplus shares — over and above what they required for the control of their enterprises—at high rates and who subsequently rebought the same shares after the crash at half the price. Naturally there were some big capitalists who suffered heavy losses by retaining their shares too long. The mechanism of the interventionary purchase of shares by the banking consortium likewise means nothing else but an expropriation of the small holders; the consortium buys when the panic is greatest and the shares cheapest and sells when, as a result of its own intervention, the rates have slightly rallied and "people" (i. e. capitalists outside the circle of the consortium) can be found to believe the assurances of the knowing ones that the crash is over. Thus, even during the great panic, the big banks made most satisfactory profits.

For the purpose of once more attracting the terrified "small" speculators with a view to their further exploitation, the stockbrokers declared on October 31st that "henceforth small speculators should meet with better treatment than hitherto in regard to both cover and the execution of orders. There was need of customers still in possession of money, since the days of panic had wiped out thousands of accounts." (*Frankfurter Zeitung* of November 1st, 1929.)

By impoverishing millions of people by an aggregate sum of 50,000 or 60,000 million dollars—albeit of fictitious capital

¹⁴⁾ Thus, in spite of being propped, these rates were, with only two exceptions, still lower at the close of the year than on the day of the great crash.

¹⁵⁾ The economic basis of this unprecedented speculation lies in the fact that, in view of the predominant position of monopoly capital in production, it is practically impossible to invest capital in industry at an average rate of profit. Either the raw material sources are monopolised or else such tremendous sums are required for the creation of a new competitive enterprise as are not to be raised without the help of financial capital. The small capitalists must therefore content themselves with interest or else try their luck at stock exchange speculations.

— the crash spelt a gigantic diminution in the consumptive capacity of society. Millions of people not only ceased to make liberal purchases out of what they had realised of their profit on paper, but themselves appeared on the market as vendors of whatever goods they could dispense with, automobiles, jewels, furs, and the like. Similarly, many merchants and small manufacturers were forced by their stock exchange losses to throw goods on the market at whatever price they would fetch. Where as hitherto there were constant assurances that no surplus stocks existed on the American market, which by reason of monopolisation and the perfection of statistics, was allegedly no longer "anarchic", it appeared when the crisis set in that great stocks, formerly considered normal, were in fact superfluous. The lack of proportion between productive and consumptive capacity thus became drastically apparent and found forcible expression in a price-drop and in a restriction of output, that is to say in the real crisis which, according to Marx, must needs terminate every period of prosperity.

5. Organised Anti-Crisis Measures: A Hopeless Attempt.

Hoover, the first trustee of monopolised capital in the United States, came forward immediately after the first stock exchange crash with an attempt to prevent the outbreak of an economic crisis. For the first time in the history of capitalism, an attempt was made to counteract the cyclic process of capitalist production by means of "systematic" measures.

In keeping with the monopolist character of United States capitalism, Hoover first of all got into touch with the big capitalists. He summoned the railroad magnates, the chief industrialists, and the heads of the Federal Reserve Banks to wait upon him successively and called upon them to carry on production and in particular to give a fresh incentive to business by big investments. They did not spare their assurances of compliance. The railway kings promised to spend 1,200 millions on new constructions, locomotives, and rolling-stock in the coming year, this being 38 per cent. more than in the year 1929. The assembly of leading industrialists, comprising O. D. Young of the "General Electric", A. P. Sloan of the "General Motors", Teagle of the "Standard Oil", Du Pont, Ford, and the like, promised to carry on output as hitherto, to discharge no workers, and to make no wage reductions. The Telegraph and Telephone Company promised to invest 600 million dollars in the coming year. The heads of the iron and steel works engaged to put through a big programme of replacing old plant by new.

In return for these promises, the bourgeoisie attained the following tangible advantages: (1) reduction of the bank rate, (2) reduction of income tax by 160 million dollars annually.

On the same day as the leading industrialists, Hoover received the leaders of the trade unions of the United States, viz. Green, Woll (chairman and vice-chairman, respectively, of American Federation of Labor), Johnstone (locomotive drivers), Whitwey (railroadmen), Lewis (miners), etc. Since the multi-millionaires did not like to confer with the trade union leaders, Hoover was obliged to receive the latter separately.

The outcome of the two conferences was summed up by Hoover somewhat as follows:

"The President has been authorised by the employers who attended this morning's conference, to declare upon their individual responsibility that they will take no steps to reduce wages and decidedly recommend this standpoint to all the country, since, apart from humanitarian considerations, the consumptive capacity of the country is dependent thereon.

"The President has been authorised by the representatives of labour to declare — as an opinion they decidedly hold and urgently recommend to all the country — that no new movements for the purpose of wage increases, apart from those already in progress, shall be commenced and that the workers will in every way co-operate with industry in the solution of its problems.

"It is the purpose of this declaration to guarantee

that in the duration of the present situation no conflict should arise liable to impair the continuity of work, and that in this way the stability of working conditions should be ensured." (Declaration by Hoover on October 21st, 1929.)

"Capital-Labour Pact" is the heading chosen by the "New York Times", the leading capitalist organ of America, for its account of these deliberations. It aptly covers one of the most essential characteristics of Hoover's action. The splendidly paid trade union leaders (Green has a yearly salary of dollar 100,000) profit by the opportunity so as to gain a practical basis for their policy of treachery practised on the working classes; the crisis is to be overcome by joint efforts on the part of capitalists and workers. Which naturally means that the crisis is to be solved at the expense of the workers. The capitalists will naturally not keep their promise of not reducing wages; indeed, they are already engaged in reducing them. In the month of November they discharged 400,000 workers. The trade union traitors, on the other hand, will try to keep their promises and to keep the workers from all wage movements, as they have indeed done hitherto.

Industrial peace having thus been established, the representatives of all branches of capital were invited to a general meeting with the select trade union leaders, this meeting to take place on December 5th in the American Chamber of Commerce. Here the great programme of the coming year's investments — to a total of 8,000 million dollars — was announced and a great board of 72 persons elected — including Mr. Green as the "representative of labour" — for the purpose of directing the anti-crisis campaign.

Experience shows that a real crisis entails a restriction of output by 25—30 per cent. (In November the production index of the "Annalist" had already fallen by 15 per cent. since August, i. e. from 108.6 to 93.5, and the downward trend continued.) The value of the output of the big American industries alone would have figured at 75,000 million dollars in the year 1929 had there been no crisis. Added to this there would have been the output of agriculture, building, the railways, etc. The crisis thus represents a restriction of output of from 25,000 to 30,000 million dollars. Even if Hoover's programme were fully carried out, it could at the best slightly mitigate the crisis but never eliminate it.

There can, however, be no question of this programme being fully realised. The competitive struggle existing undiminished (though in an altered form) even in a monopolised condition of industry, the unaltered anarchy of capitalist production, permits of no systematic procedure. To a great part, the programme of 8,000 millions is empty talk. The railroads will probably stick to their engagements. Of late they have made relatively small purchases in the way of rails, locomotives, or rolling stock, as plainly appears from a digest in the October issue of the "Guaranty Survey", the monthly bulletin of the Guaranty Trust Company. They have real need of enlarging their productive apparatus and would have had to make heavy investments in any case. So as to oblige Hoover and at the same time buy cheaper, they will make their purchases in the course of 1930 instead of in the following year. On the other hand, the prospects of investment in the building industry (which stands to expend one quarter of the total 8,000 millions) are very doubtful, for rents are very low and will be further depressed by the present crisis, so that private capital will find it too risky to sink money in house construction.

What is more important however, is the fact that internal differences are already apparent among the individual categories of capitalists. Hoover proposed heavy investments on the part of the railroads but at the same time the construction of a number of new canals and an extensive construction of roads for motor traffic. The railroad interests protested that they were called upon to invest 1,000 millions in developing their railroad system, while the competition of navigation and motor-traffic was being organised against them. How should they under such circumstances invest additional capital in their plant seeing that they would be faced with nothing but losses? millionth instance. In his programme Hoover included products for communal buildings in the individual cities. Farmers protested that this was by no means in their interest since it would merely spell an increase of taxation.

Why should they pay more taxes, only so that new theatres and hospitals might be built in the cities?

Yet another example, that of shipping. It was resolved that subventions be made out of State funds for the construction of additional tonnage. But the existing shipping companies protested at this artificially fostered competition and said they would be ruined if new companies were endowed to compete with them.

In short, it appears that a systematic procedure is impossible on capitalist lines. We do not affirm that Hoover's action will lead to no result at all, but the result will not lie in an elimination of the crisis but in a very slight mitigation of its virulence, while the duration of the crisis and of the following depression will be enhanced.

The leaders of monopolised capital in the United States are just as fully aware of this fact as we are. Their real object, indeed, does not lie in the removal of the crisis but in the creation of a central organ for the purpose of combatting the revolutionary movement, the creation of a Fascist nucleus, comprehending under one uniform leadership all existing Fascist forces, such as the American Federation of Labor, the Company Unions, the Civic Federation, the American League, the Pinkerton detectives, and the factory police. The capitalists foresee that in the same degree as the decline of capitalism advances in the United States, labour struggles will assume such dimensions that the armed forces maintained by individual capitalist interests will no longer suffice to keep down the workers: these forces must therefore be placed under a central management. The great economic board to be founded under Hoover's programme is outwardly the most innocent form such an organisation can assume. Fascism is thus on the advance in the United States of America too.

6. Ford, the Demagogue.

Ford, the well-known American multi-millionaire and automobile-manufacturer, who for years past has been accompanying the exploitation of his workers by a peculiar form of demagoguery popular among the reformists, is profiting by the present crisis for the purpose of gaining in popularity. At the conference of the employers with Hoover on October 21st, Ford unexpectedly declared that he would not only effect no wage reduction in his works but that he would raise the wages of his 150,000 workers. He distributed a declaration according to which the reason of the crisis was to be sought in the fact that people had abandoned productive work in favour of stock exchange speculation. The remedy, he affirmed, lay in the increase of the purchasing power of the population. Thereupon he quitted the conference without waiting to learn its outcome.

In due course reports appeared in the press to the effect that Ford was about to raise the initial wages of his workers from five to six dollars and the minimum wages of workers employed for a longer space of time from six to seven dollars. This was obviously a tremendous advertisement for the Ford cars.

But what actually happened?

Under the pretext of adapting his works to a new model, Ford suspended operations in a large part of his works and discharged many thousands of workers. According to the tactics habitually employed in the Ford works, however, this signified that the discharged workers might possibly be re-employed, but at the wage-level of beginners. At the same time it must be borne in mind that work in the Ford enterprise is carried on at such a murderous rate, that workers who have been employed there for four or five years are so exhausted and worn out that no other employer will engage them. This fact was established in a book on the American automobile industry.¹⁾

Simultaneously with his demagogic announcement of a higher wage, Ford reduced the prices of his cars, a very plausible measure at a time of crisis with a view to promoting

¹⁾ In the "most democratic country on earth", every manufacturer has the right of maintaining at his own expense an armed force, recruited from the refuse of society (mobsters, burglars, and murderers) and destined to be pitted against the workers in the event of strikes.

²⁾ Robert Dunn: "Labor and Automobiles", New York, 1929.

sales and beating his competitors. It is, however, altogether in keeping with the spirit of this unscrupulous demagogue, that the reduction in question was effected in the first place at the expense of his sales-agents. He himself declared that:

"Our sales-agents will have a share in the price reduction by accepting a reduction in their commission."

Hitherto, these agents had a commission of 20 per cent. of the sale price; they have now been reduced to 17½ per cent. In the case of the most popular models this means that the agents have had to take upon themselves the bulk of the price reduction. For the Tudor-Sedan cars the reduction figures at dollar 25. Thanks to the reduction of the commission, the agent incurs a loss of dollar 17½ of this difference and the works one of dollar 7½. In the case of the Roadster, the cut amounts to dollar 15, of which loss the agent bears dollar 13 and the manufacturer dollar 2. ("Wall Street Journal" of November 2nd.)

It may be pointed out that the newly reduced prices are in many instances higher than the original prices of these cars prior to the price increases effected by Ford during the business boom. The entire manoeuvre, therefore, amounts to this, that the agents are deprived of part of their commission, while Ford still attains a higher price than before the business boom. He is thus making use of the crisis for the purpose of increasing his profit at the expense of his selling agents^{*)}.

Ford's boastful and demagogic announcement of higher wages and cheaper goods as means of counter-acting the crisis is, therefore, nothing but a swindle. On the contrary, he is profiting by the occasion to enrich himself. He not only desires to make propaganda for himself and his automobiles; he would also like to get other capitalists to raise their workers wages and reduce the prices of their goods. It is only workers earning good wages that can buy motor-cars, therefore it is in the interests of the cheaply-producing automobile industry that the general wage level should be high. But to raise his own workers' wages so as to enable them to buy more automobiles, Ford is just as little inclined to do as any capitalist is inclined to yield to the persuasions of the reformists and to improve the home market and the general business position by a grant of higher wages. To incur out-of-pocket expenses merely so that more goods may be bought, would be too bad business for capitalists.

7. Modification of the Crisis by Reason of the Monopolist Character of Capitalism in the United States of America.

We are at present undoubtedly faced in the United States of America with a classical instance of a crisis of over-production. This does not mean, however, that the course of the crisis must in every detail conform to the classical type of crisis described by Marx.

In the case of a "classical" crisis, the acute stage is marked by the advent of a credit crisis, seeing that by reason of the glut on the market not enough money is coming in to meet obligations due. Numerous bankruptcies undermine mutual confidence and lead to a standstill in creditary operations. This causes every one to desire to have as much ready money in hand as possible; hence a wholesale realisation of accounts at savings-banks and the like, leading to a crisis in banking. Since the banks cannot meet their obligations, since the money circulating in the capitalist system is only a fraction of the claims balanced by mutual cheque and clearing operations, and since at the moment of a crisis in banking and credit it is impossible to provide sufficient funds to settle all obligations due in ready money, a monetary crisis ensues inasmuch as ready money as a means of payment and circulation is treated at a premium in relation to other values.

We believe that the critical phenomena of the sphere of circulation, viz. the credit crisis, the banking crisis, and the financial crisis, will in the case of the United States obtain only in a very slight degree, thanks to the highly mono-

polised character of economy there and to the fact that there is a great abundance of gold in America. True, there will continue to be countless bankruptcies of small and middle-sized enterprises. This development has already commenced, though it is veiled by the fact that many bankruptcies are settled on the quiet through the merging of the bankrupt firms into larger enterprises of the same kind. But the big monopolist organisations will, with few, if any, exceptions, weather the crisis without difficulty. They are so closely allied with the banking interests, that the latter will make every effort to prevent their downfall.

In view of its great reserves of gold, the American banking system is in a position to place fresh huge quantities of banknotes at the disposal of the big monopolist enterprises. During the business boom, the sum total of money in circulation was only slightly (by roughly 200 million dollars) higher than in the preceding year. America still circulates gold-certificates, i. e. banknotes with a 100 per cent gold cover (or strictly speaking not banknotes at all, but gold currency certificates), to a total value of 1000 million dollars. Should any difficulties arise in the course of the crisis (which we do not anticipate) there would be no objection to a withdrawal of the gold-certificates and the substitution of genuine banknotes with a normal gold cover of 30 or 40 per cent, by which means the circulation could be increased by 2000 millions or practically 50 per cent. The exceptional position occupied by the capitalism of the United States since its acquisition during the war of half the gold holdings of the whole world, will in our opinion suffice for the purpose of preventing a general crisis in credit, banking, and finances.

The main difference between the development of a crisis in the case of "classical" capitalism and in that of monopolised capitalism, respectively, does not, however, lie in the absence of a credit, banking, or financial crisis but in the fact that the onus of the crisis is to a great extent shifted by the capitalists onto the proletariat and the other poorer sections of the population.

The lack of proportion between the productive and the consumptive forces of society used in classical crises to be solved in the first place by a marked price drop, which reduced the sum total of available goods — as Marx put it — "to the socially necessary price total". The loss was borne by the capitalists. In the case of monopolised capital, the capitalists fight against the price drop, the disproportion being balanced by a considerable and lengthy reduction of output. This means that the onus of the crisis is borne primarily by the proletariat in the form of protracted mass unemployment, as also that the small capitalists, dealers, artisans, and the like, are obliged to reduce the prices of their goods if they desire to sell them and to meet their obligations out of the proceeds, while the big capitalists effect far smaller price reductions, if any.

In the present crisis a severe price drop is to be expected contrary to the general rule with reference to monopolised capitalism, seeing that the present price level still contains elements of the inflation period and is higher than it should be in view of a greatly increased productivity of labour. Indeed, the price drop has already set in pretty sharply. The wholesale price index of the "Annalist" fell from 149.1 in July to 140.9 on December 10th. In regard to the degree in which the crisis in the United States will affect the world market, great importance attaches to the question as to how far prices in America will continue to sink. The main line along which a crisis can pass from one land to another is that of forced exportation on the part of the country primarily affected; the greater the price drop, the keener the competition and the more speedily are all other countries involved in the crisis.

8. The American Crisis leading to Crises in all Capitalist Countries.

If we investigate the results of the crisis in the United States for the other capitalist countries, we must not forget that we are living in a period of the decline of capitalism, in a period of general crisis for the capitalist order of society. This explains the lack of uniformity in the progress of the industrial cycle. Important sections of European capitalism are so greatly affected by the general crises of capitalism as to

^{*)} 20 per cent. commission would seem to be tremendously high. It must be borne in mind, however, that in most cases the dealer is obliged to buy the used automobile of the purchaser off him at a fair price and subsequently loses in reselling it.

be unable to develop any real business boom. Indeed, the boom in the United States was to some extent a more or less isolated phenomenon; only Canada and certain West European countries shared in it; Great Britain, Germany, and Eastern Europe have not. In the latter cases, the elements of a rise noticeable in the first half of the year 1929, never came to anything.

We have every right to assert that the crisis in the United States of America is leading to a general crisis, and that for the following reasons:

a) In economic preponderance, the United States constitute almost 50 per cent. of all capitalist economy; an acute crisis in the United States is therefore in itself practically tantamount to a world crisis.

b) There is a group of countries which underwent an acute crisis even prior to the outbreak of the crisis in America, viz. the East European countries, Czechoslovakia, Austria, Hungary, Poland, the Balkans, and the Border States, with an aggregate of about 100 million inhabitants.

(c) There is a second group, that of Western Europe, including France, Belgium, Switzerland, and Scandinavia. In this region there has of late years been a pretty vigorous rise, in which connection the elements of crisis have been maturing, and here the outbreak of a crisis is probable under the influence of the crisis in the United States of America.

We also have countries suffering under a constant depression, as in Great Britain, or else with a pronouncedly variable business development, as in Germany.

(d) Furthermore, we have complete demoralisation in the economy of China by reason of the civil war, which in itself characterises the demoralisation of the Chinese order of society. In Japan, we have a depression which has been obtaining for years and which is likely soon to grow more acute, even independently of the effects of the United States crisis. It is an outcome of the free exportation of gold. There is serious depression in Australia and a bad business situation in India. Among the other American countries, Canada is already wholly involved in the crisis of the United States. In Brazil, the heavy price drop of coffee, the most important article of exportation, represents a serious crisis. Argentina had during the last few weeks to put an embargo on the exportation of gold, which brought about a severe drop in the exchange rate. In brief, wherever we turn, we find the ground well prepared for an economic crisis of international dimensions.

The same impression is gained if we consider world economy from the standpoint of the most important varieties of goods. There is an agrarian crisis, which is kept in a latent state in a number of grain-importing countries (Germany, France, Italy) by a rapid succession of import tariff increases, in the United States by heavy State loans on the grain stocks through the mediation of the Federal Farm Board, and in Canada by the Wheat Pool, but which may at any moment become acute. In regard to important agricultural raw materials, there is a latent cotton crisis; prices are only kept up by the fact that the Federal Farm Board advances 16 cents on every pound of the American cotton stocks. There are acute crises in sugar and rubber.

As regards mining products, there is not only a chronic coal crisis, but also a crisis of silver and a price drop in a number of coloured metals. The European textile industry continues to suffer under serious depression, as does also engineering, shipbuilding, and the artificial silk industry. Elements of a general economic crisis are, indeed, to be found in every direction.

As regards the sphere of circulation, the European credit crisis has since the stock exchange crash been temporarily mitigated by the return of capital invested on the stock exchanges of the United States, a development which has taken the form of a vigorous outflow of gold from the United States to Europe. The great insolvencies in Great Britain and Germany, however, and the still considerable rates of interest charged in Central and Eastern Europe reveal great internal contradictions in this direction too.

If we inquire into the manner in which the crisis in the United States makes itself felt in other countries, we may distinguish two main sorts of influence, viz.

- (a) Restriction of imports.
- (b) Extension of exports at low prices.

The former is already in full operation. The restriction of output is causing the importation of various raw materials to fall off considerably. This applies to important articles like rubber and tin.

What is yet more decisive, however, in regard to the transfer of the crisis from America to other parts, is the forced exportation of industrial products. The American exportation of finished goods is ever more on the increase; in the first nine months of 1929, i. e. the boom period, it was greater than ever before. In the third quarter of 1929, when the crisis had not yet actually broken out, finished goods exports exceeded those of the third quarter of the preceding year by 9 per cent. (Data of the Department of Commerce, published in the "New York Times" of November 11th, 1929.)

With the great restriction in the consumptive capacity of the United States home market, American capital will obviously be induced to apply itself with increased vigour to exportation.

Naturally, the industry of the United States will require a certain amount of preparation in this connection. The British press is not altogether wrong in pointing out that the exporting apparatus of the United States (in the way of bank branches, agencies and the like) is insufficiently developed. Thus the crisis in the United States is not likely to affect the other capitalist countries immediately; it will need some months before it takes full effect. But American capital is sure to create the necessary apparatus. And since the output capacity of the aggregate industry of all capitalist countries exceeds the consumptive capacity of the world market, this increased supply emanating from the United States will doubtless suffice to turn the latent crisis into an acute one or, in other words, to spread the economic crisis to all capitalist countries.

9. Enhanced Competition on the World Market and Increased Danger of War.

The leaders of American capitalism, men like Hoover, Mellon, and Klein (chief of the Department of Commerce) assume a very harmless tone when speaking of the future competition of United States capital on the world market. Mr. Hoover hypocritically points out that the role played by American capital abroad lies in the direction of "constructive work", of enhancing the welfare of other nations; the United States by no means contemplate a "dumping" offensive on the world market.

Similarly, Julius Klein, the President's friend and confidant, seeks to reassure Europe. However, we need but glance at his new book¹⁾ (not intended for the newspaper-reading public) to estimate the importance to the United States of foreign trade, albeit no more than 10 per cent. of America's output has hitherto been exported.

America's gigantic monopolies, whose home market is protected against foreign competition by high tariff walls, are about to throw their goods, rendered redundant by the decreased consumptive capacity of the home market, onto the international market at cheap prices and will doubtless employ all possible means to fight whatever competitors stand in their way.

The most important weapons they will use will obviously be the combination of goods exports with capital exportation, the accordance of long-term credits, and the grant of loans to the purchasers of industrial goods. We pointed out above that during the boom period of stock exchange speculation all capital was absorbed by the stock exchanges, so that the United States temporarily became a capital-importing country. By the stock exchange crash thousands of millions of dollars, which had been bound up in the purchase and sale of shares, were released for other purposes. What tremendous sums are here concerned may be seen by the development of brokers' loans.

Sum Total of Brokers' Loans.

(In Millions of Dollars)

September 30th	October 31st	November 30th
8549	6109	4017

¹⁾ "Frontiers of Trade", New York, 1929. With a preface by Hoover.

in the last few months, roughly 5000 million dollars were released. As these loans form only a part of the sums engaged in stock exchange speculation, the total amount thus released may well be put at 10 000 millions if not more. Since, besides this, the restriction of the turnover of goods as a result of the crisis tends to release money as a circulating medium, which automatically turns into loan capital, it may be expected that in a short while, when the acute stage of the crisis has been surmounted, we may be faced with a gigantic abundance of capital, very low rates of interest, and a vigorous capital exportation.¹⁹⁾

Low prices, long-termed credits, big loans, and the immediate investment of capital in foreign enterprises — such are the chief means which the capitalists of the United States will employ to attack their competitors on the world market. Among the great industrial countries, only Great Britain and to a smaller extent France can take up the fight with the weapon of capital exportation; Germany, Italy, and Japan are not in a position to do so: they are themselves dependent on capital importation and can therefore only attempt to compete by means of yet lower prices.

The capital of the United States is on the advance, securing positions by means of the purchase of shares and of entire foreign enterprises. The industries mainly concerned in this connection on the world market are the electricity and the automobile industry. During the last few months, United States capitalists have secured the majority of shares in the British General Electric Company, as well as the electricity works of Shanghai, among the greatest in the world: they are likewise participating in the Allgemeine Elektrizitäts-Gesellschaft of Germany. During the early days of the crisis, great batches of shares of the "Sofina" (a nominally Belgian international concern for financing electrical enterprises) passed into American hand. On October 19th, the announcement was made at the general meetings of the Milan Edison Works (the greatest electricity concern of Northern Italy) that Morgan and the National City Bank had acquired 110 000 new shares for the sum of 160 million lire. American capital is thus making every effort to gain the control of the electricity industry of the world, an industry which represents an undoubted factor of power.

Similar conditions obtain in the automobile industry, where we have experienced the purchase of the Opel works in Germany, a participation in the Citroën works in France, and the establishment of new factories or assembling shops in various countries.

The capitalists of the United States are well aware that the capital of Great Britain is based primarily on the Empire, on the Colonies. Therefore they make their attacks mainly in this direction. They have made Canada largely dependent upon them: they are now granting loans to Australia. British capitalists are naturally not idle either. One of Great Britain's aristocratic champions, Lord D'Abernon, visits Argentina, Brazil, and Uruguay for the purpose of concluding big business contracts there. J. H. Thomas, one of the Labour flunkies of British capitalism, goes to Canada with a view to seeking markets for British coal and iron in competition with the United States, while Snowden, another menial of the capitalists, bargains at the Hague Conference and secures the British coal magnates the sale of coal to Italy and the like.

The economic struggle is indissolubly connected with the political struggle. The United States demonstratively recognise the independence of Egypt, support an anti-British general in China, fraternise with the South African Union, and intimate in their newspapers that they are better in a position to defend Australia against Japan than Great Britain could be. In Central America and in the north of South America, the United States

are progressively ousting British influence. Great Britain seeks to defend itself by strengthening the ties between the mother-country and the colonies. The idea of the "Empire" as an economic entity is stressed more and more by British capitalists, albeit without any hope of realisation.

The contradictions of the third period are approaching their full development in the sphere of foreign political relations.

As a result of utmost development of the economic struggle, the crisis entails not only the danger of another imperialist war; yet more it accelerates preparations for an attack on the Soviet Union. The bourgeoisie of the entire world looks on with rage at the proletarian control of one sixth of the earth's surface. Were it not for the internal imperialist differences, for the fear of the revolutionary proletariat in the capitalist countries, and the danger of a subversion of capitalist rule in the event of a defeat, the Soviet Union would long ago have been the object of a renewed concerted attack.

Under the conditions of the economic crisis, the international bourgeoisie finds it yet harder to suffer the existence of the Soviet Union. The contradiction (permanently apparent in times of decline) between the limited consumptive capacity of the world market and the nevertheless over-developed productive apparatus, makes itself most keenly felt in times of crisis and depression, as does also the fact that the market of the Soviet Union is closed to the imperialist efforts towards expansion. What a field for exploitation would be vouchsafed to capitalism if it could once more spread to the vast area of the Soviet Union with its rich natural resources.

Added to this there is the Five-Year Plan and the fact of the full—nay, surplus—realisation of its programme for the first year.

All factors of the antagonism between a declining capitalism and a rising Socialism (tangibly illustrated in the success of the Five-Year Plan) are aggravated by the present crisis. The danger of war approaches apace. Utmost vigilance is essential on the part of the Communist Parties and of the revolutionary proletariat.

10. A gravitation of Internal Antagonisms. Approach of the Proletarian Revolution.

The crisis now in progress constitutes a serious danger to capitalism and may lead in various countries to acutely revolutionary situations and to struggles for power.

The hopes of the bourgeoisie that the crisis may be successfully surmounted and that a new rise may then begin, are altogether unfounded. We are living in a period of the decline of capitalism. The time is past when crises could be overcome by an extension of the capitalist system of production along an ascending line. The expansion of the capitalist markets at home by the transformation of the peasantry producing for their own use into economic producers and wage-workers—which is the main directive in the creation and expansion of the home market on capitalist lines²⁰⁾, is at an end in such imperialist countries as the United States, Great Britain, and Germany, where 80 or 90 per cent. of the production of the peasantry has already been drawn into the capitalist market.

The expansion of the outer market might still be possible in an abstract and theoretical sense. Several hundred million people in China, South America, and Africa are still living in pre-capitalist conditions. A certain development in this direction will undoubtedly still take place, but it will be hindered by the industrialisation of the colonial regions themselves and by their growing resistance to imperialist subjugation. The possible expansion of markets is in any case far too small to balance the difference between the spontaneously enhanced productive apparatus and the restricted consumptive capacity of society.

The methods employed by capitalism for the purpose of overcoming the crisis must necessarily lead to an aggravation of economic differences and social contradictions, which in its turn cannot but engender yet more acute crises.

¹⁹⁾ At present there is a very great outflow of gold from the United States to Europe. While in the first 9 months of the year 1929 some 245 millions worth of gold flowed to the United States, a vigorous return flow set in after the stock exchange crash. In the last two months it amounted to 120 millions. This, however, does not constitute an exportation of capital (or, at any rate, only in a limited sense), being mainly the reflux of European capital which had been engaged in operations on the American stock exchanges.

²⁰⁾ See Lenin: "The Development of Capitalism in Russia", chapter 1.

The immediate result of the crisis will be a new wave of rationalisation.

But what does such a wave of rationalisation amount to at a time of capitalist decline in face of a very slight possibility of extending the market by including non-capitalist classes and peoples in the scope of capitalism?

Rationalisation means the creation of further armies of unemployed, an enhancement of chronic mass-unemployment, an increase in the rate of exploitation of workers, and a diminution of the share of the worker in the product value. The result being that the consumptive capacity of society is diminished.

A great part of the small and middling capitalists who have not yet suffered shipwreck in the crisis, has not sufficient capital to effect the necessary adaptation of the productive apparatus. They are therefore driven to the wall. The result is that the consumptive capacity of society is again diminished.

Rationalisation means an increase of the productive apparatus and a greater supply of goods, although the consumptive capacity of society is at the same time diminished.

The method employed by the bourgeoisie for the purpose of getting the better of the crisis — obviously the only method it can employ — may for a short while, pending the renewal of constant capital, entail an amelioration in the business position; as soon, however, as this renewal is effected and the rationalised enterprises start throwing a greater amount of goods on the market, the contradiction between the enhanced productive forces resulting from rationalisation and the diminished consumptive capacity of society arising from the same cause, will be all the more apparent. The desired business boom will therefore not ensue or else will lead speedily to a renewed crisis of still greater virulence. There is no possible means for capitalism to escape its decline.

The crisis itself constitutes an extreme aggravation of the class struggle between bourgeoisie and proletariat. Before all, chronic unemployment, which in the leading industrial countries — Germany, Great Britain, United States — amounted in the last six years to 10 or 12 per cent. (not counting short-time work), will rise to 15 or 20 per cent. The bourgeoisie, which seeks a way out of the crisis in a reduction of wages, profits by mass-unemployment for the purpose of attacking the standard-of-living of the workers. The fight will develop on a broad basis in all capitalist countries.

If the Communist Parties are resolute in taking the lead in the struggle, they will succeed in those countries in which they are still small (as is the case in Great Britain and the United States) in developing into mass-parties. In other countries, such as Germany and Poland, where there are already big Communist Parties, they will succeed in winning the majority of the proletariat.

The struggle between the proletariat and the bourgeoisie will be no mere defensive fight on the part of the former against the attacks of the latter; in connection with the gigantic struggle of the unemployed it will develop into a great offensive fight. In the third period, in which every greater economic struggle must needs turn into a political struggle, this leads to the necessity of a political strike of the masses and raising the question of power all along the line, to the accentuation of the class struggle in some countries up to an armed insurrection and to direct fights for power.

The aggravation of the class struggle by the economic crisis will obviously lead to a prohibition of the Communist Parties in various countries, to the dissolution of the Red Trade Unions and of such local organisations as are controlled by the revolutionary wing. The terrorism of the bourgeoisie will grow in extent and vehemence. The bourgeoisie will employ all possible methods of suppressing the revolutionary mass movement. The Communist Parties must seriously and urgently prepare for a state of illegality.

The crisis and the means adopted by the bourgeoisie to get the better of it, intensify to the utmost the fight between the bourgeoisie and the proletariat. The Communist Parties are faced with a time of increasing militancy. All factors characteristic of the third period will shortly attain their full development. Serious struggles are in store for us. In many countries we are approaching acutely revolutionary situations. The crisis will bring us appreciably nearer to our final aim, the overthrow of capitalist rule all the world over.

II. The Limitations to the Rise of German Capitalism.

Everything points to the fact that the rapidly aggravating class struggle in Germany is again approaching an acutely revolutionary situation. Elements of a "general national crisis" — according to Lenin one of the presumptions for an acutely revolutionary situation — are unmistakably existent, viz., a crisis of the Government and of the ruling majority, a split in the German National Party, the advance of the National Socialists, the growing influence of the C.P.G. on the masses, demonstrations which almost daily lead to collisions, the increased demand for a dictator, and the like. It is therefore essential to attempt to investigate the economic basis of this aggravation of the class struggle, or, in other words, the situation of German Capitalism.

The Development of Production.

Disregarding such fluctuations as occur in production in post-war times within the individual economic cycles — which in Germany are particularly short — industrial production since the stabilisation of the currency shows a very vigorous increase, more so, perhaps, than is the case in any other industrial country. True, capitalist economy had nowhere else sunk to so low a level as had that of Germany in 1923. Unfortunately there is no good index of German production.

The output index of the Institute for Business Research, the only one worthy of consideration in this regard, comprises merely the following goods²¹): hard coal, brown coal, pig iron, crude blocks, rolled products, potash, lime, cement, cotton yarn, linen yarn, hemp yarn, paper semi-finished products, paper, and cardboard. There is no mention of the most important factors, which comprehend all branches of industry, energy, or the number of laden goods-trucks. Not even the metal finishing industry, which is most decisive in the case of German economy, finds mention. In spite of these shortcomings, the index furnishes an approximate idea of the development of output.

Productional Index of the Institute for Business Research.
(On the Basis of 100 to Represent the Average from July 1924 to June 1926.)

1924	1925	1926	1927	1928	1929 (1st 9 Months)
87.5	106.6	108.8	123.7	119.1	123.4

It is fairly easy to distinguish between two periods, the first three years, from 1924 to 1926, with an average index of 98.3, and the further three years, from 1927 to 1929, with an average index of 122.1.

There follows, in the first place, this important fact: That in 1927 the rise of German production reached its highest point and subsequently advanced no further. Seeing that the last quarter of 1929 may be assumed to represent an undoubted decline, while the year 1930 will be a critical year for all the world's economy, it may be established that for the present at any rate the rise of German economy has reached its limit²²). Unfortunately, no comparison has been set up for pre-war times, so that an immediate comparison is impossible.

Index Figures of Production.
(According to the Calculations of the Institute for Business Research.)
(On the Basis of 100 to Represent the Average from July 1924 to June 1926.)

	1924	1925	1926	1927	1928	1929
1st Quarter	77.5	111.8	94.4	121.9	128.4	120.6
2nd Quarter	86.1	107.1	91.4	122.5	121.1	126.1
3rd Quarter	86.1	103.3	100.7	123.3	117.6	123.6
4th Quarter	101.6	104.1	116.7	126.9	108.9	

²¹) "Vierteljahrshäfte zur Konjunkturforschung", 1927, No. 2.
²²) This is yet more clearly apparent from the figures of the productional index according to quarterly returns.

Certain individual pre-war returns may be mentioned in comparison:

Monthly Average.							
Time	Hard Coal	Brown Coal	Total Coal	Pig Iron	Crude Steel	Potash Output	Electric Current in Thou. Mill. Kilowatt-H.
(t. Present Territory)	(In Terms of Hard C.)						
	(Millions of Tons)			(Thousands of Tons)			
1913	11.7	7.3	13.3	910	993	1189	—
1914	9.9	10.4	12.2	653	809	896	—
1927	12.8	12.5	15.6	1091	1347	1269	25.1
1929	13.6	14.5	16.8	1116	1354	1462*)	29.0*)

* 1929 estimated on the basis of the first 10 months.
(From "Vierteljahrshöhe zur Konjunkturforschung"
and "Wirtschaft und Statistik".)

These returns show that German capital has succeeded in raising output above the pre-war level, which still seemed doubtful in the year 1926. But if we take into consideration the growth that has ensued meantime in the number of workers and the far more efficient productive apparatus, the disproportion between the possibilities of production and the actual output is clearly apparent, a subject to which we shall still have occasion to refer.

Agricultural Production.

The complaint of the German farmers and in particular of the big landowners of East Prussia, as to their economic bankruptcy have grown more and more insistent during the course of the year. They finally led to the desired result, the agrarian duties being raised with the help of the Social-Fascist Ministers to the double of their pre-war extent.

Meanwhile the development of output does not point to any general crisis of agriculture.
Harvest Yield (in Millions of Tons)²¹⁾.

	Wheat	Rye	Barley	Oats	Potatoes	Sugar
1911/13	3.77	9.59	2.97	7.68	38.0	13.9
1923	2.90	6.68	2.36	6.11	32.6	8.7
1927	3.28	6.83	2.79	6.35	37.6	11.9
1928	3.85	9.58	3.35	7.00	41.3	11.9
1929	3.31	8.11	2.99	6.98	—	—

It must be pointed out that in pre-war times the yield was in general recorded too high, while in post-war times it was in view of the ten years of economic compulsion indicated too low, so that the yield of the last three years may be put down as approximating those of the last three pre-war years.

Livestock (in Millions)²²⁾.

	Horses	Cattle	Pigs	Sheep	Poultry
1913	3.807	18.474	22.533	4.988	63.970
1924	3.855	17.326	16.895	5.735	63.675
1928	3.712	18.414	20.106	3.635	76.003

The stock of horses and cattle is thus the same as in 1913, while the number of pigs is smaller and that of poultry considerably larger. Upon the whole the level of pre-war times has been maintained. There is no general agricultural crisis.

Disparity between Output and Productive Capacity.

As we have seen, the output of the last three years has been moving on pretty much the same level; on the other hand the productive capacity has greatly increased by reason of rationalisation. At the same time, the number of earners has continued to increase. The question arises again as to why production is so relatively small; this is the fundamental problem of German capitalism.

As regards the material apparatus of production, we can refer to the returns of the industrial census of 1925. Compared

with 1907, the pre-war census of this kind, they show very great progress. Let us take the employment of power machinery as an example.

Employment of Power Machines in Industry and Handicraft.

	Millions of H.P.		Percentage
	1925	1907	Increase
Primary Power Machinery ...	21.6	7.4	191
Electro-Motors	14.2	1.9	689

If we take into consideration that the exploitation of energy is at present undoubtedly improved and that the working machinery put into operation by the same quantity of energy is undoubtedly far more efficient than 22 years ago, the number of power machines having moreover certainly increased considerably since 1925, industrial output — with the same exploitation of the productive apparatus — ought at present to be far greater than it was before the war. Since this is by no means the case, it is obvious that the existing productive capacity is only exploited in part.

The same lack of proportion is to be seen in comparing actual production with the number of those capable of working and those actually earning.

The census of the population and of industry in 1925 showed that both relatively and absolutely there are at present far more people of an age fit for work than there were before the war. This may be looked upon as a result of the war itself.

Percentage of Persons of a Working Age (15—50 Years)²³⁾.

	1910	1925
Men	51.1	54.7
Women	50.2	56.2
Together	50.6	55.5

Number of Persons of the Best Working Age (20—40 Years)²⁴⁾.

1910	17.6 Millions
1925	20.3

In keeping with this, the number of actual earners has very greatly increased, as the following figures show:

Number of Earners²⁵⁾.

	Total	Thereof Women Millions	In Agri- culture	Percent of Total	In Industry Millions	Percent of Total
1907 .	28.23	10.13	8.56	34	9.83	39.1
1913 .	30.50	—	9	—	11	—
1925 .	35.85	13.63	9.76	30.5	13.24	41.4
1929 .	37.50	—	10	—	14	—

At a fairly reliable calculation, there are at present one million more earners employed in agriculture and three millions more employed in industry than before the war. In industry particularly, they are operating a greatly improved and enlarged productive apparatus. And yet the total output is relatively no greater than before the war.

The explanation is to be sought in great part in the mass unemployment which goes hand in hand with the standstill of a great part of the productive apparatus, as also in the greater proportion of earners employed not in production but in circulation, commerce, administration, etc., and thus not creating values.

²¹⁾ "Statistisches Jahrbuch" 1929, p. 15.

²²⁾ Ibid., footnote.

²³⁾ 1907 and 1925, figures of the census of industry, as per "Statistisches Jahrbuch" 1929, p. 23.—1913 and 1929 computed by us by means of interpolation.—Our estimate of the number of employed workers in 1926 was proved by the figures of 1925 to have been too low.

²⁴⁾ "Statistisches Jahrbuch", 1926 and 1929; "Wirtschaft und Statistik", September Issue No. 4 for 1929.

²⁵⁾ "Statistisches Jahrbuch" 1929, p. 85.

Unemployment⁽²⁰⁾. of Members of Trade Unions, in Percents (Yearly Average):

1907/13	1924	1925	1926	1927	1928	1929 (11 months)
2.3	13.5	6.7	18.0	8.7	8.6	12.7

If we assume the figures of unemployment among members of the trade unions as valid for the entire body of workers, it results that in post-war times there were from five to six times as many unemployed than before the war. To this may be added the great increase in short-time work.

The Institute for Business Research supplies the following returns for the percentage of unemployment:

	Fully Unempl. T. U. Members	Short-Time Total	Workers Comp. as Fully Unempl.	Fully Empl. Workers
1924	8.9	8.9	3.6	85.0
1927	8.8	3.4	0.8	90.4
1928	8.6	5.7	1.3	90.1
1929 Jan.	19.4	8.7	1.9	78.7
July	8.6	6.9	1.6	89.8
Oct.	10.9	7.0	1.6	87.5
Dec.	20.0	—	—	—

The percentage of fully employed has thus continuously declined since 1927.

The outcome of this state of affairs, in which the forces of production are unexploited, in which a tremendous productive apparatus and millions of workers remain unemployed, may be seen in the fact that production and consumption per head of the population are hardly greater now than they were before the war.

The formation of the productive consumption is in no proportion to the greatly increased productive capacity.

No less interesting and characteristic for the standard of living of the entire population is the consumption of the most important mass articles. It is possible to observe a shifting in this regard: more sugar, southern fruits, and cocoa, and slightly more meat have been consumed, and less bread and potatoes, beer and spirits; there has also been less expenditure for clothing. There has by no means been a uniform increase over pre-war times in spite of the tremendous advance in machine equipment. True, none of the available statistics are particularly reliable, least of all those referring to the consumption of grain.

The Problem of Exploitation in German Capitalism.

The lying idle of a great part of the productive apparatus and the chronic unemployment of masses of workers are the characteristics of the last few years. We have shown above that the rise of German economy came to a temporary end in the year 1927. The question arises as to whether this constitutes a chance occurrence of business development or whether the particular factors which rendered possible the vigorous rise of German economy after the stabilisation of the currency no longer obtain, in which case Germany would be experiencing a similar development as that experienced by Great Britain just after the war.

The bourgeois authorities on business development in Germany incline to the former theory. We are, however, of opinion that German capitalism has arrived in the course of its development at the limits of its market possibilities i. e. at the limits of the utilisation of its capital. Since for years there have been unexploited means of production and unemployed workers and since, even in the opinion of the Institute for Business Research, we are now entering upon a period of crisis, to be followed by depression, it is obvious that the lack of markets represents no mere chance phenomenon of business development but rather a phenomenon of the decline of capitalism.

⁽²⁰⁾ "Statistisches Jahrbuch" 1929, p. 278 (for 1929, newspaper sources).

This naturally does not mean that — supposing the capitalist order of society in Germany manages to withstand the serious shock entailed by the commencement of an international crisis — there can be no further rise in its business development. But apart from individual industrial cycles, the general upward movement of German capitalism, which has already been greatly hampered of late years, will not continue. Everything points to the fact that the capitalism of Germany, like that of the United States, will henceforth in a far greater degree than hitherto bear the marks of the general decline of capitalism.

That the aforesaid limitations of the market refer in the first place to the narrowness of the market in Germany itself may be seen by the rapid development of German exports in the last two years, described by the Institute for Business Research as years of business decline. German capitalism has succeeded in raising the exportation of finished products by 1,000 million marks and, in August, September, and October, in attaining an export surplus for the first time for several years.

Foreign Trade⁽²¹⁾. (In Thousands of Millions)

	Exports	Export Surplus	Finished Goods Exports	in percents of Total Exports*
1913 ⁽²⁰⁾	15.93	0.36	11.15	70.0
1924	6.57	—	5.19	79.0
1925	9.29	—	6.75	72.7
1926	10.41	0.41	7.15	68.7
1927	10.80	—	7.72	71.5
1928	12.05	—	8.70	72.2
1929	13.51	0.73	9.83	72.8

The reasons of the market difficulties of German capitalism, which are bound to lead to an insufficient exploitation of German capital, must therefore be sought in the first place in the formation of the conditions of income in Germany.

It is naturally very difficult to establish the actual profit of German capitalism: the complaints of German capitalists as to the lack of a financial yield is naturally in itself not sufficient proof.

Certain information may be gleaned from the dividends of joint stock companies and the rates of shares.

Development of the Net Profit of Joint-Stock Companies⁽²²⁾.

(Not counting Banks, Insurance Companies, or Participation Concerns.)

	No of Companies	Nominal Capital in Thousands of Million Marks	Nominal Capital plus Reserves and Scrip in Thousands of Million Marks	Profit in Percent. to own Capital	Loss in Percent. prop. to own Capital
1924/25	2736	14.26	15.70	5.1	1.6
1925/26	2662	13.55	14.43	5.3	1.9
1926/27	1775 ⁽²³⁾	10.46	10.97	7.0	0.6
1927/28	1881	13.73	14.96	7.2	0.5

We repeat that these returns give only a very conditional and unreliable idea of the actual development of profits in Germany's industrial capitalism, especially seeing that there is no guarantee that year by year the same concerns were covered. The influence of the good business year is unmistakable, as is also the result of the exploitation and absorption of innumerable small, incapable enterprises and of

⁽²¹⁾ "Statistisches Jahrbuch" 1929, p. 187. Supplemented from "Wirtschaft und Statistik".

⁽²²⁾ On the basis of the unit values of 1925.

⁽²³⁾ Compiled from "Statistisches Jahrbuch" for 1928 and 1929 and from various issues of "Wirtschaft und Statistik". The figures refer to joint-stock companies with a capital of at least one million marks and with shares quoted on the stock exchange.

⁽²⁴⁾ The heavy drop in the number of companies and in their balance total is ascribable to the incomplete comprehension (of only 60 per cent. of the total number of companies) to the computation in gold marks, to the disappearance of inflation enterprises, and to the vigorous tendency towards amalgamation.

pronounced writings-off of capital. Moreover, no distinction is made between monopolised capital and the smaller enterprises which are obliged to deliver up some of their profit to the monopolists.

Undoubtedly, the outcome of the years 1929 and 1930 will again show a downward tendency in keeping with the bad trend of business.

Another criterion—albeit also very unreliable as being likewise influenced by the bank rate—is to be found in the development of the rates of shares.

Share Index of the Institute for Business Research.

Average	Mining & Heavy Ind.	Finishing Ind.	Commerce & Traffic	Total
1925	74.5	88.4	79.4	88.2
1926	116.6	99.3	98.8	103.0
1927	161.6	147.9	135.6	147.2
1928	145.8	140.6	133.2	139.5
1929 Jan.	147.3	137.6	134.0	138.6
July	142.2	124.8	122.6	128.0
Oct.	131.4	111.2	117.6	117.7

The sharp drop in the rates in the last six months shows the deterioration in the general prospects for the future: the divergence in development between the shares of the greatly monopolised mining and heavy industrial concerns and the group of finishing industries illustrates the growing difference between the prospect of profit according to the degree of monopolisation.

Growing Relative Limitation of Home Market.

The insufficient profitability of industrial capital is due — apart from other factors, such as the big share of loan capital in the profit, high taxation foreign participation, and lack of colonies, of which matters we shall still have occasion to speak — mainly to the insufficient utilisation of the material apparatus of production, i. e. of fixed capital. A full utilisation is impossible because — under the present antagonistic conditions of distribution — there is no effective demand.

The essential matter is the consumptive capacity of the home market, in which regard the following factors are mainly decisive:

a) Lessened share of the proletariat in the product value. Unfortunately, incomplete German statistics do not afford the possibility of immediately establishing the share of the workers, as in the United States. Meanwhile there is plenty of indirect evidence.

1. That the share of the workers in the product value should be declining is in keeping with a general law of capitalist production: it is a result of the increased productivity of labour, which tends to diminish the labour time contained in the quantity of foodstuffs representing the value of labour power.

2. Rationalisation enhances this effect by an intensification of work.

3. The real wages of the workers, i. e. the amount of foodstuffs obtainable by a worker for the wages of a certain length of time during which he has been fully occupied, has, ever according to official figures, hardly, if at all, increased of late.

Taking the average of all workers, the following amounts represent the

Weekly Wages according to T. U. Rates (Expressed in German Marks)

	Month of October				
	1925	1926	1927	1928	1929
Ind. Prod. Means of Output:					
Trained Workers	44.28	45.54	48.38	52.12	55.93
Untrained Workers	33.51	34.43	37.58	40.17	42.91
Ind. Prod. Art. of Consumption:					
Trained Workers	30.91	30.91	34.30	37.43	38.69
Untrained Workers	26.66	26.24	28.95	31.48	32.64
Cost-of-Living Index (f. all)			150.2	152.1	153.5

If we take into consideration that these figures are trimmed to suit the purposes of the bourgeoisie (highest tariff

class with social premiums, composition of cost-of-living index out of the very cheapest articles, etc.) and also consider the constantly increasing number of unemployed, the result is the same for Germany as it is for the United States: increasing "scissors" between the sum total of production and the sum total of wages, between the productive forces and the purchasing power of the population.

b) Unfortunately there are no statistics in Germany regarding gross agricultural income, as there are in the United States. At the same time, the growing "scissors" between the prices of agricultural products and those of finished industrial goods shows clearly that the purchasing capacity of the agrarian circles has also greatly diminished during the last two years.

Agricultural & Industrial Products.

	1926	1927	1928	1929 (Nov.)
Index of Agr. Prod.	129.3	137.8	134.3	127.4
Index of Fin. Goods	149.5	147.3	158.8	156.4

Thus we see that the consumptive capacity of the home market for industrial goods has relatively lessened during the last two years. The crisis commencing during the last few months of 1929 and already foretold by us half a year ago, is not the outcome of the crisis in the United States, the effects of which on the world market are only now beginning to make themselves felt, but the consequence of the said contradiction between the increase in production even noticeable in 1929 and the relatively decreasing consumptive capacity of the home market.

The increase of exports, important as it was, could at the most somewhat mitigate this difference but could not remove it. That the crisis should ensue without any previous business boom, shows how greatly Germany is involved in the general decline of capitalism.

Further Reasons of the Insufficient Exploitation of Capital in Germany.

The main reason of the insufficient profitability of industrial capital in Germany is, as we pointed out above, the insufficient exploitation of the fixed capital. In other words, the organic composition of the total capital of society is greater than it should be in proportion to the technical composition of capital. To this main reason, we must add further factors:

Of the profit of industrial capital, an inordinately great share falls to loan capital. Since German industry and German agriculture work with a very great amount of loan capital, the difference between a rate of interest for loan capital of 4–6 per cent. (as before the war or, even in the present time, in capital-exporting countries) and the present rate of 10–15 per cent. is of great importance as a factor in diminishing the share of profit remaining to industrial capital. Hence the assertions of an insufficient formation of capital in Germany.

Whereas before the war the total exploitation of German capital was supplied by means of capital investments abroad, while at present the main competitors of Germany on the world market, the United States, Great Britain, and France are in a position to increase the profit of their total capital by big capital investments abroad and in their monopolistically protected colonies and semi-colonial territories, German capitalism has not only been deprived of foreign capital investments from pre-war times by reason of the war, but is obliged to leave an increasing share of the profit of its industrial capital immediately to foreign capitalists. In place of foreign loans with a fixed rate of interest, there is in the case of the best enterprises, an increasing sale of shares of the leading concerns to foreign capitalists^{a)}.

The Reparations onus is for the greater part shifted onto the shoulders of the working masses, but at the same time it has an immediate influence in the form of an increased taxation also of the capitalists, these taxes being, however, to a great part borne by the consumers, whereby a corresponding diminution arises in the purchasing power of the home market.

^{a)} The foreign capitalists buy none but the best German shares, such as are needed for world-market operations; viz. electricity.

Insufficient exploitation of the fixed capital, too great a share of loan capital in profits, want of income from capital investments abroad and of monopolistically protected markets, the onus of Reparations—such are the chief factors leading to the insufficient return on German industrial capital.

Surplus or Shortage of Capital.

The main catch phrase with which both the capitalists and the Social Democrats substantiate the necessity of cutting down social services is the alleged want of capital in Germany, the necessity of a more vigorous formation of capital.

Is there really any shortage of capital in Germany?

No, there is a surplus of capital, there is a chronic superfluity of productive capital. Great portions of the productive apparatus are at a standstill, which in capitalist circumstances can mean nothing else than that fixed capital is superfluous in relation to the possibilities of its exploitation.

There is, however, in Germany a lack of loan capital, a shortage which is characterised by the present high rates of interest. There is a shortage of capital in the sense that German industrial capitalism cannot raise within the country the capital which is needed for the further elaboration of the productive apparatus forced upon the German capitalists by world market competition, but is, as already remarked, obliged to have recourse to capital from abroad.

How great the capital importation of Germany actually is, is naturally not to be exactly established: there are various estimates current in this regard. That made on the basis of the balance of payments shows the following figures:

Balance of Capital Importation.

(In Thousands of Million German Marks.)

1924	1925	1926	1927	1928
3.05	3.40	0.73	4.31	4.65

("Wirtschaft und Statistik" 1929, p. 410. — "Die Deutsche Zahlungsbilanz 1924—1928".)

Somewhat divergent figures are supplied by the Reichskredit-Gesellschaft (in millions of German marks):

	Excess of Cap. Importation	Loans	Raised fr Securities, Real Estate, Bills & other Short-Term Credits & Claims
1925	3.93	1.32	2.61
1926	0.95	1.77	0.82
			(re-exported)
1927	4.63	1.66	2.97
1928	4.52	1.56	2.96

("Reichskreditgesellschaft 1928/29", p. 24.)

An estimate of capital formation is a very difficult enterprise: there are elements therein which can be covered by statistics fairly accurately, such as deposits in savings banks. These have of late years shown a continuous rise.

Savings-Bank Deposits and their Increase

(In Millions of German Marks)

	1913	1925	1926	1927	1928	1929 (till Oct. 31st.)
Status at End of Year	18,306	1,612	3,096	4,665	6,988	8,723
Monthly Incr.	84	82	124	131	163	174

The increase of the savings deposits is therefore, though slightly diminished this year, double as great as before the war. Now it is probable that these sums at present contain components which do not constitute saved income (reserves of corporations, municipal enterprises, and the like). All the same, the formation of capital out of income appears to be more vigorous than before the war.

As regards the entire formation of capital, we possess a comparative estimate, that of the Reichskredit-Gesellschaft, which however only covers the years 1925/27. Its figures are as follows:

Estimate of Capital Formation in Germany⁴⁴⁾.

	1913 ⁴⁵⁾	1925	1926	1927	1925/27 ⁴⁶⁾
	Acc. to Pre-War Values	W. Consider. of Currency Depreciation	Acc. to Values of the Day	Annual Average	
Together (acc. to Helfferich)	8.5	11.9	—	—	—
Fr. Excess of Interest	1.0	1.4	—	—	—
Fr. Excess of Production	7.5	10.5	9.5	6.3	12.0
Cap. Imp. for Purposes other than Currency Cover	—	—	3.1	—	4.4
	8.5	11.9	6.4	6.3	7.6
					6.8

The estimate shows that in 1927 capital formation out of productive surpluses was greater in Germany than in 1913. Nevertheless, there is a constant outcry about insufficient capital formation.

Finally, we must still raise the question as to how it is compatible that there should be in Germany an obviously considerable surplus of fixed capital, as may be seen by the idle productive plant, while on the other hand there are constant complaints of a capital shortage, the fact of a high rate of interest, and a growing indebtedness to foreign countries.

In this respect we are faced with one of the fundamental anomalies of capitalism in general and German capitalism in particular. True, the capitalists cannot escape the occurrence of a standstill in their productive apparatus. But deluded by appearances in the sphere of circulation, they imagine that the standstill of part of the productive apparatus owing to lack of markets, is attributable to excessive initial costs.

Though the total fixed capital is far too great in comparison with the power of consumption in the country, it is constantly being enlarged, since each individual capitalist hopes thus to save himself out of the dangerous situation. This contradiction between the actual superfluity of productive capital and the lack of loan capital or of new capital for investments, is the outcome of the contradiction between the interests of the individual capitalists and capital as a whole.

The Fight for the Increase of the Employers Profit.

The profit of the employers can be augmented in the following way.

1. By the increase of the total of surplus value appropriated.
2. By a diminution of the sum total of capital, among which the total of surplus value is divided.
3. By a diminution of the share of the ground-rent in surplus value and a diminution of the share of loan capital in profit.

If we regard the economic endeavours of German industrial capital during the last few years, we shall see that all these possibilities have been examined with a view to increased profits. In this respect there are certain deviations among the different sections of the bourgeoisie.

The bourgeoisie of such branches of industry as are exclusively dependent upon a mass market at home, at times seek a solution along other lines than do the heavy industries and the exporting industries. The finished goods industry, which is dependent on the inland market, for some time attempted to increase its profits at the expense of ground rent. Hence resistance to an increase of customs duties on imported agricultural products. This policy, meanwhile cannot be carried out for reasons of class antagonisms. The bourgeoisie is forced, in face of the growing revolutionary movement of the proletariat, to maintain a class alliance with the agrarians and with such of the peasantry as adhere to them. The stronger the will to fight on the part of the proletariat, the closer is this militant alliance, which has been given a firm economic basis by the growing amalgamation of financial, in-

⁴⁴⁾ Reichskredit-Gesellschaft 1927/28, p. 19.

⁴⁵⁾ Former Territory.

⁴⁶⁾ Present Territory, but without Sarre Region.

dustrial, and agrarian capital. The doubling of the agrarian duties at the close of 1929 spent a great increase in the ground rents at the expense either of profit or else of the workers' share in the product value.

Since the industrial capitalists were obliged for political reasons to concede to an increase in the share of the ground rent in the surplus value, and since there is no possibility of diminishing the share of loan capital in profit by any measures whatever (it being anarchically regulated by the supply and demand of loan capital), there is one expedient for the increase of the employer's profit, i. e. either to diminish the amount of capital sharing the surplus value or else to increase the surplus-value total, possibly even a combination of the two methods.

As a matter of fact, industrial capital is employing both these methods. It diminishes the total sum of capital by ruining small and middle-sized enterprises and destroying their capital or else acquiring it on particularly favourable terms. The most decisive way, however, to increase the profit of an enterprise lies in the increase of the surplus-value total by means of an increased exploitation of the proletariat. And one of the measures undertaken in the interest of this attack is the financial reform forcibly put through by the big capitalists.

The financial reform effected at the close of 1929 stands for the realisation of most of the demands of the Reichsverband der Deutschen Industrie, viz. increase of the foodstuff duties, increase of the tax on beer and tobacco, and cutting down of social services: it stands for a reduction of the real wages of the workers (even in case the big capitalists do not profit by the commencing crisis for the purpose of reducing monetary wages) and for a corresponding increase in ground rent and profit.

The economic crisis which has set in will aggravate the situation both for the German bourgeoisie and for the German proletariat. The fact that the rise of German economy terminated in 1927, that the beginnings of a better business development in the first half of 1929 could not be followed up, and that at the close of 1929 the contradictions led to a crisis for internal reasons, a crisis which is bound to be aggravated in the near future through the influence of the general economic crisis — all this constitutes the basis of that "general national crisis" the elements of which are at present existent in Germany and characterise the approach of acutely revolutionary situations.

III. General Section.

The General Aspect of World Economy.

The outstanding event of the period under review is the beginning of the economic crisis in the United States of America. This we have dealt with at some length in our opening columns and shall therefore now only go into its consequences for the rest of the capitalist countries.

In general it may be pointed out that the effects of the American crisis have so far not yet made themselves felt in any great degree. True, various American orders for articles of luxury were cancelled and the importation of industrial raw materials has rapidly declined, but the anticipated vigorous exportation of finished industrial goods has not ensued as yet. That it will finally ensue cannot be doubted. What is retarding it is the absence of an international selling and distributing organisation in the case of most American industries, which have after all hitherto been mainly occupied in catering for the home market. In their consular system the Americans possess an excellent organisation for the purpose of watching foreign markets, but what they lack still is a selling, and before all a financing, organisation abroad, such a far-spread network of banks and their branches as constitutes so great an asset of British foreign trade.

Independently of the influence of the crisis in the United States, the economic position of most of the capitalist countries has greatly deteriorated in the course of the last few months. In those East European countries, such as Czechoslovakia, Poland, Austria, Hungary, and the Balkan

lands, whose position has already been critical since the middle of 1929, the crisis has grown worse. In Germany, where three months ago it was not yet possible to say whether the elements of a business rise existent in our opinion (contrary to that of the Business Research Institute) in the first half of the year, would experience a further development or whether the approach of a crisis would make itself felt, the latter has occurred. The economic position of Germany has undoubtedly been rapidly deteriorating during the last three months, and that, as already remarked, for inner economic reasons and not as an outcome of the crisis in America, which will not take effect on other countries until well on in 1930.

The favourable economic position in Western Europe — France, Belgium, Holland, Switzerland, and Scandinavia — has changed little of late months, although a certain influence of the crises in the United States and in Eastern Europe is also noticeable there. In this connection interest attaches to the symptomatic resolution of the Continental Steel Cartel to curtail production by 10 per cent. Seeing that these countries, France in particular, have experienced a fairly important business rise during the last few years, promoting the growth of elements of an economic crisis, it is probable that under the influence of the crisis in the United States these countries too will in the next few months be involved in the general crisis. Some early symptoms in this regard were apparent in Belgium around the turn of the year.

In the economic position of Great Britain no deterioration is to be recorded for the time being, in so far as can be judged from the data to hand. The end of the tension on the money market, the reduction of the bank rate and the return of gold from the United States have had a reviving influence on British economy, in which international banking and financing plays so important a rôle. This is probably, however, no more than a transient phenomenon, for it is obvious that Great Britain too must of necessity be involved in the general economic crisis.

Among extra-European countries, Canada, economically so closely connected with the United States, is naturally most keenly affected by the American crisis, the bad wheat harvest of last year likewise playing a part. Indeed, the general economic position on the American Continent outside the United States must be considered bad. These countries, whose connections with world economy are based on quite a limited number of export goods and for whom export trade represents a relatively important factor in their total economy, are more acutely affected by international occurrences than are countries of an older and more complex economic structure. The crisis in the oil industry and the catastrophic drop in the price of silver severely affect Mexico, the price-drop of coffee is a heavy blow to Brazil, and the slump in grain prices hits the Argentine balance of payments so severely that the Government is issuing an embargo on gold exports which will bring about a disagio in the currency.

In regard to the Asiatic countries, Japan is contemplating the reintroduction of free traffic in gold, i. e. a return to the gold standard. This, as so many countries have experienced, is bound to lead to depression, or, better said, the depression obtaining in Japan for the last few years will be aggravated. Added to this there are outer circumstances, such as the lengthy civil war in China, the chaotic state of the Chinese market, and the economic crisis in the United States. This affects Japan inasmuch as 46 per cent. of Japanese exports consists of silk and silk goods, 80 per cent. of which goes to the United States.

The position of Farther India and the Dutch East Indies is greatly affected by the price drop of rubber, coffee, and sugar; Australia, like Argentina, is suffering from the effects of a bad harvest and low grain prices.

In summing up we may say that although the influence of the American crisis has so far had but little effect on other capitalist countries, the greater part of the capitalist world is in a state of crisis. An exception is for the time being formed by the West European countries including Great Britain. There can however be no doubt but that they too will shortly be included in the general crisis. It is therefore probable that, for the first time since 1920, we shall in the year 1930 experience an economic crisis affecting all the world.

It would, however, be wrong to think that the entire capitalist world must necessarily at the same time pass through the same experience and that the critical phase will obtain in all parts of the capitalist world simultaneously. Such was not

the case before the war either. If we regard the synchronical table of business cycles⁷¹, we can see that the time within which the various countries experienced the same phase of the industrial cycle spread over about two years, while in some instances it occurred that certain countries dropped out of the general run of the industrial cycle and went through a cycle of their own.

The whole matter should therefore not be too mechanically interpreted nor should it be expected that in the next few months all capitalist countries will simultaneously be in the grip of a universal economic crisis. Such a development is possible but by no means inevitable. But even if certain countries escape the crisis for the time being, we have every reason to reckon with the beginning of an immediately imminent general critical phase in international economy, since those countries which are already involved in the crisis represent in their economic importance half, if not three quarters, of all capitalist economy.

Nor yet can anything be said at present as to the probable duration of the international economic crisis. In this connection it is not uninteresting to consider the perspective set up by the Harvard Institute, the greatest scientific authority on the subject in America⁷².

"The economic consequences of the stock-exchange crash have not had their full effect; three or four months of slack business on all hands may now be looked forward to. In many respects, it is true, the greatest slump will probably soon be surpassed, since the business relapse is already fairly drastic. Industrial production, for instance, can already record a far more serious relapse than was the case in 1923, the downward movement having also proceeded far more rapidly. All these facts lead us to conclude that neither the sanguine prospects of certain circles nor yet the panic reports spread by reason of the stock-exchange crash and the downward trend of the key industries are fully justified. The most credible forecast is that pointing to a revival of business in the spring and a further improvement of the economic situation in the fall."

If we consider that practically all reports of an economic nature in the United States are at present aiming to reassure public opinion and to describe the crisis merely as a bad result of the stock-exchange crash, we must interpret the opinion of the Harvard Institute in the sense that the crisis or depression in the United States may be expected to obtain throughout the year 1930.

The Crisis and the Price Problem.

The force with which the American crisis is likely to fall on European capitalism in general and on those countries in particular which, like Great Britain and Germany, have not just been experiencing a business boom, primarily depends on the extent to which it will affect the price formation.

In this connection it will be seen whether that international level of prices which evolved after the great price-drop of 1920-21, is to be considered "normal", i.e. in keeping with the ratio of value between gold and commodities, or whether it still contains elements of inflation from the war period, which would be liquidated in this critical process. If the former of these suppositions is correct, the drop of prices involved will probably not be considerable, since the business boom did not involve any particular increase in the price level. If the second theory proves correct, as we have always assumed it must, the price drop will probably exceed the measure experienced in connection with pre-war crises.

It is a generally accepted fact that the present price level is on an average 40 or 50 per cent, above that of pre-war times.

To what is this phenomenon mainly due?

The explanation that the productivity of work in the production of commodities is 30 per cent, below that of pre-war times in the face of an equal value of gold, would naturally be wrong, since it is proved by facts that the productivity of work has not only not declined since pre-war times but has, on the contrary, very considerably augmented. The difference of prices can, therefore, by no means be explained in the sense

that, in the face of a stable gold value, the working time represented by the unit of commodities and its consequent value have increased. Supposing the value of gold actually to have remained the same, the general price level would necessarily have to be lower at present than it was before the war.

But the other possible explanation, that the value of gold has sunk by about 30 per cent, since the outbreak of the war, and that therefore the working time represented by a weight-unit of gold is at present one third below that of pre-war times, does not coincide with facts either. Since pre-war times there has been no technical revolution whatever in gold mining such as might have entailed a big diminution in the value of gold. The fact that in its total quantity the production of gold has hardly yet regained the pre-war level, is indirect proof of this fact, for had there been any sort of technical improvement in the direction indicated the output of gold must immediately have increased.

We must therefore arrive at the inference that the change in the exchange ratio of gold and commodities does not depend on any change in their respective values. Hence the explanation of the rise in prices must be sought in the problem of price itself, obtaining independently of changes in the basic value.

As we have frequently pointed out, we believe that the price drop in the year 1920 did not fully liquidate the inflationary elements of price formation during the war i.e. the price appreciation ensuing during the war—when the demand for goods constantly exceeded the supply—independently of any real change in values. Certain elements of production costs, as e.g. leases, freights, and taxes, were fixed by contract for years ahead on the basis of war price conditions and could therefore not be reduced. Therefore, under the influence of these established elements, there developed after the crisis of 1920 a new price level which in comparison with pre-war times still continued to embody pronounced inflationary elements.

It is only by a minute analysis of post-war price formation, extending to the costs of output of individual goods, that the existence of these elements could be satisfactorily proved.

That the price level which evolved after the crisis of 1920 did not in point of value correspond to the exchange ratio between gold and commodities, is proved by the fact that in the last few years, and particularly during the boom period, no price appreciation was recorded in the United States. On the contrary, the business boom synchronised with a price slump, an unknown occurrence before the war. The slow elimination of the inflationary elements in price formation proceeded gradually in spite of the business boom. The following table shows the

Price Formation in the last few Years in the Main Capitalist Countries.

	United States (Bureau of Labor)	Great Britain ("Economist")	Germany (Statist. Reichsamt)
On the Basis of 100 to Represent the Level of 1913.			
1925	158.7	160.9	141.8
1926	151.0	140.4	134.4
1927	146.8	143.7	137.6
1928	147.5 ^{*)}	140.9	140.0
1929	148.0 (Sept.)	126.9 (December)	135.5 (Nov.)

^{*)} Computed. At present this index is published on the basis of the year 1926.

There is an undeniable tendency towards a price decline, though there are fluctuations in connection with the business development and other motives. This tendency is most pronounced in Great Britain, where the price formation is unhampered by protective tariffs.

Apart from the remnants of inflation, the price level is obviously influenced by price appreciations resulting from the vigorous development of monopolies, which far exceeds that of pre-war times. The monopolist price advances, effected by the monopolists over and above the price of production in the Marxian sense (i.e. cost-price plus average profit) are reckoned into the costs of output of the following stage of production, in so far as raw materials and semi-finished products are concerned. Under the general presumption of the Marxian law of values, according to which the sum total

⁷¹) Best portrayed by Thorp-Mitchell in "Business Annals" New York, 1926, p. 94 & 95.

⁷²) "Bergwerks-Zeitung" of December 24th, 1929.

of prices must coincide with the sum total of values, monopoly profits could at most effect a change in the respective prices of monopolised and non-monopolised goods, but never any general price appreciation, the higher rate of profit in the case of the monopolised industries being compensated for by the lower rate of profit in the case of non-monopolised commodities.

This, however, can only obtain under the presumption that labour power is also paid at its full value. If we discard this presumption, which in the time of capitalist decline is obviously less the case than in other periods of capitalism, it is very easy to imagine that the price appreciation caused by an increase in monopoly profits in the case of raw materials and semi-finished goods could be transferred to the finished articles and be shifted, in part at least, onto the shoulders of the working class in the form of higher prices. This would mean a reduction of the price of labour power below its actual value. It is a very complex process and it would by no means be right—as is frequently the case in Marxian literature—to represent the present high price level simply as the outcome of monopoly development. That it is no simple matter is shown by the fact that the prices of finished industrial goods, which are in general subject to a slighter monopoly development than are raw materials and semi-finished products, show on an average a far higher price level than the former.

By reason of all these considerations we believe that the general crisis which has now set in will entail a sharper price drop than is ordinarily experienced in times of crisis, since there are still elements of the inflation period to be eliminated. As a matter of fact there is at present already a pronounced relapse in prices on the world market. This price drop would be yet more marked, especially in regard to agricultural products were it not for price-propping efforts on the part of the Canadian Wheat Pool, by the accordance of credits on wheat and cotton stocks by the United States Treasury, by the coffee-crop valorisation in Brazil, the rye-export agreement between Poland and Germany and the wheat-export agreement between Hungary and Yugoslavia.

The Money and Capital Market.

The pronounced tension on the money market, which amounted to a regular credit crisis—the Bank of England raising its bankrate on September 26th to 6½ per cent., a measure usually reserved for times of stress—terminated at a blow with the downfall of the stock-exchange boom in the United States. Short-termed capital, which until October had constantly migrated from Europe to the United States, immediately began to move in the opposite direction. The consequence was a sudden change in the formation of the foreign currency rates between Europe and America and in consequence also a marked reflux of gold from the United States to Europe.

Number of Swiss Francs Paid per Dollar at Zurich

(Culled from Various Issues of the "Neue Zürcher Zeitung")

September 1th	5.19 ³ / ₄
October 1th	5.18 ¹ / ₄
November 1th	5.15 ⁷ / ₈
December 1th	5.15—

A similar development was recorded in regard to the other European gold values, which as from November were constantly at or below the gold-export point of the dollar. The result, as from November, was to be seen in a vigorous exportation of gold by the United States.

Net Gold Exports

November	25 Million Dollars
December	91 Million Dollars

According to newspaper reports, the export of gold continued in January.

This return of gold renders it possible for the European banks of issue to effect a reduction of their high bank rates. In the course of six weeks, the Bank of England reduced its rate three times, from 6½ to 5 per cent. Almost all the banks

of issue of the world — save for those of France and Switzerland, which had maintained their level of 3½ per cent. right through the period of tension — put down their rates in the course of November and December. The first effect of the crisis in the United States was thus an unexpected relief for the European money market.

Attempts to Ward off American Competition

Although the increased American competition, which may be expected to result from the crisis in the United States, has not yet ensued, attempts to counter-act it are already being undertaken. This is fully comprehensible, seeing that America's exports of industrial goods in the first nine months of 1929, i. e. at the time of the business boom, were already 9 per cent. in advance of the corresponding exports in 1928 and greatly damaged the industries of other countries. The measures of the individual countries to meet this competition consist in the first place in an increase of tariffs. Although on the occasion of the World Economic Conference in 1927 all states made formal declarations as to the necessity of tariff curtailment, and although the League of Nations intended in the course of 1930 to proclaim a two years' truce in the appreciation of tariff rates, duties are now being increased in practically all countries.

A characteristic of these attempts is the revival in Great Britain of a movement towards the creation of a customs-protected Empire within which free trade is to prevail. It is highly symptomatic that in his New Year's message to the Primrose League, the nuclear organisation of the British Conservative Party, Mr. Baldwin gave particular prominence to the idea of the Empire as a customs-protected unit, a fact which indicates that the Conservative Party intend to fight the next election campaign on a customs-union platform.

Tentative steps towards the formation of a great customs territory, for the time being only in a purely ideological sense, are also noticeable on the European Continent. The Pan-European movement, the idea of a European Federation, as suggested by Briand points in this direction. The economic amalgamation of European capital, especially in instances like that of the European Continental Steel Cartel and the Franco-German Potash Agreement, lend these political aspirations a certain economic foundation. Such plans and ideas merely show the depth of the general crisis of capitalism and the apparent hopelessness of its prospects. Long before these plans can be realised, capitalism will fall before the onslaught of the proletarian masses.

Unemployment.

Crisis, winter season, and progressive organic unemployment combined around the close of the year to bring about a tremendous increase of unemployment in the capitalist world. The total number of unemployed in the capitalist world must certainly exceed ten millions. Meanwhile, the officially admitted numbers fall considerably short of reality.

The lead in this respect is undoubtedly taken by the United States with an army of several million unemployed. In the first part of this report we recorded certain estimates in this connection. An official announcement states that in September last 16 per cent. of all workers were on short-time. To judge by the discharge of great numbers during the last few months, the total of fully unemployed may be put at 4 or 5 millions.

In the second place comes Germany, where the increase in the number of unemployed is particularly marked. In the second half of December alone the increase amounted to 20 per cent. On December 15th, 14 million unemployed were in receipt of regular relief, while 200,000 were drawing emergency relief. The number of such fully unemployed as receive no relief is put by the Institute of Business Research at 10 per cent. This is certainly too low an estimate, but even thus we get a total of 1.8 million fully unemployed. Add to these the short-time workers (estimated at quite a million even on the basis of trade union reports), making together all of 3 millions. Together with their families, this means a grand total of some 10 million unemployed. By the middle of January this figure may be supposed to have risen by a further million.

Already in November, there were 138 per cent. fully unemployed and 7.3 per cent. short-time workers in the trade

unions, making a total of 21.1 per cent. In January this percentage was probably nearer 30. Seeing that it is not always the same workers that are out of work, the following state of affairs results. Some 2 to 4 per cent. of the workers — old people, complete or partial invalids, and casual workers — are almost permanently unemployed. On the other hand, there are some 10 or 20 per cent. of the total number of workers, traitors to the cause of the working class — technical emergency corps, "Steel Helmet" men, foremen, trade union functionaries and the like — the new type of so-called working aristocracy, who are hardly ever, if indeed ever, out of work. The other 75 to 80 per cent. of the workers form the great mass of the working class. If we assume that the average period of unemployment amounts to about three months in a year, it results that, with an unemployment, or short-time work, of altogether 20 per cent., every worker, with the exception of the new working aristocracy, is out of work three months out of every year. Unemployment is thus no exception, as it was in pre-war times, but almost the rule, the inevitable, a typical factor in the life of the working class.³⁹⁾

What is the role played in this connection by organic unemployment? In view of the inadequacy of German statistics, this is difficult to establish. The growing generation of workers, at any rate, can no longer find a place in the production process.

In an interesting survey of the "Bergwerks-Zeitung" of December 29th, 1929, we find the following figures:

Total of Employed Workers

(according to the Statistics of the Official Sick-Funds, in Percentage Proportion to the Status of June 15th, 1925).

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.
1928	94.3	94.9	96.0	98.4	101.2	102.4	102.7	102.7	102.6
1929	91.7	89.3	90.4	96.6	101.4	102.7	102.7	102.5	102.0

The peak of employment in the year 1929, 102.7 per cent., is only 2.7 per cent. above the average of 1925, four years ago. That is to say, no more than 300,000 out of about 1.2 million members of the sick-funds. Meanwhile, the accretion of workers must have been double as great.⁴⁰⁾

Unemployed in Receipt of Benefit (Expressed in Thousands)

	Jan.	Feb.	March	April	May	June
1927	1965	2175	2075	1460	1330	749
1928	1547	1452	1208	892	762	724
1929	2391	2622	2019	1325	1011	929

July	August	September	October	November	December
633	560	492	456	751	1399
647	654	663	764	1138	1929
863	883	910	1061	1194	1400 ⁴¹⁾

The third country suffering from a chronic unemployment of broad masses is Great Britain. The hope that the Labour Government would succeed in reducing the number of unemployed, has proved altogether vain. The number of unemployed is at present several hundred thousand in advance of what it was when the Labour Party came into power.

³⁹⁾ At the Xth Plenum of the E.C.C.I. I advanced an argument which was rejected by the Comintern, viz. that the standard-of-living and the intrinsic earnings of a worker were one and the same thing. This was really wrong, for it would mean choosing as our central figure, as our type of the working class, the fully employed worker, which in view of the constant advance of unemployment would be absolutely wrong. A fully employed worker, indeed, is slowly but surely coming to represent a small band of privileged traitors to the working class, the new labour aristocracy, bought by capital and constituting a counter-revolutionary force.

⁴⁰⁾ The annual classes of the German population attaining a working age (between 12 and 15 years) since 1925, amount to about 5 millions, while those overstepping the working age (45 to 50 years) are about 3 millions. There is thus an accretion of about 2 millions, whereof roughly 800,000 are workers. The accretion of unemployed workers is therefore about 400,000 in four years.

⁴¹⁾ In the middle of December.

The tendency towards stagnation, if not decline, in the number of workers employed by industrial capital and actually engaged in producing value and surplus value, and the increase in the number of unproductive workers is clearly shown by the following British statistics⁴²⁾:

	1923	1927	1928	1929
Number of all Insured Workers in July	11,49	11,78	11,88	12,09
	Increase in 6 Years		Increase Last Year	
	600 000		212 000	
Thereof: Commerce . .	423 000		66 000	
Hotels, Clubs, Restaurants .	74 000		10 000	
Municipal Employees . .	32 000		19 000	
Tramway & Motor-Bus . .	47 000		14 000	
	576 000		109 000	

It appears that out of the increase of 600,000 insured in the course of six years, 576,000 fell to the share of these unproductive occupations. Last year, too, more than half the increase fell to the share of these same unproductive branches of occupation.

But the number of insured does not coincide with the number of workers. The unemployed are not included in these totals. As the unemployment in certain branches — mining, shipbuilding, cotton industry — is far above the average, the number of workers actually engaged in creating value and surplus value is relatively still smaller than appears from the above figures.

But not only these big industrial countries have at present a very high percentage of unemployment: all other European countries, too, with the exception, so far, of France, have an absolutely far smaller, but in comparison with their total number of industrial workers, yet very considerable unemployment total. Thus Poland officially records a total of 154,000 unemployed in December, the actual figure certainly being far higher. In Austria, in Czechoslovakia, and in Hungary, the unemployment totals are higher than ever before. In Hungary, the Ministry of Public Welfare puts the unemployment at 15 per cent. for November⁴³⁾. In Italy and Spain there are likewise large numbers out of work.

We here reproduce a table of unemployment, the returns of which, however, do not yet, by reason of the backwardness of statistics, reflect the great increase of unemployment around the turn of the year.

	Great Britain	Belgium	Holland	Denmark	Sweden	Germany
1929 July	9.8	0.6	3.1	9.8	6.5	8.6
1929 Aug.	10.1	0.5	3.3	9.3	6.3	8.9
1929 Sept.	10.1	0.6	3.3	8.8	7.2	9.6
1929 Oct.	10.4	0.5	3.5	10.0	8.6	11.0
1929 Nov.	11.0	—	—	19.9	10.4	13.8
1929-Dec.	11.1	—	—	—	—	20.0

The Second Hague Conference.

For lack of space we are not in a position to furnish an analysis of the development of the Reparations question since the First Hague Conference. We must confine ourselves to a few cursory remarks.

(1) After lengthy and very difficult negotiations, the statutes of the Bank of International Settlements were completed and its seat established in Switzerland. The statutes represent a restriction of the originally very liberal scope of activity of the new bank. The share capital, too, was established not as originally planned at 300, but only at 100 million dollars. It will thus not be a really great bank on an international scale.

(2) Germany and the United States concluded a special agreement, according to which the German payments to the United States are to be segregated from the entire complex of the Young Plan and transferred immediately to the United States without the mediation of the Bank for International Settlements. In this connection, Germany was granted the same conditions in regard to moratoria and the like as are enjoyed by other debtor-countries in relation with America.

⁴²⁾ "Ministry of Labour Gazette", November 1929.

⁴³⁾ "Népszava" of December 19th, 1929.

The United States, moreover, waived its claim to any particular security in respect of the amounts due.

The United States could easily afford this act of generosity, since the sums involved were quite small. At any rate, however, this procedure on the part of the United States constitutes a departure from the attitude of the other creditor states, a political advance towards Germany. Officially, meanwhile, the United States keep out of all relations with the Bank of International Settlements, which, however, naturally does not mean that, if necessity arises, the bank may not just as well become an institution of American banking capital, an eventuality which recently gave rise to the utterance of misgivings in the French Chamber, where Briand himself had to intervene to pacify the speaker.

(3) At the Second Hague Conference the primary question to be dealt with was that of the sphere of action of the committee provided by the Young Plan and by the statutes of the new bank for the purpose of examining the situation in the eventuality of Germany declaring itself unable to effect further transfers or payments. This is a very delicate political question. In this committee, the Germans see a possible instrument for the revision of the Young Plan. The latter is peculiarly vague in defining the activity and competency of the committee in question. It does not appear what suggestions the committee may make and to what extent the various Governments are obliged to take action upon the committee's suggestion. All this is left completely in the air.

(4) So as to cast some light on these matters, the French raised the question of sanctions for the eventuality of Germany declaring itself not to be bound by the stipulations of the Young Plan. After a lengthy discussion, an agreement was arrived at, which is essentially as follows:

Supposing Germany to be reproached with having violated the Young Plan, the state of affairs will be submitted to the International Court at the Hague for decision. If the Court decides against Germany, the Young Plan will be assumed to be no longer in force and the right to sanctions in keeping with the Treaty of Versailles (involving military occupation and the like) will again come into operation. This solution was accepted by the German delegation with the explanation that Germany had no intention of not keeping the obligations entered into under the Young Plan.

The big sensation of the Conference, however, was the announcement by Schacht, that the management of the Reichsbank would still consider the question of its participation in subscribing for shares in the Bank of International Settlements. This announcement on the part of Schacht was allegedly made without any previous appraisal of the German delegation. Thereupon it was decided that if necessary the Reichskredit-Gesellschaft might take the place of the Reichsbank in the organisation of the Reparations Bank. Subsequently, however, Schacht declared his readiness to abandon his objections if a provision in this sense could be made by way of legislation. Schacht's action was on the one hand a manoeuvre made for internal political reasons, on the other hand it was part and parcel of the struggle for control of the new Bank.

(5) By the resolutions of the Second Hague Conference, the Young Plan will come formally into operation. The Reparations Commission will terminate its activity, and the foreign members of the Reichsbank and State Railway management and various other commissaries will leave Germany together with the Reparations agents. The payment of the Reparations amounts and the communication between Germany and the Reparations creditors will be effected solely by means of the Reparations Bank. The most urgent tasks will now be the transfer of the Reparations obligations to the new bank and the mobilisation of part thereof. In the present condition of the international capital market, France is the most likely country for the purposes of such a mobilisation. We shall still have occasion to speak of this matter.

(6) Doubtless the economic crisis and especially the price drop will greatly aggravate the onus of Reparations payments for Germany. The payments are to be paid in gold marks. If the price level falls by 10 per cent., it means that Germany will have to sacrifice 10 per cent. more goods, or a 10 per cent. greater value, for the purpose of paying its Reparations obligations. The economic weight of the Reparations rises and falls with the ebb and flow of prices, and in this instance the ebb is likely to be considerable.

(7) Apart from the questions of the Young Plan, the very complex problems of Eastern Reparations, the reciprocal balancing of debts and claims on the part of the so-called Successions States, the Reparations payments by Hungary, Bulgaria, and Austria, were made the subject of discussion, while the debts of countries that had fought on the side of the Entente to the various Entente States were considered less urgent.

The Naval Disarmament Conference in London, which started on January 21st, greatly detracted from the interest evinced in the Second Hague Conference.

IV. Special Section.

Germany.

The last few months have witnessed a general deterioration of the business position in Germany. This deterioration is due to purely internal economic happenings, the crisis in the United States having as yet hardly taken any effect on German economy. On the contrary, the stock-exchange crash in America and the consequent relaxation of tension on the international money market made it possible for the bankrate to be reduced from 7½ to 7 per cent. on November 2nd and by a further half per cent. at the beginning of January, a measure which was productive of a certain improvement in regard to credit.

This small improvement, however, had no influence worthy of note on the general condition of the German money and capital market or on the development of business. The reflections on the business position published around the turn of the year in the various newspapers and periodicals are upon the whole pronouncedly pessimistic.

The improved position of the heavy industries lasted long; it is only in the last few months that a certain recession in output is observable.

Output of the Heavy Industries.

(In Thousands of Tons — without Sarre Region)

1929	Hard Coal	Brown Coal	Pig Iron	Crude Steel
September	13 480	14 220	1109	1234
October	14 835	16 050	1157	1377
November	14 157	15 623	1091	1286
December	13 652	14 520	1100	1156

The output of the heavy industries thus still remains above the level of last year, though in the fourth quarter it was—with certain seasonal exceptions—on the downward grade.

During the next few months there will doubtless be a further deterioration in the position of the heavy industries by reason of the smaller influx of orders in engineering from both at home and abroad, as also in view of the standstill of building operations. The resolution of the international steel cartel to restrict production by 10 per cent anticipates this development.

Wholesale commerce has of late developed along the following lines:

Wholesale Trade Index

	Agrar Mater.	Colon Prod.	Raw Mat. u. Semi-F. Products	Finish. means of Production	Industr. means of Consumpt.	Products Total	Total Index	Change in Percentage
1927	137.8	129.2	131.9	130.2	160.2	147.3	137.6	+2.4
1928	134.3	132.8	134.1	137.0	174.9	158.6	140.0	+1.7
Jan. 29	131.7	123.9	134.0	137.7	174.7	158.8	138.9	-0.7
Sept. 29	132.6	131.0	131.6	139.7	170.4	157.2	138.1	—
Oct. 29	131.7	126.2	130.9	139.6	169.5	156.6	137.2	-0.7
Nov. 29	128.4	120.1	129.9	139.6	169.2	156.5	135.5	-1.2
Dec. 29	126.2	115.0	129.3	139.6	168.7	156.2	134.3	-1.2
8. Jan. 30	123.9	113.9	128.6	139.5	168.4	156.0	133.1	-1.2

It need hardly be pointed out that, all other things being equal, a drop in prices means in capitalism a diminution or loss of profits.

Foreign Trade.

In the second half of 1929, the German industrial capitalists successfully attempted to make up for the deterioration in the home business position by forced sales abroad. The exportation of finished industrial goods greatly increased, and

in August, September, and October Germany had a markedly favourable commercial balance. The following are the most important.

Data of Foreign Trade

	Finished Goods		Pure Goods Traffic		
	Imports	Exports	Imports	Exports plus Rep. Del. in Kind	Import Surplus Export Surplus
(Present Value in Millions of German Marks)					
1928	2458	8701	14,047	12,055	1993
Monthly Average	204	725	1,171	1,005	166
1929 First 11 Months	2103	9058	12,427	13,071	— 644
Monthly Average	191	823	1,130	1,188	— 58
August	179	884	1,073	1,191	— 118
September	180	879	1,038	1,204	— 166
October	190	923	1,107	1,254	— 147
November	177	851	1,161	1,154	8 —
December	163	775	1,013	1,063	— 50

Obviously, the possibility of an extension of German exports is limited by the consumptive capacity of the world market.

The general economic crisis and the advance of the American exportation of industrial goods will in the course of the next few months probably entail a recession of German industrial exports. In November there was already a marked falling-off.

Money and Capital Market.

On November 2nd, the bank rate was reduced from 7½ to 7 per cent, but so far there has been no general relief on the German money market in spite of the reversion of business development. The demand of German industrial capital — in the Marxian sense (agriculture, industry, mining, and transports) — continues to be so great that it cannot be satisfied out of the capital formation of the home country. It is characteristic of the anarchy of the capitalist method of production that, although considerable portions of the productive apparatus are at a standstill, internal and international competition constantly necessitate the fresh establishment of enterprises for the sake of preserving the competitive capacity. Hence a continual lack of capital and unusually high rates for loan capital in Germany.

The following data show that in the course of the last year and quite particularly of the last few months, German industrial capital has experienced a far smaller accretion of fresh funds than in former times.

We reproduce the main figures from a survey by the „Frankfurter Zeitung“ of January 5th.

German Capital Emission at Home & Abroad. (In Millions of German Marks)

	Loans		Newly Emitted by "Reichskredit- institut"	Total of Share Emissions ^{a)}
	Home	Foreign		
1926	1517	1306	2093	1287
1927	1686	994	1946	933
1928	1647	1081	1938	1165
1929	639	585	1114	666
1928				
September	113	10	112	26
October	41	61	143	197
November	243	11	115	261
December	64	38	141	56
Last 4 Months	462	120	511	540
1929				
September	2	20	46	10
October	36	—	65	15
November	—	2	59	76 ^{b)}
December	4	2	70	28
Last 4 Months	42	24	240	129

^{a)} Genuine capital requirements without material investment or amalgamation shares.

^{b)} Including 30 million marks of the „Reichswirtschafts-emission“.

The sum total of new capital accruing to industrial capital in 1929 is no more than roughly half of the amount for 1928. Compared with last year, the last few months have shown an even greater recession.

The Position of the Working Class.

The last two months witnessed a tremendous discharge of workers and a rapid increase in the number of unemployed and short-time workers, of which we have already had occasion to speak in the general section^{a)}. This means a marked deterioration in the situation of the working class. We here reproduce the interesting

Calculations by J. Kuczynski^{b)}.

	Weekly Living Expenses	Actual Wages p. Worker	Index of Workers without Short Time Work. (Sick Funds)	Index of Employed Workers without Short Time Work. (in Terms of Full Employment ^{c)})	Index of Output
1927	100	100	100	100	100
1928	102.8	105	102.9	101	96
1929 (1st 10 M.)	104.3	102.7	102.1	95.7	100.1

The weekly living expenses have thus risen, while the actual value of wages has sunk by 2.3 per cent and the number of employed workers (including short-time) by 5.4 per cent. Output has increased by 4 per cent. The rate of exploitation has therefore risen considerably in comparison with last year, while the standard-of-living of the workers has greatly declined.

Unemployment is not uniform in all branches of production.

As early as November, 21 per cent. of all trade-union members were either unemployed or on short-time. By this time the total must have risen to 28 per cent. In more important branches of production, such as textiles, wearing apparel, footwear, leather, and timber, there has been for the last four months unemployment to the extent of 30 per cent. and more of the total number of workers. And there is every prospect that this state of affairs will last for many months. Since, besides this, the customs increases and the rise in the price of all communal services (gas, electric light, water, tramways) may be expected soon to have effect, the standard-of-living of the German working class will presumably continue to sink in the further course of 1930.

Economic Policy: Bigger Profits at the Expense of Real Wages.

With the help of the Social Democrats, the bourgeoisie has succeeded in carrying out a big offensive against the workers. The details of this offensive are sufficiently well known from the columns of the daily press. First the duties on foodstuffs were raised to wellnigh the double of their pre-war extent; so as to diminish the resistance of the workers, it was at first announced that a sliding scale had been provided, but this was dropped again in the course of the negotiations and the high customs rates remained in force. Then came the financial reform. By preventing a timely financial reform, the bourgeoisie managed to get the Government into a tight position; the cash deficit of the State was to be increased up to 1700 million marks by the end of December, 1370 millions of this total being covered by short-termed loans, while there was no available cover for the balance of 330 millions („Frankfurter Zeitung“ of December 13th, 1929).

^{a)} On January 8th, 1930, the number of fully unemployed in receipt of relief was 1,920,000. Added to these, there were such as were drawing emergency relief and fully unemployed devoid of relief, making a total of roughly 3 millions, with an extra million or so of short-time workers.

^{b)} Kuczynski is no Communist. He is altogether under the influence of the mentality of the American Federation of Labor. His returns are by no means trimmed in our interests. — v. „Wirtschaftspolitische Korrespondenz“ of December 30th, 1929.

^{c)} Comprising mining, metallurgy, engineering, electro-technics, chemicals, textiles, wearing apparel, timber, foodstuffs, and building.

Seeing that the capital market at home appeared incapable of raising the needful, the Government desired to raise a loan with the American banking firm of Dillon Read. To this Schacht, as a member of the committee for the approval of foreign loans, publicly protested, and the negotiations had to be suspended.

Hilferding and State Secretary Popitz — an old bourgeois bureaucrat — had to retire. The loan was then raised on the conditions dictated by Schacht (i. e. creation of a sinking fund out of current revenue with the leading German banks), the result being that the financial reform too had to be settled entirely according to the wishes of the big bourgeoisie, on whose behalf Schacht was acting. The simultaneous offensive of Schacht against the Young-Plan — in the initiation of which he had taken an active part — was intended partly for the purpose of discrediting the Government and partly for that of veiling the real object, i. e. the introduction of a financial reform entirely in the interests of the big bourgeoisie.

"Germany has submitted to a financial control by the Reichsbank", wrote G. Stolper in the "Volkswirt" of January 3rd. But this is only the outward appearance, for it is not a question of Germany and the Reichsbank, but of the German Parliament (which had still preserved, or pretended to preserve, certain democratic illusions) and of monopolist capital.

The gist of the matter is that the share of the working class in the product value has been diminished by the financial and customs reform in favour of the bourgeoisie. Instead of proceeding immediately to reduce wages, the bourgeoisie has made use of financial legislation to deprive the German proletariat of part of its wage income. Such are the essential facts; the rest is merely an outward decoration.

France.

The new Tardieu Cabinet made its bow to the French Parliament on the platform of prosperity, but it would appear that the lengthy and continuous rise of French economy has now reached its culmination. This is the outcome both of the internal differences developing during the long period of progress and, though to a lesser degree, of the influence of the American crisis on French economy.

The output index of the "Statistique Générale" figures as follows for the last few months:

Output Index Figures.

(On the Basis of 100 to Represent the Level of 1913.)

	1928	1929
January	116	137
February	129	139
August	130	139
September	127	138

The sparse data available regarding the development of the individual branches of economy are summed up in the following table:

Production.

Monthly Average	Hard Coal (Thousands of Tons)	Pig Iron	Crude Steel	Furnaces in Blast at End of Month	Potash Salts (P. Cont. per 20 Kilogr.)	Waggons Prov. per Wk. (Day in Thousands)
1913	3338	434	391	131	29.2	—
1925	4003	708	621	150	25.8	62
1926	4367	786	703	151	30.5	64
1927	4404	777	692	144	31.0	60
1928	4369	841	783	149	34.0	63
Sep. 1928	4266	822	157	149	32.2	66
Oct. 1928	4701	857	834	150	40.0	77
Nov. 1928	4477	850	800	152	37.4	68
Aug. 1929	4662	893	827	156	42.4	64
Sep. 1929	4393	851	763	157	39.9	67
Oct. 1929	4971	894	846	157	—	70
Nov. 1929	4706	856	790	—	—	—

These returns do not yet reflect the beginning of a relapse in France. That such a relapse exists, cannot be doubted. Even the "Temps" writes as follows in its issue of December 30th, 1929:

"At present there is, at least outwardly, a certain slowing-down in the activity of the heavy industries, a

development which is for the greater part due to the influence of the American financial crisis.

It is well known that on November 1st the Central European Steel Trust effected a ten per cent. reduction of output. In the course of the year the consumptive capacity of the internal market as regards iron and steel was very great; whereas in 1927 41 per cent. of the output was exported, the share of exports in the first nine months of 1929 dropped to 25 per cent. ("Temps" of Dec. 30th, 1929).

The modernisation and rationalisation of the French heavy industries continues.

How much the effective work in mining has increased only in the course of one year, may be seen by the fact that in October last the daily output was 184,000 tons, over against 174,000 tons in 1928, while the number of workers employed has decreased by 2500.

Various concentrations, especially the union of six aircraft works, show the further progress of rationalisation in France.

The Money and Capital Market.

The extraordinary fluidity of money, a characteristic of the French money market, and the low rate of interest have both continued. The bank rate is still at $3\frac{1}{2}$ per cent. and a further drop of $\frac{1}{2}$ per cent. is generally expected.

The adflux of gold to France continued throughout the year. The gold holdings of the Bank of France, which figured at 32,000 million francs at the close of 1928, had by the end of 1929 risen to 41,500 millions. In the first half year, the influx of gold was caused by the Bank of France converting part of its foreign bill holdings into gold; in the second half of the year the importation of gold ensued automatically, which means that the foreign bills, especially for dollars and sterling, were below the gold import points. It was thus a favourable occasion for the French banks to import gold and to hand it over to the Bank of France at the statutorily established price.

Like most of the central notebanks, the Bank of France is obliged to accept any amount of gold offered to it. It renders payment in banknotes, thereby augmenting the circulation of notes in keeping with the increase in the stock of gold. The circulation of 67,000 million francs at the turn of the year, is covered almost fully by gold and foreign bills. The gold cover alone figures at 48 per cent., as against 38½ per cent. at the close of 1928. Seeing that there is a legally prescribed cover of 35 per cent., the Bank of France should with its present gold stock be in a position to raise the circulation by a further 31,000 millions, a fact of great importance in the eventuality of a shortage upon the commencement of a crisis; the big gold stocks being a safeguard against a financial crisis in case of an economic crisis.

The liquidity of the money market is in part occasioned by the tremendous cash reserves of the State. From the report of the financial commission of the Parliament it appears that the State has had an income of 430 million francs in the way of interest on its foreign bill holdings alone. Assuming an interest of four per cent., this means that the foreign bills in question total more than 10,000 millions.

Besides these bill holdings, the State Treasury has assets of 8000 million francs in the hands of the notebank. The excess of revenue over expenditure in 1929 figures at no less than 7000 million francs, while the surplus revenue from taxes—mainly on mass consumption—beyond the estimate, amounts to no less than 5000 millions. All these surpluses of the State Treasury accrue to the notebank and via the latter to the money market. Hence the extraordinarily low rate of interest.

So as to be able better to exploit this abundance of short-termed loan capital, a joint action of the leading banks was undertaken in Paris during the last few months for the purpose of founding a so-called "bank of acceptances". This serves the purpose of accepting or discounting bills of international commercial traffic. At the same time, a number of tax measures, hitherto obstructing capital exportation, were removed (e. g. reduction of the bill stamp, suspension of the tax on foreign bill operations, reduction of the security stamp on foreign values).

It is obvious that under such circumstances the rates of shares have risen greatly in comparison with dividends. The low rate of interest is in keeping with the low rate of short-term loans, in which connection importance also attaches to the fact that, in the hope of a tax reduction, French joint-stock companies have of late years been retaining large portions of their profits as overt or covert reserves instead of distributing them in the form of dividends.

New Capital Emissions

(In Million of Francs)

	Shares	Loans
Monthly Average 1925	221	86
1926	240	160
1927	238	281
1928	546	350
1929 Aug.	330	291
Sept.	552	369
Oct.	675	1622

Foreign Trade and the Balance of Payments.

The influx of gold in France proves that the country's balance of payments was very favourable in the course of the year. This is all the more remarkable, seeing that the trade balance was most unfavourable, in which respect it greatly differed from that of the preceding twelvemonth. In the first eleven months of 1929, the excess of imports amounted to 7600 million francs. In comparison with the year before, there was an increase of imports to a value of 5000 million francs, roughly 2000 millions of which represented raw materials, 2000 finished goods, and 1000 foodstuffs. Exports in 1929 fell short of those of the previous year by 900 million francs.

It is obvious that the increased imports of finished goods are due to the fact that in spite of the high protective duties these goods can be procured more cheaply abroad than at home. From this we may infer that in 1929 the French price level was relatively higher in relation to world-market prices than in 1928.

As a matter of fact, the price development in France is very peculiar. Between November 1928 and November 1929, the wholesale price index receded from 630 to 590, i. e. by 6 1/4 per cent. This is more or less in keeping with the price development on the world market, as depicted in the third section of our report. On the other hand, retail prices continued to rise in 1929. The foodstuff index of Paris rose from 585 at the close of November 1928 to 618 at the end of November 1929, a development diametrically opposed to that in wholesale prices. This is to be explained by the fact that the adaptation of retail prices to the new franc has only just now ensued. While in general retail prices have on all hands risen more over those of 1913 than have wholesale prices, retail prices in France did not reach the level of wholesale prices until 1929.

That French home prices and costs of output have not favourably influenced the competitive capacity of French industry on the world market, may be gathered from the development of the trade balance. The fact of continuous rationalisation in France also points to an aggravated fight for foreign markets on the part of French industry.

Under such circumstances it is certain that in connection with the deterioration of the trend of business there is likely to be a fresh offensive of French capital on working conditions.

Italy.

The economic development of Italy has continued to be practically inscrutable. We are faced with absolutely contradictory statements, according to the Party to which the reporter in question belongs. The Fascist economic correspondents describe the economic development of the country in the most glowing colours; the anti-Fascists depict everything as altogether hopeless.

From the statistic data available, for the accuracy of which we can naturally not undertake to vouch, we can gather that in the first nine months of 1929 Italian economy registered upon the whole an upward tendency. The crops turned out very well and the imports of raw materials of all kinds, coal, steel and iron, mineral oils, cotton, jute, wool, etc., showed during the first eight months an increase in volume over the corresponding period of 1928.

On the other hand, it is obvious that, under the influence of the crisis in the United States, there was a fairly severe setback during the last few months. This even appears from the cautious reports of the Fascist Professor Bacchi, who writes as follows (transmitted from Rome on November 26th, 1929, to No. 50 of the "Wirtschaftsdienst"):

"Although the output figures of agriculture and of certain key industries show considerable and even increased productivity, economy in general is always faced with difficulties. It suffers from lack of employment, we might almost say from gradual wastage."

In November, the Fiat Works were obliged to effect a serious reduction of their output.

Under the influence of the crisis in the United States, a sharp price-drop has also ensued in silk; it was necessary to establish a financial syndicate in September with the supervision of the Government and the participation of semi-Governmental insurance companies, for the purpose of propping the silk prices. This enterprise advances money on stocks of silk over and above the ordinary extent and if necessary acquires them itself.

Thus we see that the crisis in the United States affects the weakly established economy of Italy both by diminishing the purchase of Italian goods (silk) and by competing with Italian exports on the world market (automobiles).

The Fascist Government makes great efforts to promote the industrialisation of the country parallel with the improvement of agricultural production. Attempts are made with State assistance to effect a better exploitation of the scanty raw-material sources of Italy and to develop industry, especially with reference to the war preparations which are carried on so intensely.

The success achieved in this direction is apparently not particularly great. While, according to the publication of the Dresdner Bank ("The Economic Forces of the World"), the international output of machinery between 1925 and 1928 rose by an average of 15 per cent., the machinery produced by Italy in 1928 is put at the same figure as that turned out in 1925^{*)}. Italy's machinery output, which in 1925 equalled that of Switzerland, fell short by roughly 20 per cent. of the Swiss machinery output in 1928, when it figured at less than seven per cent. of that of Germany.

The poverty of the country, the lack of capital, the tremendous unproductive expenses entailed by the Fascist regime, render it very difficult for Italian industry to keep pace with foreign competition in the renewal of its apparatus.

Under such circumstances the question of capital provision for Italian industry is of great importance. We have frequently pointed out that growing sections of Italian industry are passing under the influence of foreign countries. Loaned capital, meanwhile is only to be had in Italy on very hard terms.

As regards the money market, there is no change to be reported. The banknote circulation and the gold holdings of the notebank are both fairly unchanged. The rate of the lira, it is true, is constantly below par, but it does not reach the gold export point. Gold exports would in any event not be possible, seeing that there is a severe Governmental control. The budget is formally balanced; whether this is really the case it is hard to say, seeing that very heavy items are carried over from one year to another. As a matter of fact, there are two budgets in Italy, an official one for the current year and a special budget showing the residue of income and expenditure of the preceding year. In the budget of the year 1927/28, the expenses of the current year figure at 13,500 million lire and the expenses remaining over from the year before 8,000 million lire. ("Economist" of Jan. 11th.)

In such circumstances it is very difficult to establish whether there is equilibrium in the budget or not. In any case, taxes have greatly increased in the last few years.

Foreign trade is accompanied by a deficit to about the same extent as in 1928. Around the end of the year, the deficit may have amounted to roughly 6,000 million lire. The deficit is covered from tourist traffic, remittances by emigrants, and foreign loans, or an alienation of Italian capital. Since

*) "Kölnische Zeitung" of December 21st, 1929.

the remittances of the emigrants and the receipts from tourist traffic show a tendency to sink, the rôle of alienation as a means of counter-acting the deficit is growing in importance.

The Position of the Working Class.

The great discontent on the part of the working masses, though greatly hampered by the Fascist rule of force, has in the last few months found utterance in various movements.

The position of the Italian workers is extremely bad and there is unemployment to a far greater extent than is generally supposed. According to official reports, the number of unemployed around the close of the year was 400,000. This figure is wrong, since it refers only to such of the unemployed as are in receipt of unemployment benefit, which is only paid after two months of unemployment and then only for a further three months. It follows that the number of fully unemployed must be double as large as official figures indicate.

The extent of unemployment and short-time work is illustrated by a survey comprising roughly 6000 enterprises, which normally occupy one million workers. The results of these investigations are to be seen in the following

Index of Those Employed in Industrial Enterprises.

	On the Basis of 100 for 1926	Percentage w. Longer or Shorter Period of work
January	94.1	15.1 8.7
September	96.6	15.8 9.0

It therefore follows that the number of workers in these enterprises has decreased in three years and, what is more interesting, that, over against short-time work of nine per cent, there is systematic overtime work of 16 per cent. of the workers. Since September, the situation has obviously further deteriorated.

Great Britain.

Very seldom has the consideration of the economic position of Great Britain on the part of the bourgeois press been so contradictory as at present. In reading Lord Rothermere's articles in the "Daily Mail" one has the impression that British economy is going downhill very fast. "The foundations of our national existence are disappearing" or "our economy is shrinking more and more" is what he says.

This description of the position of British economy is obviously exaggerated. It serves as a background for arguments in favour of protective tariffs, as we shall presently see.

On the other hand, the annual reports of other publications are far more hopeful. As a matter of fact, the crisis in the United States has for the time being acted rather as a relief than as an encumbrance to British economy. The credit crisis which was characteristic of the third quarter of 1929 and found its expression in the raising of the bankrate to 6½ per cent. at the end of September, is over. The return of British capital from stock-exchange business in the United States, effected partly in the form of gold imports, enabled the Bank of England to reduce its rate three times in quick succession by a total of 1½ per cent.

At the same time, liquidity arose on the money market, a fact of great importance both for British industry and particularly for the international trade and the international banking activity of Great Britain. On the strength of this liquidity, the "London and Cambridge Economic Service", the most reputed organ for business research in London, counts on an improvement of the economic position in February.

"I may be a matter of three months after the drop in the bankrate, before the consequences of such a step are noticeable in the degree of occupation and in production. On this basis we may — in the absence of unforeseen circumstances — expect a difficult winter and a material improvement in the spring." (October Bulletin.)

If we observe the output returns, in so far as any are available, we can find no reason to give too much credence to the alarm of the popular press. The official output index of the Board of Trade shows the following figures for certain quarters:

Output Index: (On the Basis of 100 to Represent 1924)

1928	3rd. Qt. 1928	2nd. Qt. 1929	3rd. Qt. 1929
105.5	100.2	111.9	110.3

In the third quarter, output attained a level exceeding that of the corresponding quarter of 1928 by fully 10 per cent. The development of economy during the last few months is likewise shown us by the index of the "Economist".

Index of Business Development.

(On the Basis of 100 to Represent 1924).

	Novbr. 1928	August 1929	Sept. 1929	Oct. 1929	Novbr. 1929	Dec. 1929
Net Import of Raw Mat.	96	92	96	104	116	128
Cons. of Coloured Metals	107	123	117	117	114	117
Iron & Steel	79	114	118	119	122	120
Cotton	101	85	76	85	110	122
Rubber	314	299	354	358	339	309
Coal	102	95	96	99	107	111
Electricity	115	102	102	109	121	130
Railway Freight Traffic	—	94	95	98	—	—
Fin. Goods Exports	110	109	111	109	108	110

Here again we observe that in November output and consumption were greater than in the preceding year and that the month of November does not yet show any change on the preceding months.

In the second half of 1929 iron and steel production attained its highest level since the close of the war; in November and December, however, there was a relapse in comparison with former months.

Iron & Steel Production. (In Thousands of Tons).

	Iron	Steel
1928 September	504	719
October	544	756
November	544	763
December	540	683
1929 September	665	848
October	689	890
November	631	815
December	643	661

Coal production too, one of the weakest links in the chain of British economy, also shows an increase in 1929 over the preceding year. The monthly average output is as follows:

(In Thousands of Tons).

1925	20 590
1926	10 692
1927	21 355
1928	20 129
1929	21 649

In contradistinction to the relatively big output of the heavy industries the position in the consumptive industries, especially in such of them as depend on big exports, e. g. the textile industry, continues unsatisfactory. It appears that in spite of the absence of a rise in Great Britain a marked lack of proportion has resulted between the possibilities of output and sale, respectively.

The Price Movement.

What most disturbs British capitalists is the constant drop of prices. It is obvious that in view of the peculiar structure of the economy of Great Britain, which has still to a great extent retained its character of an industrial workshop of the world—since there is undoubtedly imperialist power in whose economy foreign trade plays an important rôle—a price-drop must have a particularly diminishing effect on

profits. British capitalists buy their raw materials in the places of their production in far distant regions, and also distribute their finished goods to a great extent in distant countries. Cotton is imported from America and Egypt and the finished goods are sold to China and India. The period of turnover of the capital in British exporting industries is therefore very long, and the risk of a price-drop in the interval between the purchase of the raw material and the sale of the finished article is very great. Therefore, any continuous price-drop must have a devastating effect on the profits of British industries.

Now of late years all price indices have registered a constant drop of prices, as we have shown in our general section. During the last few months, this price-drop has continued. The following was the development during the last five months of 1929, according to the

Index of the "Economist"
(On the Basis of 100 to Represent the Level of 1927).

	Grain and Meat	Other Food- stuffs	Tex- tiles	Mine- rals	Miscel- laneous	Total Index
End of August	101.3	86.2	91.7	96.2	91.0	93.6
End of September	95.8	86.6	87.7	96.2	91.5	91.2
End of October	84.4	85.0	85.2	94.6	90.7	90.2
End of November	90.6	84.0	83.6	93.4	89.8	88.2
End of December	92.3	83.6	82.6	92.4	89.2	88.3

Compared with 1924, the price level in Great Britain has, on an average, sunk by fully 20 per cent., the drop being fairly uniform in all trades with the exception of textiles which have receded by 33 per cent. as compared with 1924. It is this process which particularly worries British capitalists. Hence the countless theories aiming at an artificial stabilisation of prices from the financial side. (A symptom of this state of affairs is to be seen in the foundation of the "Sound Money League", which embraces a number of eminent British industrialists, bankers, and economic theorists.) In view of the crisis in the United States and the consequent world crisis, these attempts are not likely to be crowned with success.

Foreign Trade.

The sinking tendency of prices and the consequent diminution of the profit of British industry are closely connected with the difficulties attending foreign trade. The foreign trade of the last few months presents an unfavourable picture, the import surplus having risen considerably.

Foreign Trade Balance.
(In Millions of Sterling.)

	Imports	Exports	Import Surplus
1928 September	80.8	56.6	24.2
October	93.8	63.3	29.5
November	96.0	63.8	32.2
December	92.4	60.4	32.0
1929 September	91.6	55.1	36.5
October	101.1	64.6	36.6
November	100.0	63.1	36.9
December	98.6	58.4	40.2

If we analyse the foreign trade items according to groups of commodities, we can observe an increase in the export of coal and iron and a constant recession in that of textiles. The so called "new" industries have likewise a fairly unsatisfactory record.

Exports from January to November.

	1929	1928	1927
Coal (Millions of Tons)	55.3	45.9	47.3
Iron and Steel (Millions of Tons)	4.2	3.9	3.8
Cotton Yarn (Millions of Pounds)	152.2	156.1	186.0
Cotton Tissues (Mill. of Sq. Yards)	3398.1	3576.1	3827.1
Woollen Tissues (M. of Sq. Yards)	144.1	158.3	155.9
Woollen Yarn (Millions of Pounds)	50.8	53.9	55.7

Thus the increase in the exports of iron and steel by no means suffices to balance the lack of proportion between ca-

capacity of production and possibility of sale. Hence the necessity of further increasing exports, which can only be effected by cheaper offers on the world market, i. e. by reducing the costs of production. Therefore we see an endeavour on the part of British industry on the one hand towards rationalisation and on the other hand towards reducing the wages of the workers.

Endeavours at Rationalisation.

The idea of rationalisation has already "caught on" in British public opinion. Its realization, however, meets with resistance arising out of the conflicting interests of various groups of capitalists, though this obstacle is being slowly but surely overcome.

A great movement towards concentration is noticeable in the iron and steel industry; after the enterprises of Bolckow, Vaughan & Company had been absorbed by those of Dormann, Long & Company, a working community was established between this group and the Furness interests, so that all the iron and steel concerns of the Midlands are, with only one exception, under uniform management.

A great amalgamation has also taken place in the coal industry of South Wales, all the coalmines controlled by Guest, Keen & Nettlefolds on the one hand and by D. R. Llewellyn on the other having been united in a trust. The new enterprise has an output of eight million tons per annum and a productive capacity of ten million tons. It will possess a share capital of ten million pounds⁵⁰).

The concentration of the cotton industry in Lancashire likewise makes progress. On January 6th, the Lancashire Cotton Corporation resolved to increase its share capital by £1,650,000, the increase to serve the purpose of uniting 29 additional textile concerns with two millions, and a half of spindles and 5,200 looms. The corporation is envisaging a further augmentation of capital in the next few months for the purpose of acquiring yet more textile enterprises⁵¹).

We have already had occasion to point out that the British bourgeoisie expects the Labour Government energetically to support rationalisation and especially to break down the resistance offered by the trade unions to a new order of work in the factories. The champion of rationalisation in this sense is Thomas, Minister of Unemployment, an old confidant of the bourgeoisie in the trade union camp. In a remarkable speech, held in Lancashire on January 10th a banquet with the "big business interests", he vouched for the support not only of the Government but also of the City in the programme of rationalisation.

Unemployment.

The capitalists are perfectly satisfied with the activity of Mr. Thomas. Much less so the workers. Thomas was to have realised the electioneering promise of the Labour Party to reduce unemployment to normal dimensions in the course of a year. Neither Thomas nor any other member of the Labour Government has kept this promise. At the close of 1929 unemployment is just as great as it was a year ago. Official figures give the following number of:

Fully Unemployed.

December 21st, 1928	1,520,730
December 31st, 1929	1,510,000

In spite of the improved economic situation, British capitalism managed at best to accommodate the natural accretion of workers in the productive apparatus, but in no way lessening the chronic army of the unemployed.

Meanwhile these totals of full unemployment fail to give a correct picture of the unemployment problem in view of the great extent of short-time work, in regard to which the trade unions publish no statistics. But the most recent issues of the "Ministry of Labour Gazette" establish the total extent of unemployment in the week ending on October 27th, 1929 on the basis of reports supplied by 40,000 employers in re-

⁵⁰) "Times" of November 10th, 1929.

⁵¹) "Times" of January 7th, 1930.

to four million workers (out of a total of roughly ten millions for all Great Britain). The result is as follows²²:

	Percentage of Short-Time Workers	Weekly short of Worktime (in Hours)	Weekly shortening of Worktime comp for all Workers (in hours)
Cotton	13.4	12.7	1.7
Wool	31.3	11.7	3.7
Bleaching, Printing and Dyeing of Text.	45.2	11.3	5.1
Tailoring Trade	41.1	11.4	4.7
Footwear Industry	50.7	11.9	6.0
Chemical Industry	1.4	9.7	0.1
Outfitting	12.8	10.7	1.4
Printing Trade	2.5	10.1	0.2
Iron and Steel	13.6	13.1	1.8
Engineering	4.9	12.2	0.6
Shipbuilding	2.6	16.9	0.4
Building Industry	1.5	10.0	0.2

This table shows that alongside the full unemployment registered every week, there is in important branches of industry an unemployment amounting to about one quarter of the weekly worktime, by which about 50 per cent. of the workers are effected.

Reckoning in this short-time work, unemployment is still considerably greater than is generally assumed.

The failure of the Labour Government in its fight against unemployment is one of the chief points of attack of the bourgeois parties. The Bill introduced by Thomas satisfies neither the capitalists nor the workers. In his great Parliamentary speech of November 5th, 1929, Thomas described his "activity" in the struggle against unemployment. All in all, 42 million pounds sterling are to be employed on various Governmental and communal investments, roadbuilding and the like. Thomas went on to speak of his negotiations in Canada, where he attempted to persuade the Canadian capitalists to buy coal and iron of England instead of the United States.

Thomas was violently attacked both by Lloyd George and by the Conservatives.

The Conservatives and their press were particularly vehement in attacking the new order regarding unemployment benefit. Hitherto an unemployed worker in order to qualify for benefit had to prove that he had been genuinely seeking work. According to the new law, the competent unemployment board is only to be entitled to withhold benefit if it can prove that the worker in question had not sought work. The Conservative press asserts that by reason of this alteration 200 000 additional unemployed will draw benefit. (Naturally such an innovation might just as well cause a considerable reduction in the number of those in receipt of benefit, supposing it to be rigidly handled.)

The discontent of the masses with the activity of the Labour Government is to be seen by the attitude of such "Left" leaders as Maxton and Cook, both of whom have sharply criticised the unemployment policy of the government.

In a speech delivered at Crawley Cook, according to the "Times" report of November 23rd, 1929, declared that:

"His faith and loyalty had been badly shaken by the Government's treatment of unemployment and the unemployed. He was staggered at a Labour Government bringing forward such a Bill. It certainly fell short of what they had a right to expect from a Labour Government. In face of the decisions of his organisation and the promises made to them by the Minister of Labour, the Bill was an insult to the Miner's Federation and the unemployed comrades, who were destitute through no fault of their own."

Just as great a disappointment for the workers was entailed by the Government's Coal Bill. On this subject we have already had occasion to write in a former survey. Graham, Secretary of the Board of Trade, was enticed by the capitalists more and more in their own direction. The promise of restoring the seven-hour day in coal-mining was unscrupulously broken by the government. On the other hand, it appears that in large mining districts the employers are not even inclined to introduce the 7½-hour day without a cut in wages. Thus a report from South Wales states that in the eventuality of the introduction of a 7½-hour day the capitalists would be certain to demand a reduction of wages, since in spite of the reduction of taxes and the regulation of prices the coal industry had still been working at a loss throughout 1929. ("Economist" of December 28th, 1929).

The cartel project submitted to Parliament by Graham, accords the mineowners, divided into five geographical groups, the right to fix the price level for sales at home and abroad. The entire finishing industry of Great Britain would naturally be adversely affected by the higher coal prices resulting from this measure. Hence the endeavour of the entire capitalist class to solve the whole question at the expense of the workers without a price increase for inland coal. In this connection the antagonisms between capitalists and workers have become acute. It is very doubtful whether the policy officially adopted by the Federation of British Industries for co-operation with the General Council of Trades Union Congress will be able to solve this problem in favour of the capitalists without a fight.

The fight against the alleged high wages of the British workers is being carried on all along the line. In this connection a publication of the Electrical Industry of Great Britain is of particular interest. It sets up statistics according to which the wage expenditure of the British electrical industry is far greater than in any other European country, being said to figure as follows in percentage proportion to the entire costs of production:

	Great Britain	Germany	France	Switzerland	Belgium
1913	26.3	26.6	26.6	23.4	—
1928	28.5	22.0	16.8	20.5	12.6

The position of the electrical industry is considered unsatisfactory. In 1928 the net profit amounted to no more than 8 per cent. In five years the 13 existing firms could increase their general reserves by no more than one million pounds, which is not thought to be sufficient on a total capital of 31 millions.

That many firms in Great Britain have been operating with very poor financial results in the last twelvemonth in spite of increased output, cannot be denied. This is proved by the frequent failures and stoppages of dividend distribution in the last few months. The losses incurred in the Hatry case proved far greater than was originally supposed. The total liabilities of the concern, apart from mutual indebtedness, amounted to 19¼ million pounds. The portion not-covered by securities figured at 13¼ millions and may be considered wholly lost. Even for a wealthy country like Great Britain, a loss of 13¼ millions in the case of a single concern is a heavy blow. ("Economist" of December 21st 1929).

The collapse of the Hatry concern was followed by the failure of the Horne concern (cement, newspapers, etc.) and by the announcement that the Royal Mail Company, one of the biggest enterprises in Great Britain, would suspend payment of dividends on its preferred stock, as also by a similar announcement in regard to the Inveresk Paper Concern. All this has called forth general misgivings in business circles, which again have been reflected in an all-round drop in share quotations.

The Capital Market.

The tension on the money market and the bad financial position of several big enterprises, together with the drop in share quotations, caused the emissary activity in Great Britain in 1929, and especially in the months from August to October, to be far slighter than in the preceding year.

²² "Economist" of December 7th, 1929.

Emission of Capital⁽³⁾
(Monthly Average in Thousands of Pounds Sterling)

	Great Britain	Colonies	Foreign Lands	Together
1926	10.770	4.430	4.040	19.230
1927	17.240	8.320	4.040	29.600
1928	21.970	5.260	3.530	30.750
1929	16.500	5.080	2.190	23.770

We may observe a very marked relapse of roughly seven million pounds a month, or 84 million pounds a year. The greater part falls to the share of the home country; capital exports to foreign countries have diminished by 40 per cent.

During the last few months, the following was the

Development of Capital Emission
(In Millions of Sterling, without British Government Loans)
For.

	Gr. Britain		Colonies		Countries		Together	
	1928	1929	1928	1929	1928	1929	1928	1929
Monthly Average								
July-September	9.19	4.22	3.99	2.11	2.28	0.35	15.29	6.22
October	26.24	4.18	6.71	0.65	6.64	3.50	39.30	11.98
November	13.24	4.19	2.20	3.74	4.27	1.00	19.78	8.92
December	13.14	3.47	2.11	0.28	4.50	1.67	19.30	5.42

We may see how greatly capital emission and capital exportation have shrunk as a result of the credit crisis in the last few months.

The Agitation for Protective Tariffs.

The agitation carried on by the Conservative daily press of Lords Beaverbrook and Rothermere acquired great vehemence during the last few weeks. The differences between these two politicians, standing, respectively, for free trade within the Empire and customs protection against all foreign countries, or else customs protection for the United Kingdom alone, have been somewhat vaguely bridged over and agitation is now being carried on jointly. The idea of free trade within the British Empire suffered a serious setback in view of the fact that the new Labour Government in Australia has just introduced so formidable a protective-tariff scheme as even to surprise the manufacturers themselves⁽⁴⁾.

Although the new tariff retains preferential duties for British goods, it will doubtless hit British trade with Australia very hard. That Great Britain will be the chief sufferer under the new arrangement, is fully apparent to the Australians. The "Statist" quotes the following utterance from a report by the Chamber of Commerce of New South Wales:

"The most serious competition for our native industry comes from Great Britain."

The new Canadian customs law established that only such British goods shall enjoy customs protection as contain at least 50 per cent. of British raw materials. If we also take into consideration the fact that India, Egypt, Australia, and South Africa refuse to send delegates to the League of Nations Conference appointed to discuss Graham's suggestion of a two year's "customs peace", it will be understood that the idea of free trade within the British Empire cannot possibly be realised in view of the conflicting interests of industrial development in the individual colonies and Dominions.

It is not difficult for the free trade press to prove once more that a policy of customs protection would by no means be calculated to solve the difficulties of British economy. According to the "Economist", Rothermere's programme amounts to:

„Prohibitive protective duties on all sorts of foreign industrial articles.

„Subsidies for British agriculture to the extent of 30 million pounds sterling per annum, so as to ensure to

the British farmers an adequate price for wheat, potatoes, cattle, etc.

„India to be forced to introduce British goods free of duty while exacting high duties from other countries.

„The economic affairs of the nation to be entrusted to a board of business men, whose decisions must be adopted by the Government of the day."

It is not difficult to prove that from a purely economic standpoint a realisation of this programme would be of little use to the British bourgeoisie. It is obvious, however, that the main thing in view is not the economic programme but the fourth point, envisaging the immediate control of economic questions by a small group of big capitalists.

This is quite clearly and obviously the beginning of a Fascist party formation in Great Britain, the capitalist aims of which are concealed by chauvinist phrases and measures of customs protection. The working class is made to believe that unemployment can be combatted by protective tariffs if the fortunes of the country are once more entrusted to the Conservative Party, or rather its Fascist wing. The fact of the matter is that British capital, having for the past ten years failed to find a way out of the chronic depression, seeks a solution on Fascist lines at the expense of the workers.

United States.

In a previous section of this survey we went in detail into the discussion of the crisis in the United States. It is our intention now to touch upon a few special problems.

(a) Is there an Overproduction of Goods in the United States?

The American bourgeois press is constantly reiterating that at the commencement of the American crisis there were no unsaleable goods on the market, from which fact it infers that the crisis will be mild and shortlived.

This view is only partially right. The truth is that the mass of goods existing in the sphere of circulation is smaller in relation to the total volume of output than was the case before the war. This is to be explained by the decreased significance of commercial capital in relation to industrial capital. The industrial capital of the United States has in many instances actually, if not formally, ousted the commercial capital and is in direct touch with the consumer, as in the case of the tobacco trust, the automobile works, and other industries. This renders it easier for the industrial capitalists to survey the market, while the stocks in the sphere of circulation are smaller. In international economy, too, the elaboration of means of communication by cable, wireless, and even telephone all over the world, has greatly lessened the danger of an accumulation of unsaleable goods by reason of ignorance of market conditions, as at the time of Marx.

In place of the stocks of commercial capital, there is now in the United States — as Comrade Feinberg rightly points out — an accumulation among the consumers in the form of instalment purchases. As a matter of fact, if automobiles, furniture, wireless sets, and other goods are handed over in great masses to the consumers for gradual payment, these goods are formally sold but their value to capital is not yet realised. Instead of being deposited in the sphere of circulation, as was formerly the case, until such time as the purchasers should have sufficient means to acquire them, and thus in a case of a crisis arising forming an unsaleable stock of goods, they are at present partially paid for and being used by the consumers. The actual realisation of such goods by payment of the full price is just as greatly endangered by crises as if the goods remained in the hands of the dealers.

Nevertheless, it is altogether wrong to suppose that there were no surplus and unsaleable stocks of goods in existence prior to the crisis. The crisis simply means that goods which were formerly considered saleable have become unsaleable, and that stocks which were formerly considered "normal", i. e. not in excess of the ordinary course of business, have at a stroke become far too great.

Even with a full knowledge of the market position it is not possible on the outbreak of a crisis immediately to adapt

⁽³⁾ "Economist" of January 4th, 1930.

⁽⁴⁾ "Statist" of December 14th, 1929.

output to a decreased demand, since the extent of the diminution of consumption cannot be established in advance and since the restriction of output by the capitalists only ensues when the utter impossibility of disposal is fully apparent. Thus there arise surplus, unsaleable stocks of goods. We here cite an example in the

Cotton Industry of the United States (55)

	Millions of Yards	
Output in November	345.1	
Sales	222.9	
Proportion of Sales to Output . . .		64.6%
Deliveries	276.4	
Proportion of Deliveries to Output .		80.1%
Stocks on November 1st	362.7	
Stocks on November 30th	431.4	
Increase of Stocks		19 %
Volume of Orders on November 1st .	395.7	
Volume of Orders on November 30th .	342.2	
Decrease in Volume of Orders . . .		13.5%

The entire dynamics of accumulation in the crisis are illustrated above. Deliveries amounted to no more than 80 per cent of the output. Therefore the stocks increased by 19 per cent. Sales figured at only 65 per cent of output. Supposing the output in the following month not to have been greatly restricted, the stocks at the end of that month would be much larger yet. The same probably applies to other industries too.

Conditions are different in the case of the United States Steel Trust, which restricted its output so greatly that the volume of orders during the crisis even increased slightly. This, however, would seem to be an exception rather than the rule.

By the example of the cotton industry we may see how at times of crisis unsaleable stocks arise, or rather how stocks become unsaleable even if at the commencement of the crisis no surplus stocks would seem to be in existence.

(b) The Crisis and the Monopolies.

The crisis is bound to affect the formation of monopolies in more than one respect. Cartels uniting enterprises that operate on a widely different basis as regards the cost of production, must fall apart, seeing that those among their concerns which work at a low cost of output will come to look upon the cartel as an encumbrance. If, on the other hand, there are outside firms in existence besides the big monopolies, as is the case in the United States iron industry, an amalgamation of these outside firms into additional cartels will result as a measure against absorption by the existing monopoly organisations.

Thus a number of hitherto independent iron works have joined the Republic Steel Corporation. This new enterprise has a capital of 350 million dollars and controlled by Cyrus Eaton, head of the Chicago banking house of Otis and Company, who has been working at this monopoly formation for several years. The output capacity of the new monopoly organisation is five million tons per annum, i. e. about 10 per cent of the total United States steel production. This will figure as the third in size among the American enterprises in this branch of industry, the first and second, respectively, being the United States Steel Corporation and the Bethlehem Steel Company. Probably other hitherto independent enterprises will be absorbed by the Republic Steel Corporation, or by the other two giant concerns during the period of crisis and depression, so that these three organisations will control the entire market.

Concentration on a large scale is also apparent in regard to the railroads, in which connection it is regulated by the "Interstate Commerce Commission". In view of the corruption so widespread in the United States and of the tremendous interests

here at stake, it is easy to imagine in what way the said interests "operate" towards a satisfactory solution.

The Economic Crisis and the Revenue of the Railroads.

While this survey is being compiled, data have come to hand regarding the revenue of the railroads in the month of November⁵⁵). They are symptomatic of the extent of the crisis, showing that it affects not only individual branches of industry but the entire economy of the United States. The following are the returns of the leading railroad lines.

Revenue in November (In Millions of Dollars)

	Gross Revenue		Net Revenue	
	1928	1929	1928	1929
Great Northern	13.36	10.07	5.00	2.94
Northern Pacific	9.24	7.90	3.23	2.05
Illinois Central	15.19	14.35	2.66	1.69
Southern Pacific	25.08	24.36	4.58	3.73
Pennsylvania Railroad	57.01	53.77	11.24	7.06
Baltimore & Ohio	21.25	19.31	5.12	3.23
Atchison	21.85	23.83	7.12	7.74

We may observe the following main facts:

a) The takings of the chief railroad lines have upon the whole dropped considerably below those of last year.

b) The inequality is particularly marked; whereas the lines in the South West (Atchison) were able to increase their gross and net takings over last year's level, the revenue of the railroads of the heavy industrial districts (Great Northern, Northern Pacific, and Baltimore & Ohio) materially receded.

c) Together with the decrease in the gross takings, the net revenue has decreased to a much greater degree, i. e. by as much as 40 per cent. This explains the particularly keen interest of the railroads in the action initiated by Hoover and their readiness to revive business by heavy investments.

Monopoly Capital and the Farmers.

We have repeatedly pointed out that the capitalists of the United States exploit the farmers in various ways and that the legislation passed from time to time by Congress on behalf of the farmers is again and again vetoed by the President in office at the time.

In the Senate, the farmers of the Western States are numerically well represented, but the representatives of the big capitalist interests deride the "backward" farming representatives more and more blatantly. The manner in which the farmers' interests are treated by the big capitalists may be observed by a perusal of the following facts, detailed in the "Frankfurter Zeitung" of December 18th, 1929.

"Mr. Grundy, an influential man, Chairman of the Association of Pennsylvania Manufacturers, ventured to tell the proud Senate quite openly that some of its members from the 'backwoods States' understood next to nothing of the interests of the country. By rights, a populous and important State like Pennsylvania-Western ought not to be denied its rights by a handful of retrograde peasants, and the agrarian States—which might well be classed as second-rate—ought even in the Senate only to exercise an inferior right of vote.

"In the East it has already become quite a habit to pursue the rhetoric of certain Western Senators with the same ridicule as might be exercised in listening to a successful farce, and many a political Don Quixote from the 'wide open spaces' is destined to have his ludicrously

55) From returns supplied by the "Association of Cotton Textile merchants of New York" in the "Financial and Commercial Chronicle" of December 14th, 1929, p. 3707.

56) "Financial and Commercial Chronicle" of December 1929.

diced tirades laughed at heartily in New York, Philadelphia, or Boston. That such laughter is to be heard most frequently from the ranks of the big business interests is particularly tarring to the farmers, who are economically at a disadvantage and therefore most easily vexed. Rightly or wrongly (?) they suppose themselves to be opposed by a united front of Eastern capitalists, devoid of understanding for their great sufferings and modest desires. They believe to see a great central authority being erected in the industrial East and threatening to rule everything in the interests of the manufacturers."

This is the first time that, by way of the Federal Reserve Board, the farmers have been vouchsafed a certain amount of aid by the Government. The loan provided by the Board enables the farmers to maintain the price level and saves them from the immediate necessity of throwing their products wholesale on the market.

The explanation of this change in the policy of monopolised capital towards the farmers lies in the fact that a serious price drop of agrarian products at the present moment would entail much danger to the capitalists themselves. It would upset the entire price system and occasion not only wholesale bankruptcy among the farmers but also ruin for the small bankers and provincial merchants connected with them. This would on the one hand greatly endanger the position of the big banks which refrain from balancing accounts with many thousands of their security customers simply because by doing so they would bring about widespread bankruptcy and a fresh collapse of the stock market. On the other hand, such

a development would undermine the endeavour of Hoover and the industrial capitalists to create an atmosphere of confidence and optimism. It is in the interests of monopolised capital to prevent any acute agrarian crisis; therefore the farmers are now being vouchsafed some aid at the hands of the State.

Foreign Trade.

The change in regard to foreign trade as a result of the crisis—smaller imports and increased exports—was only partially apparent in November, when imports greatly receded but exports also diminished.

Foreign Trade (Pure Goods Traffic) (Expressed in Millions of Dollars)

	Imports		Exports	
	1929	1928	1929	1928
August	369	347	381	379
September	351	320	437	422
October	391	355	529	550
November	339	327	448	545
December	311	339	434	476

The falling off of exports is obviously due to the disturbance of all economic life by reason of the crisis; the former basis of exportation was upset while the new basis had not yet been laid. It is not to be doubted, however, that once it has adapted itself to world market conditions, the industry of the United States will devote a far greater portion of its output to purposes of exportation than hitherto.

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