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Economics and Economic Policy in the First Quarter of 1930.

(Carried down to April 18th, 1930.)

By E. Varga.

In response to various inquiries received of late from individual comrades, Comrade Varga has asked the Editor to inform the readers of the "Inprekorr" that his surveys of international economy, though naturally in keeping with Comintern directives, are nevertheless not to be considered in the light of official or semi-official publications on the part of leading members of the Comintern (just as little as are any other contributions appearing in the columns of the "Inprekorr." under their authors' signatures), but that the responsibility for the opinions expressed in and for the subject matter of these reports lies in the first place with the writer himself.
The Editor of the "Inprekorr."

I. In the Midst of the International Economic Crisis.

The prediction we made at the moment of the stock-exchange crisis in the United States, to the effect that we were faced with the immediate commencement of an international crisis in economy, has proved fully correct. In the "Communist International" of November 13th, we had occasion to write as follows:

"While the stock-exchange crash in America was brought about by the commencement of a general deterioration of the business position, it is bound to react in the sense of an accelerated outbreak of an international economic crisis. This does not necessarily mean that the stock-exchange collapse must immediately be followed by an economic crisis in America, although this eventuality is by no means excluded. So much, however, we can safely predict, that the year 1930 will prove a critical one in the United States, which means at the same time that we are approaching a general economic crisis comprehending the whole of the capitalist world."

This estimation of ours was not only at variance with the general conception of American economic leaders and bourgeois theorists, who depicted the stock-exchange crisis as an isolated phenomenon independent of the general business development, nor yet was it only in contradiction to the opinions of bourgeois observers in Europe, who looked to the stock-exchange collapse in America for an alleviation of the international credit position and thereby also for an improvement in the business position in Europe. Even among Communist

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political economists there are some who denied either the possibility of the American economic crisis (v. Pawlow) or else the possibility of a universal crisis in economy. Both the bourgeois and this essentially opportunistic attitude in our own camp have been refuted by facts, and to-day there is hardly a single serious bourgeois authority ready to deny the existence of a world-wide economic crisis.

The Peculiarities of the Present International Economic Crisis.

Though the present economic crisis cannot yet be surveyed in its entirety, certain moments of importance can already be established. They are as follows:

1. An extraordinarily rapid spread of the crisis to all countries of the world.
2. The particular importance attaching to the agrarian crisis, with which we shall deal in detail in Section II.
3. The sharp fall of prices for all non-monopolised goods.
4. A tremendous, unprecedented degree of unemployment.
5. So far, low rates of interest and the absence of a creditary crisis.

Let us analyse these points individually.

1. The Dynamics of the Crisis.

It is obvious that the present crisis emanated from two geographically separate foci, viz. a) Eastern Europe—Poland, Rumania, Hungary, Austria, Czechoslovakia—where the crisis started as early as the spring of 1929; and b) the United States, where the first symptoms of a decline in the business position were noticeable around the middle of last year, though they did not assume a pronounced form until November. The spread of the crisis ensued more speedily than we ourselves had foreseen.

Eastern Europe continues to suffer under a state of crisis. In Western Europe, the crisis has only just begun and is growing in vehemence. The oversea agrarian countries are seriously involved in the agrarian crisis by reason of the pronounced drop of all agrarian prices. In the United States, which played an important part in evoking the universal economic crisis, the months of January and February brought about a certain improvement in the business position, irregular as it was from the standpoint of the various branches of production; this does not, however, signify, in our opinion, that the end of the crisis or the beginning of the depression is at hand.

If we observe the elements of improvement in the United States, we shall see that they consist mainly in the heavy orders of the railroads for rails and rolling-stock and in an attempt on the part of the big automobile manufacturers to test the consumptive capacity of the market at the present stage of development. The other sections of American economy, in particular the industries producing articles of consumption, are still labouring under the severest crisis, while the agrarian crisis, which is only now fully developing in spite of all counter-measures, constitutes a serious factor tending to prolong the critical phase. We therefore assume that after a transitory recovery the crisis in the United States will again increase in vehemence in the summer and that the phase of depression heralding a new rise will not materialise before the autumn. We are thus faced with an exceptional state of affairs, since all countries of the world are without exception involved in an economic crisis.

This state of affairs can only be explained by the fact that we are in the midst of a general crisis of the capitalistic system, within which the phases of business development are irregular and blurred, while the critical phase is far more pronouncedly and generally developed than in pre-war times, the period of the rise of capitalism.

2. Price Formation in the Crisis.

Let us inquire into the price formation, up to the present, in the state of crisis. In this regard we come to the following conclusions:

a) a catastrophic price drop in regard to vegetable foodstuffs, which is, however, only to a small extent attributable to the industrial crisis;

b) a very marked price drop for vegetable

raw materials, mainly in consequence of the crisis;

c) a very pronounced drop in the prices of such metals and industrial raw materials as are not in the hands of monopolies;

d) no price drop in regard to monopolised goods;

e) slight price drop of the total index and in particular of the index of finished industrial products;

f) in some countries a further increase in retail prices and in the cost of living during the crisis.

The aspect presented to us is varied and full of contradictions, so that we must examine each component element by itself.

Price Formation of Non-Monopolised Raw Materials on the British Market¹⁾.

	June 14, 1914			Mar. 14, 1929			Oct. 31, 1929			Mar. 13, 1930		
	£	s	d	£	s	d	£	s	d	£	s	d
Tin (tons) . . .	143	—	—	220	—	—	189	10	—	163	—	—
Lead (soft for.) .	19	—	—	23	16	—	22	8	—	18	12	—
Antimony (Brit.) .	27	—	—	54	10	—	47	10	—	45	10	—
Copra (tons) . .	24	—	—	23	18	—	22	18	—	21	—	—
Palm Oil (tons)	31	10	—	39	—	—	33	5	—	29	—	—
Talcum (Austr. cwt.) .	31	3	—	41	—	—	38	—	—	36	—	—
Rubber (para hard, lb.)	2	2	—	1	1	4	9	1	4	7	1	10

We can observe a pronounced drop in prices during the last twelvemonth, increasing since the outbreak of the crisis. Most of the prices in this group are lower than before the war.

Altogether different is the tendency in the case of monopolised goods.

Price Formation of International Monopolised Goods on the British Market²⁾.

	June 30, 1914			Mar. 14, 1929			Oct. 31, 1929			Mar. 13, 1930		
	£	s	d	£	s	d	£	s	d	£	s	d
Iron (Cleveland Nr. 3) (tons) .	57	—	—	72	6	—	72	6	—	77	—	—
Heavy Rails (tons) . . .	6	3	—	8	10	—	8	10	—	8	10	—
Copper (electr.)	62	10	—	94	—	—	84	—	—	84	—	—
Aluminium (tons)	82	—	—	95	—	—	95	—	—	95	—	—

Thus, the crisis has led to no price abatement in regard to these monopolised goods.

The diverging price formation in regard to monopolised and free goods was even more pronounced during the crisis.

Price Index of the German Institute for Business Research³⁾.

Industrial Raw Materials and Semi-Finished Goods

(On the Basis of 100 to Represent the Level of 1926)

	Free Prices	Regulated Prices
1929		
January	101.9	104.6
July	96.9	104.9
October	95.1	105.3
1930		
January	90.4	105.0

The prices of "free" goods sank in the course of the year by 11 per cent and since October by 5 per cent, whereas the regulated or monopoly prices have remained unchanged.

If we regard the wholesale price indices as a limit, they

¹⁾ Relative figures of the "Statist"; average of the prices indicated.

²⁾ Corresponding figures of the "Statist".

³⁾ "Quarterly Publications on Business Research", 4th Year, No. 4, Page 22.

will be seen to reflect the contradictory tendencies of price formation for these two categories of goods¹⁾.

Wholesale Trade Price Index

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

	Jan. 1929	October 1929	Jan. 1930	February 1930	March 1930
Germany (Statist. Renclisamt)	139,0	137,0	132,0	129,0	126,0
France (Stat. Générale)	128,0	120,0	114,0	—	—
Great Britain (Board of Trade)	138,0	136,0	131,0	178,0	125,0
Italy	135,0	128,0	123,0	—	—
Poland (Stat. Office)	116,0	110,0	105,0	101,0	—
Switzerland (Labour Bureau)	143,0	142,0	136,0	133,0	131,0
Czechoslovakia (Stat. Office)	139,0	131,0	126,0	—	—
Japan (Bank of Japan) ²⁾	157,0	157,0	—	—	—
United States (Bureau of Labor) ³⁾	139,3	138,0	133,8	131,9	—
United States ("Annalist")	147,0	145,5	139,8	137,4	134,0

Wholesale Price Index and Cost-of-Living Index in the Most Important Countries in 1929.

	Wholesale price index			Cost of Living					
	1929			1930		1929		1930	
	Jan.	Oct.	Dec.	Jan.	Febr.	Jan.	Oct.	Dec.	Jan.
Great Britain (Board of Trade)	138,3	136,1	132,5	127,8	124,5	165,0	167,0	166,0	161,0
United States (Bureau of Labor)	139,3	138,0	135,0	131,9	—	161,0	163,0	162,0	160,0
Germany	138,9	137,2	134,3	129,3	126,4	153,1	153,6	152,6	150,3
France	630,6	589,5	562,1	—	—	547,0 ⁴⁾	—	565,0 ⁴⁾	—
Belgium	126,0	122,0	119,0	—	—	217,0 ⁴⁾	229,0 ⁴⁾	228,0 ⁴⁾	226,0 ⁴⁾
Italy	135,0	128,0	128,0	123,0	—	148,0	149,0	150,0	148,0

We are faced with the remarkable fact that the cost of living declines far less than do the wholesale prices (Great Britain, Germany) or even moves in the opposite direction (France, Belgium, Italy). The reasons of this phenomenon are to be found in the constant delay and the far smaller volume of the movement of retail as opposed to wholesale prices, and in the case of France, Belgium, and Italy in the fact that the retail prices have not yet completely adapted themselves to currency stabilisation. This means, however, that the working class as a consumer has hitherto not profited at all by the price decline. The workers still pay the former high prices for the necessities of life. Thus the working class suffers doubly under the crisis, for not only is it encumbered with the tremendous weight of unemployment, but the bourgeoisie profits by the crisis for the purpose of reducing wages although the cost of living has not decreased.

3. Unemployment as a Feature of the Crisis.

The mass unemployment observable in capitalist economy ever since the end of the war has experienced a serious increase during the crisis. A resolution of the Enlarged Presidium of the Communist International puts the sum total of unemployment at 17 millions.

Three factors have cooperated in developing this enormous army of unemployed, which far exceeds in extent any recorded in pre-war times.

a) The formation of an "organic", "structural", or "technological" unemployment. All these three expressions stand for the result of one and the same process, the definite release of workers by technological progress, by an increased productivity and intensity of work.

A release of workers was at all times a feature of capitalism; there was always an industrial reserve army. But in pre-war times this reserve army disappeared almost entirely in the capitalist countries in favourable business periods. It

¹⁾ The indices are not comparable with one another, seeing that they comprise different goods and that the same article appears in different weights in the separate indices. Hence the divergence between the indices of the "Bureau of Labor" and the "Annalist", respectively.

²⁾ Deflation as a result of the return to the gold standard.

³⁾ Other indices, such as Bradstreet and Irving Fisher, show a recession of several per cent.

⁴⁾ First and last quarter.

⁵⁾ On the basis of 100 to represent 1921.

Upon the whole we can observe a considerable price drop, which however differs in the individual countries in keeping with the composition of the indices and the proportion of monopolised goods covered thereby. In some countries, such as France and Germany, the drop in the general price level is considerable, but it still falls far short of the catastrophic drop in regard to agrarian products and free industrial raw materials.

The explanation of this relatively small decline of the general price level compared with that of the prices of agrarian products and free industrial raw materials, is to be found not only in the great preponderance of monopolised goods as an element of the price indices, but also in the fact that the price drop has not yet spread to the finished industrial products.

An important factor in price formation is the unequal development of wholesale prices and of the cost of living; the latter only to a very small extent follows the recession of wholesale prices; indeed, in some countries the cost of living has been known to rise while wholesale prices were falling.

became latent and complaints were heard of a dearth of workers. The workers periodically released as a result of the renewal of fixed capital were in the course of time reabsorbed by the expansion of the capitalist method of production. On the other hand, there was even then a chronic unemployment of the masses in those colonial regions in which the advance of capitalism destroyed handicraft and cottage industries.

The new feature of the present period of capitalist decline lies in the fact that the workers released in the most highly developed capitalist countries are not reabsorbed and that the number of those who remain unemployed even in the most favourable business cycles shows a rising tendency.

The causes of this phenomenon are generally known: on the one hand a rapid development of technique, intensification of labour by rationalisation, mechanisation of agriculture; on the other hand an expansion of the inner capitalist market only in pace with the increase of population, seeing that the transformation of the peasants into small agricultural commodity producers is at an end in the highly capitalistic countries, while the extension of the outside markets meets with ever increasing difficulties in view of the industrialisation of the colonies and the existence of the Soviet Union.

The outcome of this dual process, accelerated release of the workers in individual works through rationalisation in the face of a greatly decreased possibility of extending markets, has led to the development of a chronic mass unemployment in the technically most developed capitalist countries, the United States, Germany, and Great Britain, and to the result that in the United States the number of workers employed by industrial capital in the Marxian sense (agriculture, industry, mining, goods transport) has—discounting business fluctuations—shown a decrease since 1919⁵⁾, while there is a similar tendency in Great Britain as well. "Organic" unemployment is an important feature of the present mass unemployment.

b) The seasonal factor. In the outdoor occupations, agriculture, gardening, building, work comes more or less to a standstill in the winter in countries within the temperate zone.

⁵⁾ This years will see the new census in the United States; its result will it is to be hoped—put an end to the quarrel in our ranks as to the possibility of such a development (the quarrel over the "Varga law", as my opponents call it).

⁶⁾ Of the various designations, that of "organic" unemployment appears to me the most acceptable, characterising as it does the connection with the increase in the organic composition of capital.

c) The results of the crisis. That portion of unemployment which exceeds all unemployment caused by the two foregoing factors, may be looked upon as the immediate consequence of the crisis. Unfortunately unemployment statistics are so incomplete and so distorted, that a numeric distinction between these factors is hardly feasible. In the United States there are no unemployment statistics at all, estimates fluctuating between three millions (official) and six millions. The statistics of unemployed in receipt of relief in Germany and Great Britain cannot well be used for a comparison of longer periods in view of the frequent changes occurring in estimation and in practice.

The relatively most reliable returns are furnished by the unemployment statistics of the trade unions regarding insured workers

Full Unemployment in the Professional Organisations (in January of each Year)

	Germany	Gt. Brit.	Belgium	Denmark	Holland	Norway	Sweden	Canada	New Zealand
1927	16.5	12.1	7.7	31.6	15.7	30.2	16.3	6.4	6.7
1928	11.2	10.7	7.5	30.3	16.3	25.9	14.5	6.8	9.7
1929	19.4	12.3	7.4	27.9	19.1	22.2	15.0	6.3	9.2
1930	22.0	12.6	—	20.2	12.7	19.0	13.9	10.8	—

These returns show the tremendous extent of unemployment, which—apart from short-time work—affects more than one fifth of the working class, but they afford no impression of the influence of the crisis, seeing that in all the above countries, with the exception of Germany, the crisis is only just developing. In individual countries the absolute number of unemployed gives an idea as to the influence of the crisis.

Number of Unemployed in Great Britain

March 10th, 1929	March 10th, 1930	Increase
1,268,839	1,563,800	294,961

The increase represents 23 per cent. and may be attributed mainly to the crisis.

Number of Unemployed in Germany

End of January 1929	End of January 1930	Increase	Percentage
3,003,000	3,394,000	391,000	13

Added to these, the crisis has resulted in a great number of short-time workers.

February 1929: 8.5 per cent. February 1930: 15.1 per cent. (practically double)

On March 12th, 1930, the number of unemployed covered by German statistics was as follows:

In Receipt of Regular Relief	2,313,000
In Receipt of Emergency Relief	283,000
In Receipt of Welfare Relief (in the Cities, End of January ¹¹)	249,400
	<u>2,845,400</u>

Besides these, there are such unemployed as receive no relief at all and approximately two millions of short-time workers.

There is a tremendous amount of unemployment in Poland, Austria, Hungary, and Italy, but the relative statistics are so delayed and incomplete as to be useless for the purpose of illustrating the effects of the crisis, just as is the case in regard to the "statistics" of the United States.

Federal Reserve Board Index of the Degree of Employment in Industrial Works (Not excluding Seasonal Changes)

	January	September	October	November	December
1929:	97	103	102	98	95
1930:	January	February			
	93.1	94.6			

The number of occupied workers has thus dropped by 10 per cent since September last. Computed for the total of workers in the United States, this means that there are about three million more unemployed than in September 1929. It must be pointed out, however, that the index of the Federal Reserve Board registers all such workers as figure on the wage lists of the month in question; whether they are occupied during 25 whole days out of 30, or during 25 half days, or only during 10 days, is not taken into consideration. It is apparent, however, that the number of those who are not occupied every day or else not occupied all day long, is far greater at the time of a crisis than during a favourable business cycle.

In summing up we may repeat that the question of mass unemployment has undoubtedly been accentuated substantially by the crisis. If we assume that the average duration of unemployment figures at three months, almost every worker in Great Britain, Germany, and the United States may be said upon an average to be affected by unemployment once every year. Indeed, only the small proportion of treacherous elements (spies, "yellow" workers, functionaries of the Social-Democratic unions, and members of the technical emergency corps and reactionary organisations) can be said to escape unemployment entirely.

In the future the state of affairs will be still worse. The frantic competition for world markets will, once the acute phase of the crisis has been weathered, lead in all countries in which capitalism still exists to a renewed wave of rationalisation, a repeated release of workers, and a fresh increase of organic unemployment.

4. No General Creditary Crisis. Low Rates of Interest.

In spite of the severe drop in prices, no creditary crisis has as yet ensued. Before discussing the reason of this phenomenon, we should like to point out that the absence of a creditary crisis by no means deprives the present crisis of its critical character.

The pronounced monopolist character of present-day capitalism, the interweaving of industrial and banking capital in the form of financial capital, and the existence of extensive "vertical" concerns, cause a great part of all products other than agricultural to be bought and sold within the said concerns, in which there would be no sense in the creditor rendering credit more difficult. By reason of the close connection between industrial and banking capital, the position of the individual enterprises is well known to the leading banks, thus affording them the possibility of speedy intervention. The pronounced development of a system of payments without recourse to hard cash diminishes the possibility, or necessity, of a monetary crisis in the narrower sense of the word.

This by no means implies that in the further course of the economic crisis a general credit crisis entailing widespread failures may not still arise.

While in the period of industrial capitalism, in the period of free competition, interest rates are very high during a business boom and rise still further at the commencement of a crisis, when in connection with a creditary crisis the rates of interest for loaned capital reach record heights, such a course of events has in this instance been noticeable only in the United States, and there too with the reservation that the very high rate of interest in operation before the crisis (which rate, moreover, was mainly limited to stock-exchange loans) immediately began to fall upon the commencement of the economic crisis. In Western Europe, where the crisis is but now in a stage of development, we see quite low rates of interest.

Bank Rates of the Main Banks of Issue

	New York	London	Paris	Brussels	Berlin	Vienna	Warsaw
End of October	6	6½	3½	5	7½	8½	9
End of March	3½	3½	3	3½	5	6½	7
Beginning of May	3	3	2½	3½	5	6½	7

We are faced with the peculiar fact that during the last crisis in the United States and during the time when the crisis was developing in Western Europe, the bank rates of the main European countries, Great Britain, France, Holland, and Belgium,

¹¹) "Frankfurter Zeitung" of March 21st, 1930.

were very considerably lowered. Daily advances on the stock-exchange at the end of March cost 2 per cent. or less in New York and much the same in France. In those countries, too, in which the crisis is already of longer duration and now in full development, countries like Austria, Poland, and Germany, the bank rates have been substantially decreased. At a time of a progressive economic crisis, a bank rate of $3\frac{1}{2}$ per cent. in London may be considered quite an extraordinary phenomenon.

At the present moment we doubt if any definite explanation can be advanced. Much may be explained by the great importance of the United States money market for Western Europe and the entire capitalistic world; the low rates in New York, which fully conform to the present phase of the crisis in the United States, obviously exercise a great influence on the formation of interest rates in Europe. The above-mentioned fact of the absence of any creditary crisis must naturally tend, in conjunction with the lessened turnover of goods and the sharp drop of share quotations and stock exchange transactions, to release money from circulation; this money flows into the banks and causes the pronounced liquidity on the money market.

The Prospects of Further Development.

From what has just been said it appears that the low rate of interest is by no means to be interpreted as a sign that the crisis is already beginning to merge in depression according to the development characteristic of industrial capitalism. Taking the whole capitalist world as a unit, the crisis may be expected to continue and to intensify. The whole of the year 1930 will be a critical year.

The improvement in the economic position of the United States in January and February cannot be looked upon as definite. In March there were reports of a renewed relapse in the iron and steel output. The building activity so loudly boosted by Hoover (with special reference to the construction of dwellings) has not yet materialised. The tremendous price drop in regard to agricultural products is an element of the further aggravation of the crisis in the United States before the autumn, and even in the autumn such a rally is doubtful supposing it is not found possible to stop the price drop of agricultural products and thus force back the agrarian crisis into a latent stage.

In Europe, where the critical phase is taking the form of a far more drastic general decline of capitalism, the crisis necessarily leads to a further undermining of capitalist stabilisation, to an aggravation of the general crisis of capitalism, and to a great intensification of class struggles. The increasing mass unemployment is accompanied by the ruin of millions of the peasantry as a result of the agricultural crisis following the price drop for agrarian products, the cost of living, meanwhile remaining practically unchanged. At the same time, the capitalists are profiting by mass unemployment for the purpose of reducing wages in the face of an undiminished cost of living. The discontent of the peasantry and petty bourgeoisie is reflected politically in a rapid sequence of Ministerial and Parliamentary crisis, the splitting up and reforming of bourgeois parties. We can observe the approach of a general national crisis and with it of the possibility of acutely revolutionary situations.

At the same time there is an accelerated process of centralisation in the amalgamation of leading banks, the acquisition of formerly independent enterprises by the biggest monopolistic organisations (United Steel, Bethlehem Steel, Vereinigte Stahlwerke), and the preparation for another large-scale wave of rationalisation. This development by no means solves the general crisis of capitalism, as may be seen by the experience made in connection with the first wave of rationalisation. The limits of the capitalist market will only become more pronounced as a result of rationalisation, while the fight for markets will increase the danger of war. At the same time, the new wave of rationalisation means the release of additional millions of workers and thus a tremendous increase of chronic mass unemployment.

II. The International Agrarian Crisis.

The Character and Historical Position of the Post-War Agrarian Crisis.

We do not look upon the present acute agrarian crisis as an immediate outcome of the international economic crisis, though the latter contributed to aggravate the position of textiles and other industrial raw materials in particular, nor yet as an independent new crisis of agriculture, but as an acute aggravation of the agrarian crisis existing uninterruptedly since 1920 in an alternately acute and latent form. We look upon the whole period since 1920 as a time of international agrarian crisis. It had a more or less pronouncedly critical character, according to the harvest yields of the individual years in question, but nevertheless forms a historical entity, a feature of the general crisis of capitalism which promises to last until the collapse of the capitalist system¹²⁾. Starting from this standpoint, we shall attempt to describe the character and the historical position of the present agrarian crisis in comparison with the great agrarian crisis in the last quarter of the nineteenth century.

What the two agrarian crises have in common is a pronounced drop of the prices of agricultural products as a result of over-production. We subjoin the prices of the chief cereals and feedstuffs on the British market, which as an international free-trade centre best reflects the formation of world-market conditions.

Wholesale Prices of Grain in London.

	Wheat British ("Gazette") 112 lbs.		Oats British ("Gazette") 112 lbs.		Maize American mixed 480 lbs.	
	s	d	s	d	s	d
1851—1875	12	5	8	8	33	8
1876—1882	10	1	8	5	26	9
1883—1900	7	1	6	6	23	3
1901—1906	6	7	6	5	22	7
1917—1913	7	8	6	9	25	7
1914	8	2	7	6	29	3
1915—1921	16	2	15	8	53 ¹³⁾	9
1922—1928	11	3	9	9	35	10
1929	9	11	8	11	36	3
1930 February 20.	9	—	6	5	24	8
1930 March 20.	8	3	6	0	24	—

The price formation in England is in close connection with that in the great grain-exporting countries. The price differences depend on the development of freight rates. (Of late it was only the prices of Canadian wheat which figured rather higher as an outcome of the activity of the Canadian Wheat Pool.)

Price Formation in the United States.

	Wheat No. 2 (Chicago) \$ per Bushel	Maize (Chicago) \$ per Bushel
1866—1875	1.05	0.47
1876—1885	0.92	0.40
1886—1895	0.67	0.37
1896—1900	0.66	0.28
1901—1910	0.79	0.43
1911—1920	1.37	0.86
1921—1927	1.14	0.68
1928	1.28	0.94
1929	1.23	0.94
1930 End of March	1.05	0.83

¹²⁾ It must be emphasised that during all this time the territory of one of the greatest of pre-war suppliers of agricultural products, the former Russian Empire, held altogether aloof from the world market save in relation to the Border States. This, however, is a phenomenon of a transitory nature, for as soon as collective farming is given a firm organisation and as soon as the tractor and other engineering works supply the necessary means of output, the Soviet Union will produce a great surplus of foodstuffs and increase the supply on the world market.

¹³⁾ Average 1917—1920.

A rather different aspect is that presented by the price movement in the countries with agrarian tariffs, e.g. Germany.

Wholesale prices per Ton in Gold Marks
(Calculated by the Dollar Rate for the War and Early Post-War-Years)

	Wheat	Rye	Oats
1851—1875	214	155	146
1876—1882	210	158	145
1883—1900	169	144	137
1901—1914	194	151	159
1919—1921	110	99	84
1922—1928	222	190	180
1929	228	192	184
1930 End of March	248	145	199

In tariff-protected Germany, the price movement is far smaller than in Great Britain or the United States; the average prices of wheat, rye, and oats during the 15 years preceding the war were not lower than between 1851 and 1875.

It would be a great mistake, however, simply to identify low grain prices with the agricultural crisis. An agrarian crisis only ensues when the cost of output (including interest) exceeds revenue. Low prices do not spell a crisis if the cost of output is also correspondingly lowered. Thus the low grain prices of the eighties and nineties of the last century represented no agrarian crisis in the United States since the cost of production was likewise low. The low prices were an outcome of the fact that grain cultivation in the United States was extended to new areas of virgin fertility, to areas in which the ground monopoly was a mere matter of form and where ground rents were also only nominal¹⁴⁾, areas whose products could flood the European market by the aid of the rapidly spreading network of railways and the low steamship rates.

Hence the most important difference between the great agrarian crisis of the nineteenth century and the agrarian crisis of post-war times: the former was mainly a crisis of grain cultivation in Europe, while the post-war crisis is a crisis of all branches of agriculture the world over¹⁵⁾.

Cultivated Area of the United States.
(In Millions of Hectares)

	1870/74	1875/79	1880/84	1885/89	1890/97	1900/13
Wheat	7,7	11,8	12,3	14,7	15,4	18,9
Maize	15,6	20,1	26,5	30,4	31,4	39,4

It was only between 1890 and 1899 that the extent of the cultivated area remained more or less equal; otherwise there was a constant rapid expansion.

How was the former agrarian crisis in Europe overcome?

We can distinguish the following ways:

a) Transfer of the main attention of farmers to cattle-breeding.

b) Increase of grain prices by agrarian duties.

c) Reduction of the cost of output by means of rationalisation in farming.

d) Reduction of the cost of output by a cheapening of the means of production supplied by industry.

Let us inquire into these expedients in detail.

a) It was mainly in North-Western Europe (particularly Great Britain, Belgium, Denmark, and Scandinavia) that farmers turned their attention to cattle-breeding in place of tillage. In England there has been a constant shrinkage of the area under cultivation in general and of that under bread-cereals in particular, meadows and pastures increasing at the cost of the tilled fields¹⁶⁾.

¹⁴⁾ That the low prices of that period did not entail an agrarian crisis in the United States is proved by the uninterrupted expansion of the cultivated area.

¹⁵⁾ An exception must be made for the great up-to-date cultivation enterprises in territories where the ground rents are not high and the costs of production are moderate, as in Argentina, Australia, and parts of Canada.

¹⁶⁾ The pronounced decrease of the area under grain also represents a restriction of output to the most suitable areas, where it can be most cheaply effected.

Area under Grain in England and Wales.
(In Thousands of Acres)

	Wheat	Barley	Oats	Total with other Varieties
1871—75	3 404	2 115	2 664	8 097
1891—95	1 907	1 881	2 116	6 434
1911—15	1 877	1 435	2 022	5 832
1921—25	1 746	1 352	2 039	5 725
1927	1 636	1 049	1 751	4 901
1928	1 397	1 187	1 760	4 779
1929	1 260	1 130	1 800	—

From „Statistik“ of December 1929. (Returns for 1929 computed from Bulletin of the Roman Agrarian Institution.)

b) Grain prices were raised above the world market level by the introduction of grain duties. This was most smoothly effected in the grain-exporting countries of South-Western Europe, France, Italy, and Spain. It was a more complicated problem in the case of Germany, which imports wheat and exports rye; a solution was found in the system of export vouchers, exporters of rye receiving vouchers to the extent of the rye duty which could then be used in lieu of cash on the occasion of subsequent importation of dutiable goods. This was thus a hidden form of export premiums, with the result that, although Germany was a rye-exporting country the rye prices within the country were approximately the world market prices minus the duty.

c) Diminution of production costs by rationalisation. It is a well-known historical fact that just during and because of the agrarian crisis European agriculture experienced a wholesale rationalisation: the fallow land disappeared, a more reasonable rotation of crops was introduced, a deeper system of ploughing (with iron ploughs) was adopted, improved seed-corn was improved. Such measures could only be effected by well-to-do peasant farmers or capitalist proprietors, who were enabled by increased production at lower production costs on the same area to weather the period of low grain prices.

d) Finally, the production costs of agriculture could be diminished by a reduction in the prices of industrial materials employed; the technical progress of those times—seconded by circumstances of free competition, also benefited agriculture.

If we survey these various ways of overcoming the agrarian crisis, we shall remark that they all presume a progressive state of capitalism. The extension of the capitalist system of production to ever new regions, the increasing exportation of industrial goods from Europe, and the big colonial super-profits rendered possible a rapid increase of the population in Europe on the whole and of the urban population in particular, with an increasing consumption of foodstuffs, especially such of animal origin¹⁷⁾. Hence the possibility of counter-measures and of combating over-production from overseas. The free competition still in operation led to a drop in the prices of agricultural means of production, whereby the „scissors“ were closed. The agrarian crisis of the last century was no more than an episode in the period of progressive capitalism, the outcome of too speedy a development of production in regard to the limited realm of grain.

The present agrarian crisis is a general crisis of over-production in regard to all agricultural products, with the sole exception of cattle-breeding, which will however soon be in-

¹⁷⁾ It is characteristic that the drop in grain prices during the agrarian crisis of last century should not have spread to the products of cattle-breeding.

Prices of Cattle and Cattle-Breeding Products.

	Oxen 100 kg Mks.	Pigs 100 kg Mks.	Butter 100 kg Mks.	Beef prime, 8 lb s d	Pork average, 8 lb s d
1851—1875	85,6	102,4	187,0	4 3	4 2
1876—1882	115,2	106,9	218,0	4 11	4 5
1883—1890	111,2	99,7	196,5	4 8	3 6
1901—1914	143,0	120,8	235,5	4 3	3 12

volved, and that all the world over. It is part of the general crisis of capitalism, a problem not to be solved within the capitalist system. In the capitalist countries the present agrarian crisis is a crisis of over-production with a chronic character, since there is no prospect of a solution along similar lines to those employed in pre-war times, i. e. by the expansion of the demand for foodstuffs. The chief factors are as follows:

a) The growth of population in the capitalist countries is constantly on the decline and shows a pronounced tendency towards stagnation.

b) The consumption of bread-cereals per head of the population shows a falling tendency.

Consumption of Wheat (& Rye) in kilogrammes per Head of the Population.

	1905/08	1909/13	1921/23	1924/25	1927/28
Great Britain	164.1	164.7	151.1	153.3	148.3
Belgium-Luxemburg ¹⁸⁾	308.9	336.0	242.7	248.0	250.0
Germany ¹⁸⁾	253.7	254.7	163.5	149.0	209.0 ¹⁹⁾
France (Wheat)	241.1	243.8	219.6	213.6	—
United States	178.6	174.4	152.5	151.3 ²⁰⁾	—

We must point out that these statistics are not very accurate since they are attained merely by a division of the annual harvest (adding or deducting imports or exports) per head of the population. Since there is the same tendency in all States and for a long period, they can after all be accepted as definite in spite of the shortcomings. The exceptions (Germany 1924—1926) are to be explained by special factors, such as the stabilisation crisis or the liquidation of old stocks.

c) In view of chronic mass unemployment and the declining standard of living among the proletariat, the consumption of meat and fat can by no means increase in a sufficient measure to form a solution of the crisis for all the capitalist world as was the case, in the last crisis, for Great Britain and Denmark.

d) On the other hand, it is obvious that the influx of capital into agriculture is likely to continue, and with it the increased output of grain, cotton, sugar, and other commodities. The abundance of capital and the impossibility of investing fresh funds in the increasingly monopolised big industries will cause an increasing flow of capital in the direction of agriculture, particularly in the oversea countries. For up-to-date capitalist enterprises the present price level — especially in countries with low ground rents — still affords a profitable investment, as we shall still have occasion to show.

e) The reappearance of the Soviet Union on the world market as an exporter of agricultural products is bound to increase over-production and contribute to the price drop.

f) There is no prospect of the present agrarian crisis being solved by a recession of the prices of the means of production supplied by industry. The partial non-exploitation of the industrial productive apparatus so characteristic of the decline of capitalism increases the cost of output. This and the pronounced formation of monopolies in industry (mining, transport, and commerce) counteract a price drop for industrial products, so that a liquidation of the „scissors” by means of lower industrial prices is hardly probable.

g) A substantial increase of the mass consumption of foodstuffs of a superior quality is improbable, since the drop in wholesale prices of agricultural products leads only to a very small degree, if at all, to a cheapening of retail prices, by reason of the intervention between the farmer and the consumer of the financial capitalist (railroads, grain dealers, mills, meat industry, etc.). Thus a cheapening of the costs of production on the basis of an increased volume of output would likewise lead to no result. The paths which led to the solution of the agrarian crisis of the nineteenth century on the basis of capitalism, can today no longer be negotiated. For individual countries importing foodstuffs, an increase of duties may have a mitigating influence, but this is no solution of worldwide over-production.

Theory of the Agrarian Crisis and the Class Struggle.

The complete elimination of ground rents from all discussions of the agrarian crisis by bourgeois scholars is no mere matter of chance; it shows a well-founded class instinct. It is part of the tactics of the ruling class to make it appear that all persons occupied in agricultural pursuits are vitally interested in common in the prosperity of „agriculture” as such. Big landowners deriving rents from the land, capitalist lessees of ground, wealthy peasant-farmers cultivating their own farms, small crofters groaning under a load of debts, small tenants in arrears with their rent—all are lumped together and told they have interests in common. In place of the horizontal division of capitalist society into classes, there is preached a vertical division into professions. The class character of bourgeois science is reflected in the teaching of the agrarian crisis in which there is no mention of ground rents and in which the crisis of „agriculture” is treated as one and undivided whole.

For every Marxian it must be obvious that the crisis must have a different effect on the different classes of agricultural producers, and it follows that, *ceteris paribus*, the crisis must most seriously affect the tenants and indebted small holders, i. e. the poorer classes of the agrarian population. For producers operating on their own debt-free land (unaffected by ground monopoly, as Marx points out) merely suffer under the economic „scissors”, whereas tenants and indebted crofters are at the same time victimised by their high rent obligations (lease or mortgage liabilities). For the former the agrarian crisis merely represents a diminution of income, for the poorer tenants and indebted owners it spells ruin.

There is, however, a second and more important difference. In the face of equal conditions of the soil, the cost of output is far smaller for the big enterprise employing all the achievements of modern technical science, than for the small and primitive farm. Therefore large and up-to-date enterprises can still realise the same average profits as during the last few years, whereas the small farms are being ruined wholesale.

The introduction of new machinery into agriculture, which has been progressing more and more speedily of late years, gives the bigger agricultural concerns an increasing advantage over the small farms. The introduction of „combines” (combined harvester-threshers) alone tends to render the renewed price drop for grain economically bearable for the big concerns. The expenses of the harvest with the use of combines in the place of the ordinary binding-machines, figured as follows according to semi-official American calculations²¹⁾:

Harvest & Threshing Costs per Acre of Wheatland.

With Use of Binding Machines	4.22 Dollars
With Use of Combines	1.50 Dollars
Saving	2.72 Dollars

On a harvest of 20 bushels per acre this means a saving of 13.6 cents per bushel. It must be borne in mind, moreover, that the combines scatter far less grain, the average loss in the case of the combines being 2.6 per cent. as against 6.1 per cent. in the case of ordinary machines. The total saving therefore figures at present at something like 15 cents per bushel.

Seeing that of late years the price realised by a farmer has been less than one dollar per bushel ex farm, the employment of combines represents an economy of no less than 15 per cent. of the proceeds²²⁾.

In regard to Argentina, Brinkmann comes to a similar result²³⁾. The economy amounts to from one dollar to one

²¹⁾ „Yearbook of Agriculture”, 1927, Page 694.

²²⁾ It is therefore no wonder that tractors and combines should rapidly be eliminating the use of horses on the farms.

	No. of Horses	No. of Tractors	No. of Combines
	In Use on Farms	In Use on Farms	Sold in Country
1919	21,500,000	147,000	1,099 (in 1922)
1929	14,000,000	853,000	11,201 (in 1927)

²³⁾ Prof. Th. Brinkmann: „Die Transformation of Argentinian Harvesting Methods”, „Berichte über Landwirtschaft”, Vol. XI, No. 1.

¹⁸⁾ Wheat plus rye.

¹⁹⁾ 1927.

²⁰⁾ 1924—1927.

dollar 42 cents per double cental, or again to something between 10 and 20 per cent. of the sale price ex farm. A combine, however, can only be employed to full advantage by a big concern, where it can be completely exploited. On 25 hectares of area to be harvested, its employment is, according to Brinkmann, more expensive than that of the binding machine. The "Yearbook of Agriculture" of the United States puts the lowest limit of profitability of a combine measuring 15 feet in breadth at 150 acres of land, the best degree of exploitation being possible on 1,000 acres. It follows that only such farmers can enjoy this 10 to 20 per cent. economy on the sale price of their wheat as have at least 100 hectares of land to harvest per annum. (On larger areas the saving is proportionally greater.) Since the whole area cannot be cultivated with wheat year after year, it will be well to put the lower limit of profitability at 200 hectares.

The superiority of the big farming concerns is thus altogether obvious. A grain price which is already ruinous for the small farmer still yields the average profit rate (all other circumstances being equal) in the case of the big farmer working with combines. Naturally it is not only the employment of combines, but many other technical advantages, only available for the big farmers, that ensure the latter's superiority.

It is therefore altogether incorrect to speak of a "Crisis of Agriculture" affecting all those concerned in an equal degree, as the bourgeois scientists are fond of doing, since the effects of the agrarian crisis are different for different classes.

The social outcome of the crisis is therefore an extraordinary aggravation of the differentiating process at all times at work in capitalism, a wholesale destruction of the small crofters and farmers, of indebted farmers and of small tenants. This will be felt most severely in those regions in which ground rents are in general high, in which, as a result of the dearth of land, the tenant system is greatly in operation, the rent paid the landowner not being based on the amount of the rent in the economic sense but representing a monopolised rent, a usurious rent, absorbing as it does not only the rent itself but also part of the profit, nay even part of the working wage of the immediate producer.

Over-Production as a Feature of the Post-War Agrarian Crisis.

The big agrarian crisis of the last century had already been liquidated by the commencement of the present century. The war and the early post-war years entailed a great restriction of production in the belligerent countries of Europe but at the same time such a great extension of the grain-cultivated area and such a volume of the crops in the exporting countries that the prices sank perceptibly and an acute agrarian crisis ensued in the United States as early as 1922. We subjoin the data of production in those regions which are decisive for the formation of the world market price on the basis of returns provided by the Roman International Agrarian Institution²⁴).

Area under Wheat and Rye.
(Expressed in Millions of Hectares)

	1909/13	1914/19	1919/23	1924	1925	1926	1927	1928	1929
Europe (without Soviet Union) . .	47.9	—	—	42.3	44.4	44.2	44.5	45.5	45.3
United States . . .	20.0	23.5	27.9	22.8	22.9	24.3	25.2	25.0	26.0
Canada	4.0	6.0	8.9	9.3	9.2	9.5	9.4	10.1	10.6
Argentina	6.5	6.8	6.6	7.4	8.0	8.0	8.3	8.6	7.1
Australia	3.1	4.2	3.6	4.4	4.2	4.7	4.8	5.7	5.9
The Big Exporting Countries ²⁵⁾ . .	33.6	40.5	47.0	44.3	44.3	46.5	47.7	49.4	49.6
Cap. Europe plus Big Exp Countries	81.5	—	—	86.8	88.7	90.5	92.2	94.9	94.9

²⁴⁾ We must emphatically point out that harvest statistics are most unreliable all the world over. The indications as to the area under cultivation are estimates by the village elders or else by the correspondents of the statistical offices.

The other parts of the world are of no great importance either for importation nor for exportation; India exports some grain after a good harvest, so does Northern Africa; Japan and China have of late years been importing grain. The question of price, however, is solely dependent on the supply in the four big exporting countries already mentioned and the demand in Western-Europe.

If we consider the development of the area under cultivation, we can draw the following inferences despite all reservations in regard to the poor reliability of the relative statistics:

1. The area under bread-cereals in capitalist Europe has been slowly increasing despite the agrarian crisis and is approaching its pre-war extent.

2. The area under cultivation in the four big exporting countries experienced a relapse under the influence of the agrarian crisis (in 1923—1925) but has again increased considerably since 1926.

3. As regards the big exporting countries, the United States experienced a considerable diminution of the area under cultivation at the commencement of the crisis; in the other three countries there was no such change.

4. If we add the cultivated area of capitalist Europe to that of the big exporting countries, we shall observe a rapid upward movement; the foundation of over-production is apparent. (A similar development is noticeable in regard to fodder, the returns for which we omit here for lack of space.)

The impression of over-production is yet more forcible if we inquire into the formation of the output:

Harvest of Wheat and Rye.
(In Millions of Double Centals)

	1909/13	1913/18	1919/23	1924	1925	1926	1927	1928	1929
Europe (without Soviet Union) . .	62.2	—	—	452	617	518	551	612	615
United States . . .	196	239	259	252	196	236	252	256	229
Canada	54	69	94	74	110	114	124	158	83
Argentina	41	45	55	52	53	61	67	88	42
Australia	25	30	30	46	34	46	34	46	31
Big Exporting Countries . . .	316	383	438	424	393	447	477	548	385
Europe plus Big Exp. Countries .	938	—	—	876	1010	965	1028	1168	1000

The bread-cereal harvest in the decisive capitalist countries was thus in the last few years about 10 per cent. higher than before the war; since the increase of the population figures at no more than five per cent. and the consumption per capita is on the decline, there must have been a substantial accumulation of stocks.

Temporary Stocks of Wheat in the Big Exporting Countries on August 1st²⁷⁾.
(In Millions of Bushels)

	1924	1925	1926	1927	1928	1929
United States	165	135	111	138	142	262
Canada	41	26	35	48	78	104
Canadian Wheat in U. S. . . .	3	3	4	5	14	23
Argentina	66	56	61	65	90	120
Australia	38	36	30	34	43	45
Floating Supplies for Europe . .	42	33	39	46	45	38
In British Ports	10	9	4	8	10	6
Total	365	298	284	344	422	598

The stocks carried over from one harvest year to another have increased from year to year; hence the sharp price drop as early as May and June 1929, when the wheat price in

²⁷⁾ December issue of "Wheat Studies".

²⁸⁾ In view of the coercive measures in force in regard to grain, the returns for this period are altogether unreliable.

²⁹⁾ Employed here to mean the United States, Canada, Argentina, and Australia

America had already passed below the dollar limit. The year 1929 brought a pronouncedly bad harvest in the big exporting countries; therefore world market prices rose, especially seeing that the Canadian pool restricted supplies to a minimum so as to maintain the price level. The demands of Europe, however, remained far behind expectations, the visible stocks barely decreasing at all²⁹⁾, so that, in spite of the bad harvest, the present renewed price drop ensued. The price of wheat again fell to the dollar limit, and if the Governments of Canada and the United States had not intervened most energetically there would have been a regular catastrophe.

There is, moreover, no prospect whatever of an improvement in the next harvest year. The transitional stocks, it is true, will, it is said, be somewhat smaller at the close of this harvest year than at the close of the harvest year 1929. The Roman Agricultural Institute reckons for the end of this harvest year with transitional stocks of 85 to 90 million double centals as against 125 millions at the close of the last harvest year³⁰⁾. Seeing, however, that the bread-cereal crops of Europe and of the four big exporting countries were 168 million double centals smaller than in the preceding year, and this great deficiency will only serve to diminish the transitional stocks by 25 to 30 million double centals, it is inevitable — supposing the harvest not to be quite extraordinarily bad — that there will be a great overproduction of bread-cereals in the coming harvest year, all the more so since the international economic crisis is bound to lead to a certain decrease in consumption³¹⁾.

A similar over-production is observable in regard to all agrarian products. It would take too long to give detailed statistical proof of this in each individual case as we have done in that of bread-cereals; suffice it to say that at the end of March, when these lines were written, the prices of fodder, textiles, and so on, were in general no higher than before the war.

On all hands there has been a pronounced recession of prices during the last year, prices figuring either below the pre-war level or else, if exceeding that level, out of keeping with the upward movement of industrial products and other elements of production costs. That there is a critical over-production of sugar, coffee, fodder, cotton, and tea for several years past, is so generally known that it is superfluous to cite statistical data in proof of the fact.

As regards cattle-breeding, there is not yet any over-production of animal foodstuffs, but it is bound to ensue in the course of 1930 as a result of the low price of fodder and in view of the fact that the economic crisis is rapidly diminishing the consumption of meat, fat, butter, and the like on the part of the broad working masses. In 1931, the over-production in this respect will be pronouncedly apparent. A sharp price drop has already ensued in regard to the raw material products of cattle-breeding, such as hides and wool. The recession of the prices of cattle and the products of cattle-breeding will affect the broad mass of small farmers in Europe most severely.

This over-production of agricultural products is part of the general over-production which is so characteristic of the present general economic crisis. It is bound to continue, since the capitalist producer employing the amenities of modern technical science can exist even on the basis of low prices, since agriculture is a branch of economy requiring a relatively small capital investment, since the farmers have no choice

but to continue production to the verge of bankruptcy, and since, for the reasons enumerated above, no great increase of consumption is to be expected. Therefore the present agrarian crisis cannot be solved along upward lines as was the case in the last great crisis of this kind, but only in a downward direction by the diminution of output and by a wholesale elimination of the „incapable“ farmers and peasants, i. e. of the weaker capitalist elements.

Abortive Attempts at Solving the Agrarian Crisis.

The coincidence of the agrarian crisis with the economic crisis has led to frantic attempts on the part of the bourgeoisie of all countries to put a stop to the further fall of the prices of agricultural products. And this for political reasons, for apart from the „labour aristocracy“ the peasantry is the most important prop of the class rule of the bourgeoisie.

In the importing countries, the nature of these endeavours consists in the attempt at a further augmentation of the price level within the country above the international standard. This is effected by higher tariffs, import monopolies, and import prohibitions. France, Italy, and Germany have in rapid succession raised their tariff rates for agricultural products. Even in Great Britain, where for 80 years past there have been no grain duties, there is a movement in favour of agrarian tariff protection.

A different attempt at solving the agrarian problem is to be seen in the Canadian Wheat Pool, in whose hands 70 per cent. of all Canadian wheat are concentrated. In this connection there was no possibility of tariff protection, seeing that Canada has an annual surplus of 100 million double centals of wheat. The only expedient lay in the direction of an artificial propping of the wheat price on the world market. The situation seemed most favourable for such an attempt. Between 1924 and 1928, the world's exports of wheat and wheatmeal averaged roughly 220 million double centals³²⁾.

Canada's share in this total was 84 million double centals. This was more than one third of the total quantity placed on the world market. Indeed, the Canadian share appeared to be rising, for in 1928 the amount of wheat exported by Canada was 112 million double centals, out of a world total of 243 millions, hence almost 50 per cent.

This pre-eminent position of Canada and of the Canadian Wheat Pool had made it possible in the preceding years not only to maintain Canadian wheat prices above the world market level but also to keep the world market average higher than it would have been in the case of a free offer of wheat. In this way it was possible to keep the crisis in a latent state for several years. The Pool attempted to initiate similar organisations in Argentina and Australia. Great illusions arose as to the possibility of governing the world market.

But the relatively favourable prices led to a growth of the area under cultivation in Europe and in the leading over-sea countries, as has been shown above.

So as to be able to maintain its price policy, the Canadian Pool was obliged to carry forward from one year to another an ever increasing unsold surplus. The poor harvest of 1929 seemed likely to liquidate the accumulated stocks. In the autumn of that year, therefore, the Pool continued its policy of abstaining from selling. But this policy of influencing the world market price by holding back exports suffered shipwreck around the end of the year. At Winnipeg, the Canadian grain centre, prices began to crumble and could no longer be saved. In the course of three months, wheat prices dropped by one third. The Pool got into financial difficulties. The big banks refused to grant further credit on the wheat stocks. On February 5th, the Prime Minister of the Canadian State of Manitoba was forced to announce a State guarantee of 15 per cent for the credits granted by the banks. Even this was of no avail; prices continued to fall. All the granaries are overstocked. The railroads restrict their transports. The attempt of the Canadian Pool to prop the world market price has failed.

Yet other measures for the purpose of overcoming the crisis have been tried in the United States. The United States export wheat, rye, and fodder; hence prices are in general on the level of the world market price minus freight expenses.

³¹⁾ „Die wirtschaftlichen Kräfte der Welt“, published by the Dresdner Bank in 1930.

²⁹⁾ The „visible“ stocks of wheats figured as follows for each 1st of December, in millions of bushels:

	1925	1926	1927	1928	1929
Whole World	257	300	346	459	443
Thereof Canada	105	123	121	170	221

(„Wheat Studies of the Food Research Institute“, January 1930)

³⁰⁾ February Bulletin of the Roman Agricultural Institute.

³¹⁾ The effect of the crisis on the consumption of bread is twofold; on the one hand it causes a decrease of consumption among the unemployed in the poorer countries, on the other it entails an increase of consumption in the richer countries, where the unemployed consume more bread in the place of meat, milk, and the like. Upon the whole it may be said to lead rather to a diminished consumption.

But in comparison with the home consumption, the exported quantity is very small, not more than five or six per cent. (In this respect grain differs from cotton, more than half of which is sent abroad.) Thus a system of export vouchers, as employed in Germany, or a system of buying up the exportable surplus, as provided for by the MacNary-Houghen Bill, could easily raise the home price to the level of world market price plus duty. Now the government of the United States, which is the tool of the financial capitalists, have introduced grain duties, which in any case do not take effect save in regard to certain districts bordering on Canada. But the MacNary Bill, though passed by the Senate, was frustrated by the veto of Hoover, the main protector of the financial capitalists of the United States.

During the last few months the financial capitalists have changed their tactics. The Farm Board first attempted to check the price drop by according the farmers' cooperatives big loans on their wheat and cotton stocks — 118 cents per bushel of wheat — so as to keep them from selling. The Board itself made no purchases. But this measure proved insufficient: the prices continued to drop. On February 11th, after a conference between Hoover and Legge, the head of the Federal Farm Board, the Board started purchasing wheat on the exchanges by means of the „Grain Stabilisation Corporation“, a step which led at one stroke to a price appreciation of seven cents per bushel. This policy is being continued, allegedly until the end of the harvest year. Thus the wheat price at Chicago figures, subject to fluctuations, somewhat above the dollar limit.

Why did the financial capitalists of the United States alter their policy? They were obliged to do so in their own interests. If the price drop of agrarian products had not been at least retarded, millions of farmers would have gone bankrupt straight away, their bankruptcy would have entailed the downfall of thousands of small provincial monetary institutes, and a general credit crisis might easily have resulted. This the financiers of the United States desired to prevent, since such a crisis might have proved dangerous to themselves. Hence their readiness to come to the rescue of the farmers with hundreds of millions of dollars of State funds.

What other attempts were made to stabilise grain prices need not occupy us here. They included attempts at forming a pool in Australia and an agreement between Hungary and Yugoslavia for controlling wheat exports.

All attempts at an artificial enhancement of the world market price or of the home price in countries exporting agricultural products by a concentration or restriction of supplies, by export vouchers or a purchase of surplus quantities of grain, suffer from an internal contradiction, for as soon as prices rise the output is increased and the artificial restriction of supplies is frustrated. A lasting restriction of the supply could only be attained by a restriction of output. Such is the programme of the Federal Farm Board in the United States of America.

Restriction of Output as an Expedient.

An artificially maintained high price level for grain on the world market would only be possible by means of a control of the exportable surplus at least of the four big exporting countries, Canada, the United States, Argentina, and Australia, with a simultaneous restriction of output. This would mean an international cartel of the main grain exporters, which would adapt production to the absorbing capacity of the world market, just as the international industrial cartels do.

In agriculture, however, such a plan is very difficult to put through. The interests of the individual countries and of individual categories of producers are in contradiction to one another. For the agrarian capitalists of Canada, Argentina, and Australia, countries in which ground rents are low and the cost of output can be reduced by the introduction of machinery, there can be no question of a restriction of output. And even in the United States, where a relatively small restriction would entail a pronounced rise of prices, the vigorous agitation carried on in favour of such a measure has hitherto led to no result, although the agitation for the restriction of the area under wheat, cotton, and maize is very energetically carried on and has an altogether official character. On January 27th, Hyde, Secretary of State for

Agriculture, in a wireless address to the farmers, urged them to make a reduction this year of the area they proposed to cultivate.

„Blind production for an unknown demand is now the bane of agriculture“, he said. „Competitive selling by six million individual farmers usually gives the purchaser a great advantage. The challenge of the new decade is to act collectively to overcome this situation.

„If we are to conduct a profitable agriculture, we must not only produce at lowest possible costs but must also keep our production reasonably close to prospective home demand. This problem must be met on the farm. It can best be met by careful planning and by broad organisation of agriculture.“³²⁾

Legge, chairman of the Federal Farm Board, agitates in favour of afforestation on part of the farm lands.

„If every American citizen were to turn five per cent. of his present acreage into forest, this would be a great step towards getting the better of over-production.“³³⁾

But a restriction of the cultivated area is a very difficult matter for the individual farmer. A great part of his expenses, lease, mortgage interest, interest and redemption of machinery, cost of drought cattle etc., remains unchanged even in case of a restriction of the area of cultivation. It is a well-known fact that these overhead charges represent a very great part of a restriction of the area of cultivation. It is a well-known in case the cultivated area is diminished.

Added to this, a solid organisation for the restriction of output is an unfeasible thing in view of the tremendous number of farmers, so that the individual farmer would have no manner of recording or controlling the restrictions carried out by the other farmers. Besides this, the entire apparatus of agrarian politics is directed towards an increase of production, prizes being given for the greatest output per hectare, the heaviest cattle, and the like. All agricultural schools and institutions are working in this direction. As the American newspapers and periodicals rightly point out, it is a very difficult matter to make the farmers understand the advantages of a policy of restriction.

Nevertheless, the agitation for the restriction of output is being energetically continued in the United States. At a common session of six scientific institutes, Legge spoke as follows:

„It is reasonable to suppose that in time the farmer may grasp the simple problem that if he can get more money for four bushels of wheat than he can get for five bushels, he will perhaps raise four bushels instead of five, and that is a typical illustration of where we stand to-day. A 20 per cent. reduction on an average of what he produces would make the tariff on grain effective and give him a higher level of prices. I think it conservative to say that 20 per cent. less production would bring him 20 per cent. more money than he is getting for what he produces“³⁴⁾.

Thus a restriction of output is preached as the only possible way out of the crisis at a time when millions are starving and insufficiently clad. Marx's dictum, to the effect that a rational agriculture is incompatible with capitalism, is here proved to the hilt. Ground rents and a profit on agrarian capital necessitate a curtailment of the foodstuff output. The capitalist form of production not only proves a fetter to the development of productive forces but necessitates a positive diminution of the output of foodstuffs.

The Agrarian Crisis in Capitalistically Less Developed Countries.

It is characteristic of the present crisis of the capitalist system that parallel with the agrarian crisis in the form of a general over-production in capitalist countries there should be a diametrically opposite tendency in progress in certain capitalistically undeveloped countries, a degradation of agriculture, insufficient output, chronic starvation entailing the death of millions, as is the case in China and India. It is:

³²⁾ „New York Times“ of January 28th, 1930.

³³⁾ *ibid.*

³⁴⁾ „New York Times“ of February 28th, 1930.

impossible for us to occupy ourselves in detail with this phenomenon. We can merely underline the most important facts.

a) In these densely populated countries, capitalism destroys the rural home industries, the "natural supplement" of peasant economy.

b) Since capitalism penetrates into these countries from abroad in the form of an oppressing imperialism, there is within the country not such development of capitalist industry on a large scale as would prove a substitute for the ruined cottage industry and provide occupation for the released working forces as is the case in Western Europe. On the contrary, even urban handicrafts are ruined in consequence of the competition of the capitalist production of goods abroad. Hence the phenomenon observable in India in the last fifty years of a reflux of the population from the cities into the country, from industry to agriculture. The same is probably the case in China, but is not apparent in the absence of a census.

c) This entails an undue demand for land to such an extent that the land prices rise "in view of the preponderance of the demand for real estate over the supply" ("Capital", III/II, p. 345), while land is leased at usurious rents.

d) This leads to an indebtedness of the great mass of peasants, or in other words to a bondage of the masses through indebtedness.

Added to this there are the encumbrances of a pre-capitalist form of society: feudal rulers in India, militarists and gentry in China. The old pre-capitalist agrarian constitution crumbles away before the penetration of capitalism. The old feudal forms of exploitation are replaced by new capitalistic forms. Between these two forms of exploitation, the peasant cannot retain enough of his harvest to renew his extremely modest means of production, to maintain the system of irrigation, and to restore to the soil the elements of fertility of which it has been deprived. In place of the simple traditional reproduction we have decreased reproduction, degradation of agriculture, chronic want, and periodical starvation.

Thus the agrarian crisis in the declining period of capitalism has a double aspect: ruin of the farmers in the capitalist countries in consequence of over-production; and ruin of the peasantry in the undeveloped countries in consequence of the impossibility of producing the barest necessities of life. Within the capitalist system there can no longer be any solution of the agrarian crisis.

III. The General Aspect of International Economy.

With quite unexpected swiftness, all countries of the world have within the last three months become involved in the international economic crisis. For the first time since the war we can trace a uniform and universal phase of the industrial cycle. (France and one or two other West European countries may still be said to form exceptions in a certain degree.) Whereas the first post-war decade was characterised by the absence of a uniform business development in the various capitalist countries, all of them are now involved in the same critical phase.

This naturally does not mean that a uniform process of the industrial cycle is forthwith established for the capitalist world. Though the critical phase extends to the entire capitalist world, this is by no means a proof that a uniform rise and a business boom will ensue for all countries. To predict as much would mean denying the character of the present period to be that of a general crisis of the capitalist system itself. We believe, on the contrary, that, while the present critical phase will after a while naturally merge in depression, a great part of the capitalist world is not destined to experience any coming boom, so that the uniformity of international capitalist economy will be manifest in a common critical phase but not in a common phase of business prosperity.

The crisis continues undisturbed by the talk of the bourgeois theorists and by all practical efforts at its speedy termination, such as have in particular been undertaken by President Hoover. Not even in the United States, where the crisis has now been in progress for six or seven months, are there any signs of its approaching termination. The increased output of the heavy metal industries in the month of February,

which was hailed by many optimists as the commencement of a fresh boom period, was followed in March by a renewed relapse. The "Annalist" of March 21st establishes that there are no signs of a fresh upward movement. Similar reflections are voiced by the "Financial and Commercial Chronicle" of March 22nd, which writes:

"The trend of business affords no signs of a change for the better despite the reassuring announcements issued by Washington in an ever increasing number (Page 891)."

The same may be said of all European countries. In Great Britain the crisis is mainly manifest in a rapid increase of unemployment, in decreasing exports, and in pronounced reserve on the part of the bourgeoisie with regard to any new undertakings. In Germany, the crisis has now spread to all branches of production without exception. In view of the great accumulation of stocks, the coal industry has proceeded to increase the number of idle shifts and to discharge workers. The output of the iron and steel industry is on the decline, while in all branches of the finishing industry business is slack. In the Eastern European countries, the crisis has not diminished in virulence though it has now been in progress for almost a year. A certain exception must still be made in the case of France, though here too the luxury industry, agriculture, and the stock exchange are seriously affected by the crisis.

Among the oversea countries those with a pronouncedly specialised agricultural output are hardest hit. This applies to Canada, Argentina, and Australia as wheat-producing countries, Brazil and Central America in regard to coffee, Farther India as the main producer of rubber, Egypt as a cotton growing land, and so forth. It is really difficult to decide in which of these countries the greatest damage has been wrought.

If, e. g., we take the case of China, we can there observe an accumulation of the factors making for a destruction of economy. In this connection we mention only incidentally the causes of a more permanent nature, such as the dissolution of the old precapitalist agrarian constitution, imperialist exploitation, or the constant warfare among the rival generals. Added to these permanent causes, there is a catastrophic decline in the price of silver (which has led to a vast accumulation in the Chinese banks of silver the value of which decreases from week to week, while the already rotten State finances are approaching a catastrophe and the entire revenue is used up for interest payments on the foreign debts payable in gold); there is also a fall in the price of silk and a decline of the demand for silk by reason of the diminished consumption in America, and a sharp drop in the prices of agricultural products, greatly affecting the exportation of soya beans and soya oil. The result is that industrial production in China has come almost completely to a standstill. The iron works have altogether suspended operations, while the textile mills are working to a fraction of their productive capacity. Unemployment has reached gigantic dimensions and the destitution of the population is unparalleled. Starvation has spread to various provinces and is claiming millions of the inhabitants as victims.

A serious crisis is likewise observable in India, which has been hard hit by the depreciation of silver and the price drop of jute, cotton, and other articles of exportation.

There would be little sense in enumerating all countries of the capitalist world; suffice it to say that all are a prey to over-production, price depreciation, and economic crisis.

Restriction of Output as an Expedient.

The all-embracing character of the present economic crisis is manifested not only in the fact that all the countries of the capitalist world are involved therein, but also in the fact that it extends to practically all varieties of goods. With agriculture we dealt exhaustively in Section II. Mining all the world over is greatly affected by the crisis.

In all the more important countries the output of coal is regressive. This is most drastically apparent in Poland, Germany, and Belgium (the last-named country having, as from April 1st, reduced the price of coal by from 10 to 15 francs per ton), whereas in Great Britain the coal output has remained fairly stable. In 1929 the British coal-mines succeeded in monopolising more than 50 per cent. of the (roughly) 10 million ton increase of sales on the world market, while Germany exported only 2.9 million tons, Poland 1.1 million tons, and the

United States 800,000 tons more than in the year 1928³⁵). The new law envisaging a strict concentration of all British coal-mining, will further tend to strengthen the position of British coal on the world market, though it may also lead to an international cartel of all coal-exporting countries.

The situation on the iron market is peculiar. The International Crude Steel Union succeeded in maintaining its 10 per cent. restriction of output in March; in the course of February the outside markets were left entirely to Belgium, where there had been a great accumulation; at the same time higher prices were announced for March, so as to induce the public to cover their requirements in February. In the middle of February, the export prices of semi-finished steel, steel-iron, and rough sheeting were increased by two shillings sixpence per ton. The export price of rod-iron, 107 shillings 6 pence, is now higher than at the end of October 1929, when it was 100 shillings, though essentially lower than in January 1929, when it figured at 125 shillings³⁶). This price increase is hard to understand, the more so as simultaneously it was announced that for the time being the inclusion in the Union of further countries, such as Poland or Great-Britain, could not be thought of³⁷). If we add that the volume of orders received in Great Britain is most unsatisfactory and that in Poland a serious crisis prevails, the price policy of the Crude Steel Union is all the less comprehensible.

Coloured metals have suffered particularly under the crisis; there are great surplus stocks, production has been restricted, and in the case of the non-monopolised products the prices have fallen. (For particulars, see Part I.) An interesting development is noticeable in regard to copper, the price of which was forced up very high in 1929 by the activity of the international cartel. The average price was 18.51 cents per pound, the highest recorded since 1919. But with the deterioration of the business position output was greatly restricted, from 6561 tons a day in April to 5334 tons a day in December, a difference of about 20 per cent. Prices have receded from the peak attained in April, but they are still very high at 18 cents a pound. The cartel therefore pursues the policy of not lowering prices but of restricting surplus production, as in the case of crude steel.

The same maintenance of the price level is observable in regard to those coloured metals which are fully monopolised, such as nickel or aluminium, the prices of which are not a farthing lower now than they were a year ago. On the other hand, other metals which are not sufficiently monopolised such as tin, zinc, and lead, show a marked price drop; at the same time strenuous efforts are being made to introduce a stricter organisation of international cartels for the purpose of diminishing output and increasing prices³⁸).

In the absence of any kind of control by the individual Governments, the restriction of the output of rubber is now the subject of a private understanding to the effect that no trees are to be tapped during the month of May. It will be for the Governments to bring friendly pressure to bear on the native producers, so as to induce them to follow this example.

Particular interest attaches to the influence of the crisis on the oil market, in which regard the following chief points may be established:

(a) The great American Standard Oil Companies greatly beat down the price of the crude oil they buy of the "independent" crude oil companies and profit by the crisis for the purpose of exploiting the latter. The Senate declined to entertain the suggestion of the independent companies for the introduction of a duty on crude oil, which would have weakened the competition of the oil produced by the Standard Oil Companies in Venezuela.

(b) The fight between Standard Oil and Royal Dutch has broken out afresh. It extends to the whole world. Under the style of the Shell Union Oil Company, Royal Dutch has founded an apparently American concern and now competes with Standard Oil on the latter's own home market. The Standard Oil has retaliated by putting down the price one dollar per barrel on the Indian market in which connection, as the British press is informed, it exports mainly Soviet oil. This gives that "honourable gentleman" Deterding an excuse to accuse Standard Oil of selling "stolen" oil.

A further bone of contention is the sale in Germany and France. In both these countries plans are being launched for an oil monopoly purporting to oust Soviet oil from the respective markets. In Germany it is Standard Oil that desires to monopolise the entire German market, possibly in collusion with the I. G. Farben, now slowly engaged in developing their production of benzene out of coal. In France, Deterding is leaving no stone unturned to oust Soviet oil. As far as France is concerned, Deterding holds trump cards, for the exploitation of the Mossul oil springs (pipeline to the Mediterranean), in which France participates to 24 per cent, can practically only be effected jointly with Royal Dutch. The latter has, however, up to now sabotaged and is obviously out for a quid pro quo in the form of a non-renewal of the agreement for purchase of Soviet oil by the French navy.

The crisis has led to a pronounced fall of cotton prices. In the half-year ending January 31st, 1930, consumption was 334,000 bales in excess of what it was in the corresponding half-year of 1929, but two thirds of this surplus consumption represents purchases by the Soviet Union on the world market³⁹). During the last few months the consumption of cotton, especially such of American growth, has been steadily declining. Prices are maintained by the Farm Board, which however, demands a restriction of the area under cultivation from 46 to 40 million acres. The sale of textile goods continues most unsatisfactory. At present discussions are in progress between Lancashire and Japan with a view to dividing up the Chinese, Indian, and Singalese markets and establishing jointly the prices of yarns and tissues. An agreement, however, encounters a difficulty in the unorganised condition of the British industry, for whereas in Japan the exportation of cotton goods is in the hands of half a dozen firms, several hundred firms are engaged in it in England⁴⁰).

The position of engineering is most unsatisfactory. The productive capacity is in general exploited only to 50 or 60 per cent. The electro-technical and chemical industries, too, though they withstood the crisis longest, now show a markedly downward trend of business. In connection with the general crisis of the textile industry, there is a particularly acute crisis in the manufacture of artificial silk. The shares of artificial silk enterprises have sunk to less than half their peak rates and the profits have been greatly reduced.

In summing up we may say that there is no branch of production not affected by the general economic crisis.

Shrinkage of Foreign Trade.

If an economic crisis breaks out in one country or in several countries, while in the rest of the world business still continues to prosper, there is generally an increased exportation from those countries in which the crisis has broken out, the surplus products being thrown at cheap prices on the world market. The unusual rapidity with which the present economic crisis has seized on all countries of the world, has led to a general shrinkage of the foreign trade turnovers of all countries, and that not only in regard to values by reason of the marked drop of agricultural and other prices, but also as regards quantities. We shall furnish data in this connection in Section IV.

This recession of export trade by no means implies, however, that the fight for world markets has grown less keen. Apart from the international cartels, the contrary is rather the case. The struggle for the diminished demand on the world market is greater than ever.

³⁵) v. the statistics of the Master Cotton Spinners in the "Manchester Guardian" of March 13th, 1930.

⁴⁰) "Manchester Guardian" of March 28th, 1930.

³⁵) "Deutsche Bergwerkszeitung" of March 27th, 1930.

³⁶) "Kölnische Zeitung" of February 14th, 1930.

³⁷) "Frankfurter Zeitung" of January 2nd, 1930.

³⁸) In the case of tin these endeavours have already led to a certain result. This year production is to be restricted internationally by about 17 per cent. ("Times" of May 16th, 1930.) The position is more difficult in regard to zinc, which calls for a restriction of 25 per cent. The German producers desire to safeguard the home market by tariff protection and will not hear of a restriction of output. ("Kölnische Zeitung" of March 29th, 1930.)

The New Wave of Tariff Appreciation.

This aggravated struggle for markets led to the failure of the Geneva "Customs Peace Conference" and also played a decisive albeit carefully veiled rôle in the adverse outcome of the conference in London.

A word about the Geneva Customs Conference. It was based on the motion of Graham, President of the Board of Trade in the British Cabinet, that since the active policy of a reduction of customs tariffs and a diminution of foreign-trade restrictions, recommended by the World Economic Conference of 1927, had not been pursued, a "customs truce", entailing a two years' abstinence from raising customs, be enforced.

This very modest plan was turned down at Geneva. The British Dominions had not appeared at all; France and Italy openly opposed the plan; the other countries did so in secret. The "result" was as follows:

a) The so-called "Treaty States" (such as are bound by customs rates established in commercial treaties) engage not to cancel the existing treaties before April 1st, 1931. If they effect customs increases, they must advise all partners to their treaties of such a step 20 days in advance. If any State feels injured by the customs increase in question, "friendly" negotiations shall ensue within a space of two months; should these negotiations lead to no result, the State harmed by the customs increase shall be entitled to cancel the treaty.

b) The "autonomous" States, which do not allow their customs rates to be bound by treaties, engage to observe the same form of procedure in case they increase their tariffs.

c) One group of "autonomous" States (Great Britain, Holland, Denmark, Norway, and Portugal) has engaged not to increase their existing protective tariffs or to introduce new ones within the duration of the agreement (until April 1st, 1931). This does not apply to what are known as "revenue duties".

Seeing that these very meagre resolutions do not become binding until they have been ratified by the countries in question, and as experience shows that very few resolutions ever are ratified by Geneva conferences, it may safely be said that the Customs Peace Conference has ended in complete failure.

The wave of protective tariff policy rises higher and higher. Even in Great Britain, the classic land of Free Trade, the Conservative Party was obliged by the lords of the press (under the threat of a split and of the formation of a new party) to extend its programme to tariff protection and, if necessary, to a referendum regarding the introduction of grain duties. This is naturally all a matter of the future. But in a whole number of countries customs increases are being put through. The most important instances are the following:

The United States, where the new tariff is now under discussion. Certain customs reductions are envisaged, it is true (on the raw materials imported by the big monopoly interests), but in the long run this will amount to a customs increase.

In Germany, all duties on grain, fodder, cattle, meat, butter, and the like, have been doubled. For a number of industrial articles, such as zinc and automobiles, new higher tariffs are being demanded.

In France, a prohibitive duty on automobiles and automobile parts is envisaged. In answer to a protest voiced by the United States ambassador, Tardieu agreed to abandon this plan, only a moderate increase being made⁽¹⁾. In response to this, the city of Calais protested on March 29th by closing down all its factories, offices, and the like and by a demonstration of 30,000 (including the Mayor) the day before, directed against the very high duty on lace which the United States intended to introduce⁽²⁾.

The British Dominions and Colonies are likewise making a considerable increase in their tariffs. In Australia, an increase of 50 per cent., was made on April 3rd in the tariffs of hundreds of different goods, including all sorts of spirits, knitted goods, dyes and oils, leather and leather goods, footwear, automobiles, motor-cycles, apparatuses, etc. The respective list in the "Times" of April 4th ran to a length of more than 80 lines. Tariff increases were also effected in India (cotton goods) and in Canada. The bourgeoisie of most countries are seeking a way out of the crisis not in Free Trade, as many antiquated

bourgeois ideologists advice, but in a safeguarding of home markets by means of high tariffs walls.

Development of the Monopoly Organisations.

The concentration of works and the development of monopolies are taking place in the crisis more vigorously and pronouncedly, in the first place within the individual countries. We see gigantic bank mergers in the United States (e. g. the Chase National Bank, now the biggest bank organisation of the world), the purchase of hitherto independent iron works by the United Steel and the Bethlehem Steel companies in America, the formation of the new Republic Steel Company, an analogous process of the purchase of formerly independent works by the Vereinigte Stahlwerke in Germany, the agreement between the Hamburg-Amerika and the North German Lloyd, the expansion of the Lancashire Cotton Corporation in Great Britain, and the like.

At the same time, profiting by the tendency towards an isolation of markets by customs walls, the international formation of monopolies proceeds in varied forms. The most interesting event in this connection is the relation established between the AEG. and the Siemens concern by the General Electric, a relation which, if duly followed in an organisational sense, implies the formation of an international electricity trust.

The Siemens concern has taken up a loan of nominally 14 million dollars (amounting in fact to 32 million dollars in view of the rate of emission of 233), besides an internal loan of 10 mill. marks. The American loan is to run for 1,000 years, with a guaranteed interest to the amount of the dividend of the original shares but in no case less than 6 per cent of the nominal value. This is therefore actually nothing but an emission of shares not carrying votes.

IV. Special Section.

Germany.

The crisis is growing apace, as may be seen by all production returns if we discount seasonal influences. The heavy metal industries, which were long able to maintain the level of their production, are now obliged to reduce their output. As a result of the international agrarian crisis, there is a serious agricultural crisis in Germany too.

The new production index of the Institute of Business Research does not go beyond January, thus it does not yet sufficiently reflect the depth of the crisis.

Index of Industrial Output

(On the Basis of 100 to Represent the Level of 1928)

1929	January	June (Peak)	October	November	December
	95.2	109.8	101.3	100.1	95.5

Between June and December industrial production thus dropped by 14 points, but since this index does not take seasonal influences into consideration the depth of crisis cannot be properly established.

As regards the general symptoms of business development, the number of railroad trucks in use shows a continual decline.

Daily Number of Trucks Employed on the State Railways

February 1928	143,360
February 1929	127,998
December 1929	142,954
January 1930	126,180
February 1930	124,531

The reports and production returns of the individual industries bear witness to an intensification of the crisis. We shall here review the more important branches of industry separately.

Output of the Heavy Industries (Expressed in Thousands of Tons)

	March 1930	February 1930	January 1930	February 1929	January 1929
Crude Iron	1,007	965	1,092	982	1,098
Crude Steel	1,201	1,176	1,275	1,270	1,470
Finished Rolled Products		793	896	824	1,001
Coal (p. Work-Day)	360	380	414	378	390

⁽¹⁾ "New York Times" of January 16th, 1930.

⁽²⁾ "Frankfurter Zeitung" of March 30th, 1930.

The coal output is larger than in the corresponding months of last year, but the sales are smaller and consequently the stocks at the pitheads have grown.

Sales of the Rhenish-Westphalian Coal-Syndicate.

Total Sales without Quantities Employed within Mines.
(Expressed in Thousands of Tons)

February 1929	January 1930	February 1930
4,944.2	5,926.1	4,725.1

The output exceeds the sales effected; the stocks at the pitheads accumulate.

It is an interesting fact that the importation of British coal is again rapidly increasing.

Imports of British Coal and Coke.

(In Thousands of Tons)⁴³⁾

	1913	1924	1925	1926	1927	1928	1929
Coal	9,210	6,014	3,433	1,427	3,268	4,657	5,386
Coke	18	244	45	18	40	146	231

British coal is once more competing fairly successfully with Ruhr coal.

The trend of business in the iron and steel industry continues bad. According to reports issued by Vögler, the general manager of the Vereinigte Stahlwerke, the stock of orders in February was only 70 per cent. of the monthly average of 1929.

Engineering is very poorly occupied.

The shipyard, locomotive, rolling stock, and automobile constructing industries have long been in a state of chronic crisis. The Chamber of Commerce reports for March also designate the electricity industry as unsatisfactory. As regards the building industry, everything points towards a falling off in activity compared with last year in spite of the far lower rate of interest obtaining now; this is largely due to the campaign of thrift carried on by the German cities.

Dwelling-House Constructions Planned.

		Difference in Percentage Proportion to Last Year
January 1930	3,839	-25
February	4,292	-12

As regards the output of the means of production, we thus see a recession all along the line. In view of the great degree of unemployment resulting, this must naturally lead to a further intensification of the crisis in the industries producing articles of consumption. The reports from all branches of the textile industry are certainly most pessimistic. In the cotton industry, output has been restricted by 25 per cent.

Seasonally, a slightly better position prevails in the wool

industry, whereas silk and artificial silk suffer severely under the crisis. The footwear and outfitting industries are quiet.

The Crisis of Agriculture.

So far we cannot speak of the existence of any general agricultural crisis in Germany; cattle-breeding is for the time being not affected. This means that the small and middle-scale farmers of South and West Germany, predominantly occupied with dairy-farming, pig and cattle breeding, have so far suffered very little under the crisis, which on the other hand weighs very heavily on the extensive rye-growing farms of the landowners and big farmers of East Germany.

The light sandy soil of this region is not suited to wheat cultivation with the present system of farming. The consumption of rye, however, is diminishing parallel with the advance of industrialisation and the possibilities of exportation are strictly limited. Therefore, the price of rye varies on the world market and within the country, according to the result of the crops. If the harvest does not cover the requirements of the country, the price figures at the world market price plus the duty. If there is an exportable surplus, the prices drop — in spite of the export-voucher system — since in consequence of the small absorbing capacity of the world market the world-market price falls substantially at the very least additional offer.

If we consider Germany's foreign trade in rye in the last few years, we cannot but observe a development in the direction of an exportable surplus, as was the case before the war.

Balance of the Foreign Trade in Rye.

(In Thousands of Double Centals)⁴⁴⁾

1924	1925	1926	1927	1928	1929
-4728	-1844	+349	-6433	+653	+4078

(+ stands for an export surplus, — for an import surplus)

The rye crisis is a crisis mainly affecting the landowners of Eastern Germany and the big farmers of the North. It thus affects those among the agricultural producers who are most closely allied with capitalism.

Foreign Trade.

The world economic crisis and the German economic crisis are both clearly reflected in the returns of foreign trade during the first two months of 1930. The exportation of finished goods fell short of the yearly average of 1929 and showed a falling tendency in consequence of the international economic crisis, though in February 1930 it was still in advance of February 1929. But the increase in the exportation of finished goods noticeable in the last five years and averaging 1,000 million marks per annum, is sure to be missing in the current year. The importation of raw materials shows a marked retrogressive tendency, in which connection however much is due to the pronounced price drop of certain important raw materials, such as cotton, wool, and copper.

German Foreign Trade. (including Reparation Deliveries in Kind) Present-Day Value in Millions of Marks

	Foodstuffs and Beverages		Raw Materials and Semi-Fin. Goods		Fin. Goods		Pure Goods Traffic		Surplus or Deficiency
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	
1929:									
January	402.8	62.1	688.2	247.4	213.7	790.6	1316.8	1101.4	-215.4
February	277.7	46.2	546.1	210.8	182.2	712.7	1014.8	971.1	-43.7
Year's Av.	318.1	53.4	600.4	243.8	188.5	819.4	1119.5	1123.3	+4.0
1930:									
January	480.9	46.4	634.3	248.7	174.3	795.2	1304.9	1092.3	-212.6
February	278.4	43.8	523.8	223.6	167.8	755.9	981.6	1026.3	+44.7
March	213.6	46.2	493.2	220.7	167.5	833.5	883.4	1104.0	+220.4

Money and Capital Market.

Between January 13th and March 24th the discount rate of the Reichsbank was lowered no fewer than four times, from 7 to 5 per cent. The constantly favourable status of the Reichsbank, in particular its very small holdings of bills, shows that the business prosperity regularly recurring in the spring was

⁴³⁾ Annual Report of the Union of Importers of British Coal.

outbalanced this year by the deterioration of the business position. The pronounced relaxation of the money market is in the main attributable to the influx of short-termed foreign money, seeing that abroad — in France, Holland, etc. — the discount rates are still lower.

The liquidity of the money market was slow to take effect on long-termed capital investments and was for a time limi-

⁴⁴⁾ Various Numbers of "Wirtschaft und Statistik".

ted to securities bearing a fixed rate of interest. In February there was a brisk sale of mortgage bonds.

The raising of foreign loans is being very slowly resumed, as the following figures show:

German Emissions at Home & Abroad

New Emissions of the
"Realkreditinstitut"

Share Emissions

	Loans		Communal Oblig.	Mortgage Bonds	Together	Capital Increases	Foundations	Together
	At Home	Ab-road						
1929	53	49	22	74	96	42.74	12.76	55.50
January	54	89	62	165	277	55	37	92
February	141	68	34	81	115	95	16	111
March	3	31	32	81	113	53	11	64
1930								
January	1	9	19	136	155	6	1	6
February	156	52	33	144	177	21	3	29
March	108	16	—	—	—	15	4	20

Unemployment

The economic crisis is most drastically manifest in the tremendous degree of unemployment. The optimistic forecast of the Institute for Business Research⁽⁴⁵⁾, which predicted 2,000,000 unemployed in receipt of relief (including emergency relief) for January and only 1,600,000 for the end of March, has been completely upset by the crisis.

	Ord. Relief	In Receipt of Emerg. Relief In thousands	No. of those Seeking Employment
December 31st, 1929	1750	210	242
February 1st, 1930	2294	250	272
February 28th, 1930	2379	277	293
March 31st, 1930	2053	294	—

There were thus at the end of March fully 50 per cent more unemployed than the Institute for Business Research had predicted for January 15th.

The returns for February 1st show that of 3.4 millions seeking employment, only 2.5 millions receive Government relief, while 250,000 are poorly assisted by the city welfare departments and 600,000 apparently receive no relief at all. At the same time there is a constant increase in the number of unemployed, this addition being left to the care of the welfare organisations in the absence of other support.

While unemployment in the building trade is, in view of the mild weather conditions, relatively smaller than last year, it is about 3.6 per cent. greater in the groups which mainly profited by the business boom. In regard to short time workers, this increase is about 5 per cent.

The most salient feature is the great increase of unemployment in mining in the form of short-time work. Since the end of February, many thousands of miners have been discharged, and in the Ruhr district the discharge of from 50,000 to 60,000 is reckoned with in the course of the year.

Besides the influence of the business development, organic unemployment plays the most important rôle, as is now recognised even by the reformists.

France.

Among all the big capitalist countries, France was the last to be involved in the world economic crisis. The production returns of the year 1929 (statistics are always published very late in France) show that in general the good business period lasted until the end of the year, nay, even till February 1930. The returns in question figure as follows⁽⁴⁶⁾:

	January 1929	Average 1929	December 1929	January 1930
General Index	137	139	144	144
Machinery	154	157	159	162
Metal Industries	132	129	130	126
Textile Industries	97	92	91	87
Original Production	—	126	126	132
Mining	107	122	140	137
Automobiles	692	657	613	639

In January 1930, the production index was thus 7 points higher than in January 1929. The greatly increased consumption of coal points to a satisfactory trend of business in general throughout 1929.

The total consumption of coal⁽⁴⁷⁾ in 1929 was 90.2 million tons, or 10 millions more than in 1928, an increase of 13 per cent. Of the increase of consumption, the French mines could cover only 2.5 million tons, the rest had to be imported, mainly from Great Britain⁽⁴⁸⁾.

The following number of kilogrammes were raised per miner per shift:

1927	1928	1929
840	915	987

The number of miners increased from 297,000 in January 1929 to 301,420 in December 1930.

There can, however, be no manner of doubt but that the last few months have entailed a pronounced deterioration in the economic position of France. The above production returns in themselves show that in some important industrial branches (metallurgy, textiles, automobiles) the output in January was lower than what it was in January 1929. Since then, things may safely be assumed to have grown worse.

There is a serious agrarian crisis in France. The prices of agrarian products have greatly receded in the course of the last twelvemonth. They were highest in March 1929, from which peak position the index (here showing 100 to represent 1913) has seriously declined.

	March 1929	End of February 1930
General Index	653	574
Foodstuffs	610	529
Vegetable Foodstuffs	641	430

We have here the same state of affairs as in all countries of the world: a price drop of one third in the course of one year. Is there further need to prove the existence of a serious agrarian crisis in France?

This agrarian crisis is most pronounced in regard to grain and wine. The wheat harvest was very good but home requirements show a falling tendency; the agrarian duties no longer sufficed to maintain prices on the home market on a level corresponding to the ground rent hitherto prevailing. The Government therefore suggested to the Chamber that premiums be offered for holding back stocks of wheat. Such farmers as did not place their crops on the market should be awarded a premium by the Government. The capital invested in the wheat stocks should be accorded interest at the mortgage rate of the Bank of France, besides which there should be a premium of 40 per cent. of the value.

The Chamber went further than this, granting the Minister of War (!) a credit of 200 million francs for the establishment of a "wheat fund" in the interest of "national security".

In regard to wine the crisis is yet more serious. There is in France a stock of wine amounting to about 90 million hectolitres, one and a half times the annual consumption and double the average vintage⁽⁴⁹⁾. Prices have sunk very low; a hectolitre of wine which a year ago fetched 24 francs per degree of alcoholic content, will now not sell for more than

⁽⁴⁷⁾ Returns of the "Comité Central des Houillères en France", published in the "Information Financière" of April 1st, 1930.

⁽⁴⁸⁾ The working output in French mining has rapidly increased of late years and now somewhat exceeds that of pre-war times.

⁽⁴⁹⁾ France's wine consumption is greater than its output, several millions of hectolitres being imported annually from Spain and Portugal.

⁽⁴⁵⁾ Weekly Report No. 42 of January 15th. 1930.

⁽⁴⁶⁾ Returns of the "Statistique Générale", 100 representing 1913.

5 or 6 francs. In the first few days of April there was therefore a debate in Parliament as to whether the Government should be empowered to spend 250 million francs on alcohol to be prepared from wine. It should be stated in this connection that the French army employs for its motor vehicles no pure petrol but a mixture in which alcohol forms an important ingredient.

An immediate outcome of the international economic crisis is in the case of France a diminution of the tourist traffic which is of such great importance to the country. According to returns published by the National Tourist Office,⁵⁰⁾ foreign tourists in France spent 15,000 million francs in the year 1929: this sum is almost one third of the State budget and one fourteenth of the entire national income. The economic crisis has led to a diminution of the number of tourists, especially those from the United States who spent most money in France. Hence the hotels and various luxury industries are in a critical position.

One of the industries already affected seriously by the crisis is the automobile industry, which is faced with great difficulties in disposing of its products. Stocks have greatly increased. The Citroën works have dismissed workers on a large scale. In the course of 1929, exports (with the exception of those to the French colonies) greatly receded, while there is a greatly increasing importation of American cars which are assembled in France.⁵¹⁾ These imports are of considerable significance in the trade balance. The value of the cars produced in France figured in 1929 at more than 7,000 million francs; 200,000 workers were employed in the motor works and about three times the number in the factories producing raw materials and semi-manufactured goods for the automobile industry, while 30,000 were working in the repair shops, as agents, and the like.⁵²⁾

The French textile industry has for some time past been affected by the economic crisis, as the production returns previously quoted sufficiently prove. It is before all the cotton and artificial silk mills that suffer. In 1929 the artificial silk prices were officially 25 or 30 per cent. lower than in 1928.

Beyond this, however, secret deductions were made from the official price in the form of a classification as inferior goods or of reimbursement at the close of the year.⁵³⁾

In summing up we may say that we have the impression that in France the economic crisis is only at the outset of its development and will develop fully in the course of the year or perhaps not until 1932.

Foreign Trade and Capital Exportation.

The formation of foreign trade in the course of the last few months already shows the influence of the crisis.

French Foreign Trade in January and February.

Imports:			
	1930	1929	
Foodstuffs	1733	2360	— 627
Raw Materials . . .	5936	6451	— 515
Finished Goods . . .	1915	1460	+ 455
	9585	10271	— 680
Exports:			
Foodstuffs	1092	929	+ 163
Raw Materials . . .	1847	2092	— 245
Finished Goods . . .	4792	4790	+ 2
	7732	7812	— 605
Deficit:	1856	2459	— 605

We thus have a decrease of the imports of raw materials by 500 millions francs in the face of an increase of the imports of finished goods to much the same amount, industrial exports remaining practically unchanged. This clearly shows the

diminished competitive capacity of French industry on the world market. (The changes in the development of foreign trade in foodstuffs are connected with the good harvest of last year.)

The diminished competitive capacity of French industry on the world market and the great superfluity of loan capital make it appear advisable to promote capital exportation and thus to strengthen French export trade.

The Character of France as a State of "rentiers" is once more becoming apparent now that the impoverishment caused by the war has been more or less overcome, partly through the depredation of Germany. On January 19th the bank rate was reduced to 3 per cent. Overnight advances on the stock-exchange cost less than 2 per cent., early in April only 1½ per cent. The revenue of securities bearing a fixed rate of interest is less than 4 per cent. The gold holdings of the Bank of France are greater than ever.

The superabundance of capital has led to a great expansion of the emissary activity during the last few months⁵⁴⁾.

Emissions of Joint-Stock Companies (Monthly Average in Millions of Francs)

	New Foundations	Capital Increases	Debentures	Sum Total
1926	47,7	192,6	160,2	400,5
1927	58,9	279,2	280,7	618,8
1928	83,5	457,8	334,6	875,9
1929 1st Quarter .	115,7	713,0	294,0	1122,7
2nd "	107,3	768,7	364,3	1240,6
3rd "	63,3	443,3	486,0	992,5
4th "	83,7	431,7	1122,0	1737,4
1930 January . . .	52,0	234,0	1027,0	1313,0

But not even the great emissary activity has sufficed to absorb the abundance of loan capital. Large sums were placed abroad (also in Germany) as short-termed loans.

The necessity of effecting a proper long-termed capital exportation was particularly stressed at the financial debate of the Senate April 8th.

The result of the envisaged tax reductions will be a diminution of income tax on incomes from securities by 33 per cent. and a diminution of the turnover tax on securities by 50 per cent. Special facilities are to be provided for foreign loans. As soon as these reductions have been put through, says the "Economist" of April 5th, 1930, the following foreign loans are to be launched in Paris (some of them already being definitely concluded):

	Million of Francs
Finnish Agrarian Bank	500
Peru	500
Chile	175
Brazilian Agrarian Credit Bank	100
Yugoslavia	1,000
Hungary	600

It is obvious that these foreign loans will, directly or indirectly, entail an increased exportation of French industrial products to the countries in question.

At the same time there is a repurchase of the French loans placed abroad in the early post-war years, a great part of which is already in French hands.

It is only natural that this great abundance of gold, foreign bills, and loan capital in France must have a modifying influence on the development of the crisis there. It is highly probable that the crisis will be limited in that country to overproduction, a price drop, and a restriction of output, while the symptoms of crisis in the sphere of circulation, viz. creditary crisis, banking crisis, and monetary crisis, will hardly become apparent.

The Growing Economic Power of the State.

What has just been said shows the growing economic power of the State, a phenomenon which we may observe in all capitalist countries, most of all perhaps in Italy.

A particularly important component of this economic power of the State is the State budget. The budgetary estimate for

⁵⁰⁾ "Times" of March 1st, 1930.

⁵¹⁾ "Magazin der Wirtschaft" of April 4th, 1930, page 662.

⁵²⁾ "Temps" of April 2nd, 1930.

⁵³⁾ Report of the "Conseil des Soieries de Strassbourg" in the "Information Financière" of April 8th, 1930.

⁵⁴⁾ "Frankfurter Zeitung" of March 15th, 1930.

the year 1930 amounts to 50,400 million francs of revenue and 50,200 million francs of expenditure. In 1926, these items were balanced at 40,000 millions. An increase of 25 per cent. in four years.

The well-known French economist Charles Gide puts the national income of France — on the basis of the calculations made by Colson — at 210 000 to 220 000 million francs in 1929.⁵⁵⁾ However unreliable this calculation may be (as all computations of national income are bound to be), it yet shows that roughly one quarter of the national income passes through the State Treasury. And since the expenses of the State represent the purchase of goods, the payment of State employees, soldiers, pensions, and interest, the State is by far the greatest purchaser and employer of the whole country, upon whom millions depend for their existence.

A comparison with Germany shows that the economic power of the Government in France is relatively far greater than in such a "State-capitalist" country as Germany. The Reparations payments cause the German State to collect more than it is able to give back to its citizens for goods and in payment of services, whereas in France the situation is reversed.

Italy.

The data so far to hand — as usual very meagre and greatly delayed — in regard to the development of Italian economy do not yet provide an impression as to the progress of the crisis in the current year. They show, meanwhile, that in the last months of 1929 the crisis had already assumed considerable dimensions in Italy. This may be seen by the following returns⁵⁶⁾.

	Production				Traffic				Consumption	
	Crude Iron	Crude Steel	Quant of Goods Laden	No of Waggon* Employed	Thou. Tons	Thou. Tons	(Thou. Tons)	of Electric Current	(Mill. of Kw-hours)	
	Thousands of Tons	Thousands of Tons	Thou. Tons	Thou. Tons	Thou. Tons	Thou. Tons	Thou. Tons	Thou. Tons	Thou. Tons	Thou. Tons
1st Quarter	27.9	56.3	134	180.	1928	1929	1928	1929	1928	1929
October	52.0	59.2	188	190	4302	4382	473	481	—	—
November	54.2	55.0	183	180	5707	5743	602	617	829	—
December	59.7	49.8	170	142	4959	4973	531	540	794	—
					4610	4530	502	500	775	—

These returns show, just as do those referring to Italy's foreign trade and to the consumption of electric energy, that the change came about in December, prior to which month economy remained, albeit with a downward curve, more or less on the level of the preceding year; in December, however, it sank below this level, while in January the divergence was already considerable, the steel output, e. g., figuring at 184,000 tons in January 1929 and at only 143,000 tons in January 1930, a recession of more than 20 per cent. The iron output in January was only 39,000 tons, which was 20 per cent. less than in December.

The great relapse at the close of the year, indeed, forms the chief characteristic of the monthly report of the Union of Italian Industrialists.

The entire textile industry, which is still Italy's most important industry despite the rapid development of the North Italian iron industry, is in the grip of the crisis. Much the same may be said of the building industry, the position of which is bound to be further impaired by the cancellation (announced by Mussolini) of the Government support of building. Navigation fully shares in the international shipping crisis. The automobile industry decreased its exports in 1929. The Italian automobile works of Isotta-Fraschini is negotiating with Ford with a view to undertaking the manufacture of parts for Ford cars, but the relative agreement is awaiting the sanction of the Government, which will have the last word to say in the matter⁵⁷⁾.

Italian agriculture has of late years undoubtedly made some progress in the direction of an improvement. The

annual report of the big mining and fertiliser concern of Montecatini⁵⁸⁾ states that the consumption of super-phosphates increased by about 15 per cent. in 1929 and that four new factories have been established in Southern Italy. The consumption of nitrogenous fertilisers increased by 28 per cent. The wheat harvest was the greatest recorded in the history of Italy. Since nevertheless Italy remains a grain-importing country with big grain duties, the international agrarian crisis has so far affected the cultivation of grain in Italy far less than it did in Germany or the Eastern European States. On the other hand, Italian agriculture, especially in the South, has been hard hit by the sharp price drop in regard to wine, oil, and southern fruits.

The crisis in Italian economy, moreover, is manifest in the great increase in the number of bankruptcies and protested bills

Number of Bankruptcies

August 1929	864
September 1929	922
October 1929	1,041
November 1929	1,075
December 1929	1,084
January 1930	1,098

Number of Bill Protests

	1927	1928	1929
1st Half Year	380 000	387 695	423 949
2nd Half Year	416 139	397 759	474 059
	796 139	785 454	898 008

It is obvious that this tendency will be of long duration by reason of credit restriction and market difficulties.

The Economic Policy of the Fascists in the Crisis.

The character of the Fascist State as a form of government by financial capital became fully apparent during the crisis. The Fascist regime is consciously working in the direction of a centralisation of production and of the absolute rule of financial capitalism. Hence the exemption from taxation accorded to amalgamations.

The consequence is that, "whereas in the 7½ years preceding the accordance of tax exemption there was a yearly average of no fewer than 16 fusions, there have in the last 2½ years been no fewer than 241 amalgamations among a total of 589 companies representing an aggregate capital of more than 10 million Lire⁵⁹⁾."

The Fascist State is very closely bound up with economy. The credit policy of the monetary institutes is fixed by the Government in all its details. "Italian Amalgamation of Big Banks by Government Order", the absolutely pro-Fascist "Deutsche Bergwerkszeitung" calls the following official communication by the Italian Government, which announces the surprising amalgamation of two leading banks, the Banca Nazionale di Credito and the Credito Italiano.

"In pursuance of its policy of strengthening and reorganising the national economy, the Government has come to the conclusion that it would be of advantage to concentrate Italian banking by a suitable re-grouping of the banks and to decrease overhead charges. For this reason it has extended its protection to the negotiations recently initiated between two of the greatest Italian credit institutes for the purpose of rationalising their operations. In pursuance of Government directives, an amalgamation agreement has thus been concluded between the Banca Nazionale di Credito and the Credito Italiano as also between the financial institutes affiliated to these banks."

⁵⁵⁾ "Information Financière" of April 8th, 1930.

⁵⁶⁾ "Vierteljahreshefte zur Konjunkturforschung", IV th year, No. 4, 1930.

⁵⁷⁾ "Times" of March 25th, 1930.

⁵⁸⁾ "Frankfurter Zeitung" of April 3rd, 1930.

⁵⁹⁾ From the report of Benni, the President of the Union of Italian Industry, published in the "Frankfurter Zeitung" of February 19th, 1930.

⁶⁰⁾ "Bergwerks-Zeitung" of February 16th, 1930.

This identification of the State with the financial capital of the country is manifest in the following manner:

a) The State supports none but big capitalist enterprises. The "Deutsche Allgemeine Zeitung" wrote as follows on January 9th, 1930:

"The State helps energetically. In general, the assistance of the State only benefits the big concerns. The smaller and middle-scale firms are overlooked unless they combine to put forward their claims. A number of smaller private banks, including some old houses of good repute, fell victims to the slackness on the stock-exchange at the end of the year."

b) State assistance is accorded in the first place to such firms as are connected with the munition industries.

c) The power of the State in economy renders impossible any bourgeois opposition to the Fascist Party; any thought of opposition is immediately nipped in the bud by the threat of instantaneous economic ruin.

The influx of foreign loans has of late years come altogether to a standstill.

The following sums (here expressed in millions of lire) were raised

Foreign Loans.				
1925	1926	1927	1928	1929
2,090.0	1,282.9	2,932.7	812.2	0.0

This does not mean that foreign capital, especially from the United States, has not come to Italy through the purchase of shares. But the launching of foreign loans was to some extent prevented by the Government. The crisis makes it imperative that this policy be changed.

Unemployment.

The best proof of the crisis in Italy is the rapid increase in the number of unemployed. Official statistics, which comprise only part of the unemployed, show the following state of affairs in the last few months for which figures are available:

	Total of Unemployed	Thereof in Industry
August 1929	216 666	148 103
September 1929	228 831	152 770
October 1929	297 382	189 154
November 1929	332 833	208 056
December 1929	408 748	268 036
January 1930	466 231	287 374

Statistics procured from the "General Federation of Trade Unions" in Milan give quite a different impression of the crisis. In 16 big concerns in Milan with over 1000 workers — in the first place the Fiat works, motor and aeroplane factories and certain textile mills — there was in the time between 1921 and 1926 an average aggregate of 50 000 workers; in the last quarter of 1929 17 400 workers were employed. This is presumably far nearer the truth than are the official data of Fascist statistics.

Great Britain.

In Great Britain the economic crisis is only just beginning to develop. In so far as it can be surveyed at this moment, the first quarter year brought less a general sinking of output than a decreased receipt of new orders and a falling-off in the price level. The recognition that the trend of business has deteriorated is quite general, but in regard to the future opinions are widely divergent.

The production index of the Board of Trade for 1929 shows that industrial production in the last quarter of 1929 was roughly 5 per cent. above that of the corresponding quarter of 1928. The aspect of things in general and of the development of the individual branches of industry in particular, is somewhat as follows:

	Yearly Average			4th Quarter	
	1927	1928	1929	1929	1928
Mining	94.3	89.2	96.6	100.3	91.9
Iron, Steel, & Products	110.0	102.3	114.0	112.2	105.2
Coloured Metals	116.9	119.3	120.5	123.0	119.8
Engineering & Shipbuilding	115.2	113.1	120.9	119.6	111.2
Textiles	101.6	99.9	98.5	100.7	101.2
Chemicals	105.2	110.3	112.5	111.5	115.1
Leather & Footwear	107.7	102.0	98.5	97.9	91.4
Foodstuffs, Beverages & Tobacco	99.7	101.9	106.0	105.7	104.8
Gas & Electricity	119.7	126.0	135.7	—	—
Total Industry	109.9	109.4	115.3	116.9	112.7
Industry and Mining	106.8	105.5	111.6	113.5	108.4

Among all branches of production, it was only the textile industry which was less occupied in the last quarter of 1929 than a twelvemonth earlier. In regard to all other sorts of production there is a substantial increase.

Coal Mining.

Coal-mining may be said to have fared best in 1929 of all branches of British economy. For the first time for several years, the statistics published by the Mines Department show a net profit of the pits. This result was attained in the first place by means of a greatly enhanced exploitation of the miners, as appears from the following official figures:

	1925	1927	1928	1929
Sales (Millions of Tons)	214.4	221.8	211.5	230.4
Proceeds (Millions of £)	183.1	167.5	140.2	160.2
Wages (Million of £)	137.1	117.8	100.2	105.7
Materials Consumed (Mill. £)	20.2	20.2	17.0	18.0
Other Expenses (Millions £)	29.6	29.2	27.4	26.6
Profit or Loss (Millions £)	-9.2	-5.4	-9.8	+4.2
Number of Miners (Thousands)	1040	961	881	894
Output per Shift (Cwt.)	18.00	20.60	21.29	21.69

From the standpoint of the workers, the situation is as follows: In 1925, 1 040 000 miners raised 214 millions tons of coal, or an average of 18 cwt. per shift, for which work they received aggregate wages of 137 million pounds sterling. In 1929, 894 000 miners raised 230 million tons (21.69 cwt. per shift) and received 106 million pounds in wages. In 1925, the capitalists paid 12.8 shillings wage for every marketable ton of coal; in 1929, only 9.2 shillings. The cost of wages has thus decreased by more than 25 per cent. This great reduction of wages enables the British coal mines to oust German and Polish coal from North European markets and even to gain a footing in the German ports.

The good business position of British coal-mining continued in the early part of the current year; it is only in the last few weeks that the home demand has somewhat decreased. Production goes on for the time being on a high level, but stocks are beginning to accumulate.

Industry.

The trend of business in British industry is very different, but in general it may be said to show a downward tendency.

The general index of the "Economist" gives the following returns for the last few months:

Index of Business Development
(On the Basis of 100 to Represent the Level of 1924)

	February 1929	December 1929	January 1930	February 1930	March 1930
Pure Raw Material Imports	129	128	132	121	111
Import of Coloured Metals	123	117	131	134	119
Consumption of Steel and Iron	66	120	126	123	98
Consumption of Cotton	111	122	120	102	126
Consumption of Rubber	263	309	226	308	117
Consumption of Coal	114	111	114	114	130
Consumption of Electricity	130	130	123	131	—
Railway Freight Traffic	89	99	97	100	—
Finished Goods Exports	109	110	106	—	—

Among the individual branches of industry, the output of the iron and steel industry was in the last few months still moving upwards and greater than in 1929.

Output of Iron & Steel in Thousands of Tons

	Pig Iron	Steel Blocks
1929 Year's Average	631.6	804.6
1929 March	590.5	859.9
1930 January	650.1	771.1
1930 February	607.1	776.4
1940 March	665.8	776.4

In the various metal-working industries the trend of business is varied; upon the whole no great deterioration has as yet ensued.

A very bad position continues to obtain in all branches of the textile industry, with special reference to cotton. The British cotton industry continues to meet with successful competition on the Asiatic market on the part of the newly developed textile industries of Japan, China, Eastern Europe, and even India. In February, the total exports of cotton goods represented a value of 300 million yards, as against 327 millions in February 1929.

From the Indian market, British cotton is persistently ousted.

India's Imports of Cotton Goods. (Expressed in Millions of Yards, for 10 Months ending January)

	1929/1930	1928/1929
Gray Goods, altogether	770	681
thereof, from Gt. Britain	427	478
" Japan	332	192
White Goods, altogether	379	460
thereof, from Gt. Britain	352	437
" Japan	9	4
Coloured Goods, altogether	396	428
thereof, from Gt. Britain	227	286
" Japan	127	89

This ousting of Lancashire from the Indian market makes the position of the British cotton industry (whose main market is in India) worse from year to year and from month to month.

In general the position in Great Britain is such that, although by March 1930 production has not yet greatly decreased, there is a prevalence of pessimism in capitalist circles in the country, whereas in other years great hopes for an improvement of the economic position were wont to be expressed in the early months of the year. The main causes of this pessimism appear to be the decline of prices and the constant increase of unemployment.

Within the last five years, the price level in Great Britain has fallen by roughly 20 per cent, a development, as Keynes rightly points out, unparalleled in the economic history of capitalism. This price drop means that the price deflation continues uninterrupted even after the return to the gold standard. A 20 per cent. price drop in five years, however, means a far-reaching displacement in the distribution of the value product among the various classes. It means in the first place a share of loan capital in profits constantly increasing parallel with the price decline. The industrial capitalist must from year to year hand over a greater share of the profit to pay interest on the same amount of loaned capital. In view of the English system of financing industrial enterprises with relatively small share capitals and heavy debenture debts, such a process means a constantly rising share of loan capital in the value product, an improvement of the position of the rentier at the expense of the industrial capitalists, and a confirmation of the more and more pronounced character of Great Britain as a country of rentiers.

The same process is observable in regard to State debts: the nominal sum employed by the State for the interest and amortisation of its debt was in 1929 just about as great as in 1924, i. e. 355 million pounds. If, however, we calculate this debt onus at pre-war prices on the basis of the price indices of the "Economist", we may observe the following increase¹⁾

¹⁾ "Economist" of April 12th, 1930

1924: 215 million pounds sterling
1929: 267 " " "

The position of British industrial capital is further considerably aggravated by the fact that retail prices and the cost of living fall more slowly than wholesale prices.

This means that the money wages of the workers, if real wages are not to be diminished, cannot be reduced in the same degree as the sale prices of industrial goods.

Added to this there is the backwardness of British industry, especially the older branches thereof, in comparison with its competitors on the world market. The problem of the rationalisation of British industry is still far from being solved, although of late years great progress has undoubtedly been made in this regard. The historically explainable, far-reaching splitting-up of the production process into many different branches of industry, and the monopoly long enjoyed in catering for the world market, have occasioned too great a specialisation of the individual works; the strong monopoly position still maintained in the British colonies and the small degree of connection between banking and industrial capital all these factors tend to impede the process of rationalisation in Great Britain.

In regard to the backwardness of British industry, it is no exception to read paragraphs such as the following extract from the "Economist" of January 25th:

"... One may say that here, at any rate, the urgent need for wholesale replacement is denied by only the wilfully ignorant. The broad fact relating to the most important coking centre — the Durham area — are sufficient to indicate the magnitude of this reconstruction task alone. Out of about thirty plants, only two or three are not obsolete, judged by American and German standards. Ten or twelve modern plants would give an equal productive capacity and reduce operative costs far beyond the charges necessary for the new capital and depreciation allowances. The majority of the iron furnaces in this country are small and costly to operate. The managing director of an important shipbuilding firm, too, declares that industry is generally far from being up-to-date and efficient."

The main obstacle in the way of a renewal of the British production apparatus is the above-mentioned disproportion between productive capacity and market possibilities. The Balfour Committee, e. g., established that the productive capacity of the iron and steel industry in 1927 was 12 million tons for iron and rather more than that for steel. In 1929, however, which was the best year the British iron and steel industry has experienced for a long time, the output of pig iron was 7 million tons and that of steel 9.6 millions.

A yet greater disproportion exists in the case of the textile industry.

"In this country", writes the "Times" of February 13th, "the cotton industry is split up into more than 3000 strictly separated enterprises, comprising some 300 dealers in raws, about 1800 spinning and weaving concerns, and at least 700 or 800 dealers in cotton fabrics. In the past with its expanding markets and with an actual monopoly of export business, this individualist type of organisation proved very efficacious. But under the changed circumstances brought about by the war, it has proved altogether disastrous, preventing, as it does, the development of the new techniques of mass production and wholesale marketing so brilliantly adopted by Japan. Instead of organising a common effort for the purpose of regaining lost markets, Lancashire has managed to get into a chaos of uneconomic competition in which the factories, struggling for the smaller number of orders, have squandered their resources and merely entailed an increase in their costs of output."

The necessity of a collaboration between banking capital and industrial capital is being appreciated gradually even in England. The Bank of England has declared its readiness to support the rationalisation of the textile industry by means of cheap credits. The leading bankers, however, cannot yet be said all to have come to recognise the necessity of a closer connection between financial and industrial capital. Thus

Goschen, Chairman of the National Provincial Bank, spoke as follows at the last general meeting of that institute.

"Our great basic industries are all clamouring for further supplies of capital to instal new machinery, to bring processes up-to-date, and to effect such improvements and reorganisation as they confidently hope will enable them to compete successfully in the markets of the world. And where is this capital to come from. No one, I take it, would suggest that the banks should permanently find the money required for capital expenditure and lock up their resources in machinery and bricks and mortar"⁶².

In spite of the chronic crisis of British industry, therefore, and in spite of the constant reiteration of the necessity of rationalisation, the difficulties in this connection are not so easy to overcome. In view of the great importance, moreover, which attaches for British economy to capital exportation and the investment of capital abroad, the need of rationalisation and modernisation in industry in the country itself is not yet generally appreciated.

Foreign Trade.

The influence of the world economic crisis is to be seen in the regress of foreign trade. The returns for the first quarter of 1930 figure as follows:

Exports in the First Quarter (In Millions of Pound Sterling)

	1930	1929
Food, Drink and Tobacco . . .	12.34	12.06
Raw Materials	18.65	18.77
Industrial Products	128.35	145.15
Together (with other items)	164.13	181.17

The recession of exports amounts to 17 million pounds or roughly 9 per cent., falling entirely to the share of industrial exports. Part of the loss is doubtless due to the drop of prices, though the quantities exported have also fallen off, especially in the case of textiles.

Imports in the First Quarter

(In Millions of Pounds Sterling)

	1930	1929
Food, Drink and Tobacco . . .	120.19	131.66
Raw Materials	78.26	94.67
Finished Goods	81.85	77.03
Together, with Mail Consignments	283.48	305.98

While the foodstuff and raw material imports have fallen in keeping with the serious price drop, the industrial imports have risen. This fact clearly reflects the competition on the world market which has been aggravated by the world economic crisis, a competition threatening to swamp the free-trade markets of Great Britain with industrial products from abroad. This is one of the causes of the protectionist movement which has been gaining ground so rapidly.

Capital Emission and Exportation.

As everywhere else, a marked liquidity has been characterising the money market in Great Britain too. It has led to a repeated reduction of the bank rate, down to the present rate of 4 per cent. In spite of the greater liquidity of money, however, there is a decreased activity in regard to emissions.

Emissions in the First Quarter⁶³.

(In Millions of Pounds Sterling)

	1927	1928	1929	1930
Home	55	62	60	38
British Empire	20	27	29	20
Foreign Countries	11	19	22	15
Together	86	108	111	72

The distribution of capital according to its destination also shows the influence of the crisis. There fell to the share of:

	1929	1930
Private Enterprises	84	42
Municipalities	—	13
Governments	27	17

The capital destined for private enterprises has sunk to half since last year.

More importance attaches to the following fact: In the first three months of 1929, no less than 27.7 million pounds was invested in investments trusts, which means for the purpose of shares. In the current year, the sum total sank to 1.1 million pounds.

We have frequently pointed out that British emission statistics are extremely unreliable, inasmuch as many enterprises operating in the colonies and in foreign countries have their seat in England and rank as British companies.

A study by the "Economist" (March 15th & 22nd) affords us a certain insight regarding the British companies operating abroad. (In this connection, the expression "British companies abroad" apparently covers both firms registered in England and firms registered in foreign countries.) The total capital of these companies (shares and debentures) figures at 1,142 million pounds.

Of this capital, from 3 to 9 per cent. belongs to other than British subjects, so that 1,046 million pounds worth of purely British capital may be said to be invested abroad. The geographical distribution is in the main as follows:

In Millions of Pounds Sterling

	Share Capital	Debenture Capital
Australia & New Zealand . . .	23.4	12.2
Canada	11.4	7.5
South Africa	28.2	2.2
India & Ceylon	97.2	27.4
British Possessions in Africa . .	40.0	30.2
Other British Possessions . . .	75.5	7.9
Total British Empire	275.6	87.0
United States	17.0	5.1
Argentina	171.4	111.4
Brazil	38.0	12.7
Rest of South America	62.1	31.5
Mexico & Central America . . .	43.2	24.1
Europe	48.4	10.1
Rest of Africa	17.0	8.1
Rest of Asia	58.8	18.0
Rest of World	456.0	221.2
Whole World	731.6	308.2

We may observe the great role played by Latin America in British capital investments: 412 millions, or 40 per cent. of the total fall to the share of this region and 115 millions to that of India, but only 19 millions to Canada and only 58 millions to all Europe. In spite of the advance of the United States, British capital still represents a tremendous force in South America⁶⁴.

The Growth of Unemployment.

The MacDonald Government, which at the General Election announced its determination "to reduce as quickly as possible the present roll of unemployment until it has come down to that margin of temporarily unemployed men, the outs and the ins, which is essential to the capitalist system" is not only incapable of keeping this promise, on the contrary unemployment swells from week to week and is now half a

⁶²) "Economist" of February 1st, 1930.

⁶³) "Statist" of April 12th, 1930.

⁶⁴) These sums naturally only represent a part of the British capital investments abroad, since loans to Government and non-British enterprises have not been included in the above.

million above what it was a year ago. The influence of the crisis, meanwhile, is best seen in the fact that the month of March, normally calculated to bring a diminution in the extent of unemployment, this year brought a big increase in the unemployment total.

Number of Unemployed in Receipt of Benefit:

January 6th	1930	1 478 800
February 3rd	1930	1 508 600
March 3rd	1930	1 547 200
" 17th	1930	1 621 800
" 31st	1930	1 677 500

This is roughly half a million in excess of a year ago, while at the end of February the difference was only 140 000. For the last eight years, unemployment has not assumed such dimensions as at present. According to the estimates of the Ministry of Labour, 100 000 of the above total represent merely a seeming increase by reason of the change in the law in the course of the current year. The number of insured on March 24th was 312 000 smaller than a year before⁶⁵).

Among insured workers, the percentage of those out of work figured as follows at the end of the respective months:

	January	February
1929	12.4	12.1
1930	12.6	13.1

Unemployment, growing from week to week, shows to what a degree British economy has been affected by the crisis; the more so since in the last few months the coal mining industry engaged several thousands new workers so that the increase in unemployment falls entirely to manufacturing industry.

The Adoption of Protectionist Principles by the Conservatives.

The growing competition on the world market, the decline of exports, the difficult position of British agriculture, the deficit in the State budget, the growing onus of interest obligations, all these are economic problems weighing heavily on British industry. The tide of unemployment, rising higher and higher week by week, the inability of the Labour leaders to persuade the working class to put up quietly with the deterioration in unemployment matters, and the leftward movement of the working masses, most drastically expressed in the big strike of the wool workers all tend to increase the worries of the British capitalists.

True, the two great organisations of British capitalists, the Federation of British Industries and the Employers' Federation, have concluded the "industrial peace" agreement with the General Council of the T.U.C. But of what value is that, if they cannot even get the coal miners to do them the "small favour" of working 90 hours per fortnight ((distributed among eleven days) instead of 6 times 7 hours a week; if the wool workers refuse to accept the wage cut recommended by the trade union leaders, and if the workers decline to believe the "Statist" when it says that the reason of the great degree of unemployment lies in the high real wages⁶⁶).

Under such circumstances it is comprehensible if considerable sections of the British bourgeoisie are contemplating a fundamental change in the policy hitherto pursued. These tendencies found utterance in the foundation by the press lords of a new Party which was dissolved after a short existence

⁶⁵) "Statist" of April 12th, 1930.

⁶⁶) The "Statist" of March 29th shows a curve of unemployment and real wages and tries to prove that the reason of unemployment lies in the fact that money wages are not speedily enough adapted to the falling price level. In this connection the "Statist" plays the trick of dividing the index numbers of monetary wages not by the cost-of-living index but by the wholesale index when computing real wages, as though a worker bought his meat and bread at wholesale prices. This procedure is all the more stupid, seeing that in a slightly earlier issue the same journal devoted a special article to discussing the fact that retail prices do not follow the movements of wholesale prices.

seeing that the Conservative Party adopted its platform in all its essential points.

The course of events was briefly as follows:

In the newspapers under their control, Lord Rothermere and Lord Beaverbrook had during the last few months started energetic agitation in favour of "free trade within the Empire". The difference between the two lay in the fact that Beaverbrook demanded food duties in England so as to be able to favour the agricultural production of the Empire as against that of foreign countries, whereas Rothermere desired to retain the free importation of foodstuffs, British farmers being indemnified by State subventions. In the course of the campaign, Rothermere adopted Beaverbrook's platform and began to make propaganda for him in his newspapers as the future Conservative Prime Minister.

On January 30th, the Conservative member Remer moved in the House that "the Empire should be treated as an economic unit with free trade within⁶⁷". He was seconded by Banks, another Conservative member, who spoke openly in favour of Beaverbrook's policy. Lloyd George and Snowden opposed the motion roundly, while Baldwin preserved silence.

On February 6th, Baldwin speaking in London, called for a facilitated form for the introduction of protective duties and attacked the "customs peace" propagated by Graham at Geneva.

On February 8th, Amery, Baldwin's former Colonial Secretary, declared in Birmingham that in the spirit of Baldwin's speech protective duties would henceforth form the chief constructive and militant policy of the Party in its treatment of the unemployment question. Contrary to Baldwin, however, this speaker refrained from repudiating duties on foodstuffs. The rift in the Conservative Party could only with difficulty be patched up by means of an exchange of letters.

On February 20th, the press lords founded a new Conservative Party called the "United Empire Party" and called upon all British subjects, even Liberals and Labourites, to join its ranks.

On February 25th, Baldwin virtually capitulated, declaring in favour of Empire Free Trade in the sense of the economic unity of the British Empire with free trade within its borders, supported if need be by protective duties against the rest of the world.

Lord Beaverbrook next started an energetic campaign throughout the country for the new party. He declares that Canada would be glad to admit British steel and steel goods free of duty if Canadian wheat could be imported duty-free into Great Britain, while wheat from outside the Empire was subject to a tariff.⁶⁸)

On March 5th, Baldwin declared that once the Party was back in office, it would pursue a thorough-going policy of safeguarding. (Baldwin distinguishes between safeguarding and protection, though there is in reality no difference between the two.) The new Government would, he said, immediately convoke a conference of the Empire to discuss the possibility of economic unity. The possible introduction of food duties would be decided by a special referendum.

The same day Lord Beaverbrook declared himself satisfied with Baldwin's statement and dissolved his Party.

On April 14th, Baldwin made a great speech in Parliament in favour of Beaverbrook's policy.

In summing up we may assert that the British bourgeoisie is hesitatingly and with considerable difficulty beginning to go the way of protection, the way of Fascism.

The monopoly position of Great Britain as industrial workshop of the world and as the leading imperialist Power is drawing to its close; thus it loses the basis of its specifically English free trade and social policy which the British bourgeoisie, relying on its super-profits, was able to pursue in pre-war times. With the change in the economic substructure, the political superstructure will necessarily have to change as well. The time of the "bourgeoisified working class" is over. The struggle between the proletariat and the bourgeoisie remains. While the bourgeoisie ranges itself in an international Fascist front, the proletariat unites to form the front of revolutionary struggle.

⁶⁷) "Times" of January 30th, 1930.

⁶⁸) "Times" of March 1st, 1930.

United States.

The course of the crisis in the United States up to the present has fully confirmed us in the analysis we made in our last report.

The „systematic combatting“ of the crisis organised by Hoover has led to no result in the sense of a speedy overcoming of the crisis. The crisis in the United States is still in full operation; not even the phase of depression has as yet been reached.

True, there is no lack of optimistic official utterances such as were published already at the commencement of the current year in regard to a speedy termination of the crisis. All production returns show that there can be no question of the crisis having been overcome. We may first quote the most important official indices.

Index of the Federal Reserve Board⁽⁶⁹⁾ (On the Basis of 100 to Represent the Level of 1923—1925)

Total Output of Industry	Jan. 1929	Febr. 1929	Dec. 1929	Jan. 1930	Febr. 1930
Sum Total of Buildg. Contracts	117	117	99	103	105
No. of Laden Freight Cars	128	119	85	101	104
Degree of Occupation	104	107	97	97	99
Wage Total	97.4	99.7	94.8	92.9	92.9

If we take the month of December as a starting point, a certain improvement may be recorded in production and in goods traffic. Comparing the February returns with those of last year, we observe a falling off of 12 per cent. The position of the working class has deteriorated. In this respect there was no improvement in February. The degree of occupation was lower than in December; the wage total has dropped by 7 per cent. in the last two months, giving proof of wage reductions and increase of short-time work.

Returns for March are not yet to hand, but it is obvious that the month of March represented a fresh relapse on February. The official weekly index of the Department of Commerce shows the following development:

Weekly Index of Business Development (100 to Represent the Level of 1923-1925.)

Week ending:	Steel Output	Coal Output	Constructional Timber	Building Contracts	Degree of Occupation (Detroit) ⁽⁷⁰⁾
Febr. 22nd, 1930	105.3	97.6	102.1	86	
March 15th, 1930	97.4	83	104.7	109.2	108
March 16th, 1929	125.0	98.4	107.8 ⁽⁷¹⁾	127.9	137.8

The returns show vigorous recession of output in the first half of March as regards coal and steel and a seasonal improvement in the building industry. In comparison with last year, all returns show a marked falling off, steel by 24 per cent., coal by 16 per cent., the degree of occupation in Detroit by 22 per cent.

We also publish the „Annalist“ index for the last four months⁽⁷²⁾.

Index of the „Annalist“.

	March 1930	Febr. 1930	Jan. 1930	Dec. 1929	Nov. 1929
Crude Iron Output	95.0	96.0	89.9	91.7	103.7
Steel Output	91.4	99.1	86.5	78.4	89.1
Laden Freight Cars	88.8	92.3	91.8	92.3	92.1
Electric Power	94.7	96.0	98.0	97.1	98.9
Coal Output	79.3	84.4	90.9	97.3	91.7
Automobile Output	98.4	104.4	102.9	50.8	81.9
Cotton Consumption	84.2	86.5	92.9	85.8	93.8
Wool Consumption	78.1	87.0	86.3	85.7	97.0
Footwear Output	—	—	98.3	92.9	102.2
Zinc Output	78.9	81.8	85.5	85.1	87.8
Combined Index	89.5	93.0	93.3	89.6	94.2

⁽⁶⁹⁾ Discounting seasonal factors, other than degree of occupation and wage total.

⁽⁷⁰⁾ Since Detroit is a city of most varied industries, the development of the degree of occupation there may be looked

We shall still deal briefly with the trend of business in certain decisively important branches of industry.

The improvement of business in the steel industry in February was transient and was followed in March by a renewed relapse. The productive capacity of the steel industry was exploited as follows in the current year:

January 4th	February 1st	February 22nd	March 15th	March 29th
38½ %	73½ %	81 %	76 %	73 %

The automobile production registered a considerable spurt in February, figuring as follows for passenger and commercial vehicles:

1929	1930
February 466.418	February 323.962
March 585.455	January 273.170
December 120.004	

The increase of output with December appears to be very great; it must be remembered, however, that December is seasonally the weakest month of the year.

At the same time there is every symptom that this rise is only due to the fact that the industry was „testing“ the market, and that a great proportion of the cars produced remained unsold.

Thus the following sales were effected by General Motors⁽⁷³⁾.

	Sold by G. M. to Dealers	Sold by Dealers to Consumers
January 1929	127 580	104 488
February 1929	175 148	138 570
January 1930	106 509	74 167
February 1930	126 196	88 742

In the winter months the sales to consumers always fall short of those to dealers, but this year the difference is relatively very great.

Special interest attaches to the development of the building industry. Immediately after the constructional programme of the Hoover Conference was made known, we expressed the opinion that the envisaged construction of dwelling houses was not to be taken seriously. In this connection we wrote as follows⁽⁷⁴⁾:

„In regard to dwelling-house construction the prospects of a realisation of the programme are very doubtful, seeing that rents are very low and will be further depressed by the crisis, so that private capital will consider it too risky to invest in house construction.“

This forecast of ours has proved fully correct. In the first place, building activity altogether — contrary to Hoover's announcements — remained until the end of March far behind the preceding year, as will have been seen by the above index. It is in particular the construction of dwelling-houses that has lagged behind. Ayres, head of the Cleveland Trust Company, writes quite frankly in the bulletin of that bank that a forcing of dwelling-house construction would be senseless seeing that there has been an over-production for several years and any such construction would be harmed by the lack of second mortgages in the current year.

Foreign Trade and the Price Formation.

In view of the extraordinary rapidity with which the whole world was plunged into the crisis, it has not been possible to compensate by an expansion of exports even in a small measure for the restriction of the home market. Exports are smaller than they were last year, while the effects of the crisis are mainly manifest in a severe restriction of imports.

upon as symptomatic of the entire industry of the United States.

⁽⁷¹⁾ Week ending March 9th.

⁽⁷²⁾ „Annalist“ of March 28th, 1930.

⁽⁷³⁾ *ibid* (German edition).

⁽⁷⁴⁾ „Inprecorr“, No. 12 of February 3rd, 1930.

Exports		Imports	
(In Millions of Dollars)			
	1929	1930	
Jan	488	411	Jan 369 311
Feb	442	351	Feb 369 281
Mar	490	374	Mar 384 300

Young are to be read to the effect that prosperity is recommencing, the small speculators return to the stock exchange and start their bull speculations afresh. Thus a fresh crash may well be expected to ensue before the end of the current year.

Mass Insolvency of the Small Capitalists.

It is no wonder that the small people speculate on the stock exchange. Though the majority of them are bound to fall a prey to the big sharks, there is always the possibility for the individual to escape and to make a fortune.

But what is the lot of those small capitalists who do not engage in speculation?

They are simply ruined by monopolised capital, which drives them in shoals to bankruptcy. And this was the case during the period of "prosperity for all" far more than at any other time in the history of the United States. Since 1899 there have been uniform statistics of bankruptcies in America.⁷⁵⁾

Average 1877 to	Number of Bankruptcies	Liabilities in Mill. of Dollars
1913	14 000	180
1920	15 000	202
1922	22 500	256
1923	34 400	486
1924	41 649	664
1925	44 440	748
1926	47 300	806
1927	48 269	886
1928	53 511	831
1929	57 039	884

In the period of "prosperity" (1922—1929) the number of bankruptcies increased rapidly year by year; in 1929, the peak year of prosperity, four times as many independent existences were destroyed by monopolised capital as in the average of the 15 years preceding the war. The sum total of liabilities has increased almost fivefold, figuring between 1926 and 1929 at far more than 800 million dollars per annum.

That is what "prosperity" looks like for the small capitalists in the United States.

Unemployment.

Official circles in America are just as loth to admit the existence of unemployment on a gigantic scale as they are to admit the existence of a real economic crisis. But facts speak so plainly and Hoover's attempt to deny the existence of unemployment⁷⁶⁾ encountered such incredulity that finally the fact of mass unemployment had to be recognised.

On March 11th Davis admitted that there were three million unemployed in the United States, or, as he preferred to put it, there were 46 million earners in America of which total 43 millions were actively employed. But it is not a question of "earnings" such as farmers or artisans, but of wage workers. On April 1st Green, Chairman of the American Federation of Labor, in addressing a Committee of the Senate on the question of unemployment, said he estimated the number of unemployed in February at 3,700,000, or 25 per cent. of all workers.⁷⁷⁾

The American Federation of Labor reports the following percentage of unemployed among its members:⁷⁸⁾

	February 1930	February 1928	February 1927
All Occupations	22	15	18
Constructional Workers	43	33	39
Metal Workers	18	8	18
Printers	5	5	5
All Others	13	—	—

⁷⁵⁾ "Annalist" of March 28th, 1930.

⁷⁶⁾ On March 7th, Hoover declared there was unemployment amounting to distress in no more than 12 States, which however he refused to name. This advisedly, since it would have turned out to be far more than 12 States that were thus affected.

⁷⁷⁾ "Times" of April 3rd, 1930.

⁷⁸⁾ "New York Times" of March 1st, 1930.

In this diminution of foreign trade turnovers, the price decrease plays an important rôle, especially as regards grain and cotton.

The new customs tariff amendment, which is now finally to be passed, contains in the interests of monopolised capital a number of fresh customs increases which are bound to render yet more difficult the importation of goods from Europe.

The gold exportation which set in immediately after the outbreak of the crisis and represented a return of the flood of European loan capital engaged in stock-exchange speculations in America, came to a standstill in January, as we had foreseen; in February there was again a fresh surplus of gold imports figuring at 60 million dollars, more than in any individual month of 1929. All suppositions that the outflux of gold might lead to a stiffening of the money market, have proved incorrect.

The price drop came to a standstill at the end of March — partly in consequence of the purchase of wheat, and the hypothecation of cotton by the Federal Farm Board. In the last few months, the development of prices has been somewhat as follows:

	Price Index of the "Annalist".							
	Farm Products	Food-stuffs	Textiles	Fuel	Metals	Buildg. Materials	Chemicals	Total Index
1929								
March	145.4	144.2	153.7	161.3	131.1	154.0	131.9	116.5
December	138.1	115.9	110.8	160.1	125.5	151.9	131.0	111.3
1930								
January	136.7	112.2	139.1	158.3	124.0	150.6	133.2	139.8
February	133.7	139.0	136.1	154.1	123.4	151.3	132.3	137.4
March	127.6	136.1	131.7	150.7	122.9	150.8	131.9	134.0
March 25th	126.8	130.0	131.1	149.8	122.9	149.9	131.7	133.6

The price drop figures at 9 per cent. per annum or 11 per cent. since the peak point in July. It is slightest in regard to building materials and chemicals and greatest for textiles and farm products.

The Revival of Stock Exchange Speculation.

An interesting fact which came as a surprise to many observers is the vigorous boom on the share markets in the last few months. Although the small fry suffered the loss of several thousand millions in the last stock-exchange crash, speculation is once more flourishing. Share turnovers on some days amount to 6 millions. The rates are going up, as are also the broker's loans. It is as if nothing at all had happened.

The "New York Times" index for fifty shares shows the following development:

	Highest Daily Rates
1928	
31. December	231.45
1929	
19. September (Maximum)	311.90
28. December	204.51
1930	
1. February	221.04
1. March	229.62
26. March	235.03

In spite of the crisis therefore, the share rates have risen by 15 per cent. in the course of three months and at the end of March were higher than ever, save in the year 1929.

The broker loans too are greatly on the increase. At New York banks they figured as follows in millions of dollars:

	Dec. 24th, 1929	Jan. 29th, 1930	March 19th, 1930	Apr. 2nd 1930
	3328	3345	3841	3968

An increase of more than 500 million dollars. Statistics show that it is the banks themselves that provide the credit.

We are not surprised at this speedy revival of stock-exchange speculation. Since there is a great abundance of loan capital and the rates of interest are low and as daily in millions of newspapers the assurances of Hoover, Mellon, and

Since the American Federation of Labor comprises only the labour aristocracy of a few callings, these figures are only representative in a very small degree.

Under the pressure of the unemployed, Green even went so far as to employ radical expressions in addressing the Senate Committee. He reproached the capitalists with discharging masses of workers contrary to the promises made to Hoover.

In the face of such tremendous unemployment, there are in the United States workers doing twelve hours work daily and seven days work in the week! In connection with the Federal Council of Churches, two former students of Boston University recently investigated the working conditions in the steel-works of America. They established that of roughly 250,000 workers employed in the steel-works, 16,000 were doing 12 hours work a day and 66,000 were working seven days in the week, while 53 per cent. of the workers were doing more than ten hours work daily. There were workers who were working as much as 14 hours out of the 24.

All this seven years after the abolition of the twelve-hour shift and the introduction of the eight-hour shift and six-day week were announced in the steel-works with a great set-out.

In consequence of the fact that unemployment—which must in reality be far greater than the officially admitted 3 or 4 millions, since the official estimates start from the fallacious assumption that there was no unemployment at all during the business boom—can now no longer be denied, and in view of

certain demonstrations on the part of the unemployed, the idea of introducing unemployment insurance in the United States is now being propagated.

So far, however, nothing at all has been done in relief of the unemployed, who continue to rely on their own scant savings or on private charity.

At the same time there is an intentional displacement of foreign-born workers from the works; foreigners are dismissed and American citizens employed in their place, the American Federation of Labor supporting this process in every way. From points as widely separated as San Francisco and Detroit, reports are coming in of this displacement of foreigners and in the two places named the numbers involved are considerable.

"The American Federation of Labor," writes the Washington correspondent of the London "Times" (of April 6th), "everywhere encourage employers who find they must reduce their working staffs to do so at the expense of the foreigner, or, even where reduction is not necessary, to substitute a United States citizen for an alien."

Thus the coincidence of organic with casual unemployment in the United States will find expression in a cessation of immigration and thereby in a greater degree of unemployment in Europe, supposing this nationalistic policy of the American Federation of Labor is adopted generally. Much will, of course, depend on whether the native American workers do not demand higher wages than the foreigners. The anti-foreign policy thus aims at a reduction of the wages of 100 per cent. Americans to the level of foreigners.