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Economics and Economic Policy in the Second Quarter of 1930.

(Carried down to July 17th, 1930.)

By E. Varga.

I. Extension and Intensification of the Crisis.

Since the war it has no time been so easily possible to characterise a period clearly and concisely as is the case in regard to the year 1930. The last few months have resulted in a further extension and intensification of the international economic crisis, which has now spread without exception to all countries of the world. In those countries in which the crisis had already begun in 1929, it has in general experienced an intensification. In no country meanwhile do we see any well-founded sign of the crisis having passed its peak and given place to a phase of depression, i. e. a state of amelioration. The growth of the international agrarian crisis, which became most acutely pronounced in the month of June, is bound to react on industry in the sense of a further intensification of the industrial crisis, i. e. a delay in the transition to the state of depression.

The fact that a world-wide economic crisis undoubtedly exists, is now denied by no one. In every daily there are utterances by ministers and leaders of economy in confirmation of this fact. Every newspaper publishes fresh statistical material on the subject from all countries in the world.

In practically all the leading capitalist countries the situation is equally critical. France, which hitherto appeared to be exempt, is now also involved in the crisis. Production is declining all round. The consequences of the agrarian crisis both in France and internationally are bound to make themselves felt more and more acutely in the next few months.

As regards Germany, the "Konjunkturinstitut" published the following general description of the economic position at the end of May:

"Output and occupation have continued to decline in keeping with the business development. Unemployment, it is true, has decreased, but the improvement falls short of ordinary seasonal dimensions. The upward movement in

regard to exports, which has prevailed for several years, has now come to a standstill.

Economy shows the symptoms of a depression approaching its nadir. The recession in economic activity will probably be terminated in the next few months and merge in a period of stagnation¹⁾."

1) "Vierteljahrsshefte für Konjunktur", 5th year, vol. 1, part A.

CONTENTS

I. The Extension and Intensification of the Crisis.

Dynamics of the Crisis in the United States.

The Cycles of Crises of American Capitalism.

The Role of Loan Capital.

Price Formation in the Crisis.

Price Drop of Monopolised Goods.

The Price Drop and the Distribution of Income.

Aggravation of the Agrarian Crisis.

Increase of Protective Tariffs.

The Crisis, the Working Class and the Social Traitors.

II. Special Section.

Germany.

France.

Italy.

Poland.

England.

The United States.

Japan.

In the United States—now that the official optimistic utterances of Hoover have proved fallacious—there are more and more expressions of opinion on the part of economists, according to which an improvement of the situation is not to be looked for at all in 1930, indeed not until the spring of 1931. The sharp drop in the prices of wheat and cotton, rye and maize, sure to be followed in a short time by a relative drop in the prices of cattle-breeding products (in part already apparent), will undoubtedly again worsen the position of American economy.

The overseas countries producing raw materials and agrarian output have been seriously affected by the continuous drop in the price of agricultural products, metals and other raw materials. In Mexico the silver mines have been closed and the output of copper, lead, and rubber is being restricted. Part of the crops of coffee, tea, and sugar-cane will obviously not be garnered, which means that it will be left to rot. The civil war in China, the revolution in India, the rising in almost all colonial and semi-colonial countries are in part the outcome of the serious economic crisis and in their turn have the effect of reducing the purchasing power of these countries (already greatly impaired by the drop in raw material prices) in regard to industrial goods, thus contributing to lengthen and deepen the crisis in the industrial countries. Thus the vicious circle of events is closed: cause becomes effect and effect becomes cause. The total outcome is one of the most serious economic crises known to the history of capitalist economy. All scientists of bourgeois economy, however, are unanimous in denying the fact that the depth and gravity of this crisis are not the outcome of the coincidence of "casual" elements within the limits of the "normal" course of capitalism, but the result of the general crisis of the capitalist system itself.

Dynamics of the Crisis in the United States.

The dynamics of the critical development in the United States show with full precision the impossibility of any systematic plan for combating the crisis within the limits of capitalism, such as that set forth by Hoover in the autumn of 1929. The special orders placed by the railway and public utility companies (telegraph, telephone, urban traffic, water, electric supply, etc.) as a result of Hoover's promptings led to a slowing down of the crisis in the months of January and February. As the most recent developments have clearly shown, this was but a transient success. Once the effect of these special orders had passed over, when the rapid drop in the net profits of the railroads forced them once more to diminish their orders, and when—as we had foreseen—contrary to the decisions of the Hoover Conference, the building activity in general and the construction of dwelling-houses in particular fell far short of the figures of the preceding year, the effect of all measures for combating the crisis was very soon frustrated. What ensued in the United States in May and June, a renewed pronounced restriction of output, a market drop of prices—particularly in regard to raw materials and agrarian products, and repeated serious stock-exchange crashes, which reduced the level of the share quotations to the low-water mark of last autumn—in effect represents a continuation of the crisis at that point where its development was temporarily suspended by the action of Hoover.

The total development of the crisis is most clearly characterised by the trend of production. The index of the "Annalist" (which eliminates seasonal influences) affords the following aspect:

1929

Sept. Oct. Nov. Dec. Jan. Feb. Mar. Apr. May
105.8 103.6 94.2 89.6 93.3 92.7 89.5 92.9 89 (prov. fig.)

1930

We can plainly see that in May, when the effect of Hoover's action was past, output dropped to the lowest level, to that of the month of December. According to newspaper reports to hand, there can hardly be any doubt that in the months of June and July (with the closing-down of the Ford works for at least two weeks) the production will be seen to have fallen below the lowest level so far recorded.

Incidentally we may remark that the authority of Hoover

as an economic leader has by reason of the crisis been completely undermined. The attempt of American financial capitalists to place an engineer at the head of their business in the place of a politician, has proved an utter failure. Mr. Hoover will not live to be President of the United States a second time.

The Cycles of Crises of American Capitalism.

Under the influence of American bourgeois business research, there has been even in our own circles a spread of the opinion that the approximately ten-year cycles established by Marx and Engels have given place to cycles of 3 or $3\frac{1}{2}$ years duration. It is possible, moreover, to find some logical basis for this assumption in the far more rapid technical depreciation of fixed capital resulting from rationalisation and the necessity of its renewal in far shorter periods. We believe the theory of three-year cycles to be mistaken. We do not deny that a tendency towards a shortening of the business cycles appears to be founded in the entire internal development of the capitalistic system of production, but we consider the absolute assertion that three-year cycles have prevailed in post-war times incorrect. We believe that after the crisis of 1920/21, which was chiefly characterised by the process of a liquidation of war economy, the crisis of 1929/30 is the first actual crisis in American economy in the sense of Marx. The relapses that occurred in 1924 and 1927 respectively were no real crises, but merely relapses, both in view of their relatively slight intensity and in view of their short duration. They lasted but a few months and did not entail that far-reaching fundamental shaking of all economic life which is characteristic of actual crises.

The Rôle of Loan Capital.

One peculiarity of the present crisis lies in the fact that it has spread and intensified at the same time as unusually low rates for loan capital and an unusual liquidity on the money market prevail. The interest rates of the various note banks are on such a low level as has not been the case since pre-war times. A bank rate of $2\frac{1}{2}$ per cent in New York was a rarity even in pre-war times. The German bank rate, too, is the lowest recorded since before the war. In France there is such a super-abundance of short-termed loan capital that the banks are paying depositors only $\frac{1}{2}$ per cent and in many instances even refusing the acceptance of new deposits on the grounds that they have no use for the money deposited.

A very low rate of interest in the phase of depression is a well-known characteristic of the dynamics of a crisis. It is to be explained by the fact that on the one hand the sum total of goods disposed of is greatly diminished during the crisis, so that money is liberated from circulation, and likewise by the fact that the creditary crisis generally ensuing upon the inception of an acute crisis (the undermining of mutual confidence calling for cash payments in the place of credit) is now already past; on the other hand the big stocks of goods and the falling price level afford no incentive to fresh investments and to the increase of the volume of output, so that the money released from circulation finds no fresh employment. What is new about this crisis is the fact that in the leading capitalist countries, especially the United States, a falling rate of interest and a great liquidity on the money market set in immediately after the outbreak of the crisis, while in France, Great Britain, and Germany these features even preceded the inception of the critical period. This fact, which calls theoretically for a further investigation, is in our opinion to be explained by the pronounced monopolistic character of present-day capitalism and by the predominant importance of the United States in the entirety of capitalist economy. The abundance of money and the low rates of interest in America have in the same direction influenced the money markets of all the leading capitalist countries. While the outbreak of the crisis in the United States had the effect of starting the crisis in the other capitalistic countries, the great liquidity of money and the low rates of interest in America anticipated the effect of the like development in the other capitalist States.

That the pronounced fall of discount rates in Germany was devoid of any particular effect, is explained by Stolper in the following way²⁾:

²⁾ "Deutscher Volkswirt" of May 16th, 1930.

"The marked drop of 7½ per cent to 5 per cent had none of the effects which a discount reduction is theoretically supposed to entail. It did not stimulate investments or enterprises, so that the industrial depression is still weighing heavily on Germany. Nor yet did it revive the activity on the Stock Exchange. The rates remained more or less at their lowest level, the turnovers remained insignificant, and the capital market was in no degree strengthened. It is doubtful whether much change would be brought about in these respects moreover, supposing the Reichsbank discount rate were to sink to 4½ or 4 per cent, seeing that economic depression and the need of capital have far more deeply-seated causes than the rates of interest for short-termed money."

We do not wish to deny the influence of loan capital on the course of the business development, but its importance must be reduced to the right dimensions. It is obvious that, all other circumstances being equal, liquidity of the money market and low rates of interest for loan capital must all the more rapidly entail a situation in which capitalist enterprises resolve to start fresh business, to invest capital, and the like. *Ceteris paribus*, the capitalist will the more readily decide on new enterprises, if he is bound to render a smaller portion of the expected profit in payment for loan capital. If, however, there are slight prospects of new investments or any new capital employed for an enterprise yielding a profit, even an extraordinarily low rate of interest will fail to promote increased business activity, as we may clearly see at the present juncture.

Price Formation in the Crisis.

The last few months have entailed a further, if somewhat unequal, price recession. A number of important raw materials, e.g. wheat, have sunk below their pre-war price level. Nor are there so far any indications that this price drop will come to a standstill, in spite of the resistance offered by the great international monopolies. The facts prove the accuracy of our opinion, voiced for many years past, that the exchange proportion between gold and goods established after the big post-war crisis of 1920/21, does not correspond to the present value-proportion between gold and goods but still contains unliquidated elements of the inflation period during the war.

Naturally there are many factors—monopolies, customs duties, taxes, etc.—which counteract the adaptation of the price level to the formation of value. But if we take into consideration the fact of the constantly falling price level in England—a price drop which began long before the war and amounted within a single year to more than 12 per cent, a price drop, moreover, such as has not occurred since the seventies of the last century (save for the drop immediately after the war)—we can consider this merely as an adaptation of prices to value and as a process of liquidation of still existing elements of inflation.

The sharp price drop of raw materials and foodstuffs is not yet reflected in the price indices, partly because the latter have been published after considerable delay and partly because the prices of monopolised goods and finished industrial goods are slow to follow the price drop of the "free" raw materials and foodstuffs.

The price drop in the most important countries figures for five months from January to May 1930 roughly 5 per cent. and since January 1920 roughly 10 per cent. It is obvious that at the time the crisis is over the general price level will have sunk very close to the pre-war level, as indeed it theoretically could.

Price Drop of Monopolised Goods.

The most important occurrence in price formation during the last few months is the spread of the price recession to internationally monopolised goods. It is apparent that with a long duration of the crisis even very sound international monopoly organisations will not be able to maintain their price levels, since they will be greatly ousted from the market by substitutes, i. e. goods of other kinds which serve the same purpose.

A typical example is to be seen in the price policy of the

international copper cartel, which, as is well known, controls more than 95 per cent of the world's copper output. Till the end of August, the cartel maintained a price of 18 cents a pound on the grounds that "in the interest of a certain minimum sale of copper it was altogether indifferent whether the price figured at 15 or at 18 cents". It appeared however, that during the crisis this "minimum sale" unexpectedly shrank, not only because the demand itself decreased but also because copper was increasingly replaced by other metals (steel and aluminum). Stocks increased tremendously³⁾. The cartel was therefore compelled to reduce the price at a stroke from 18 to 14 cents and subsequently to 12 cents a pound. At present the price is less than half what it was a year ago. This gives some idea of the gigantic profits which the cartel must have realised in the year 1929.

It appears, therefore, that even such a gigantic monopoly as the international copper cartel is incapable in face of a real crisis to conduct a price policy contrary to the tendency dictated by the anarchic development of the capitalist system of production. In this respect, too, "organised capitalism" has gone bankrupt⁴⁾.

A series of international cartels have likewise been forced by an accumulation of stocks to effect a pronounced price reduction (thus in the case of tin, artificial silk, and others). Some of the cartels still maintain the old, high prices, but it is no secret that in reality sales are effected considerably below the official cartel price level. This also applies to several national cartels.

It is obvious that under the pressure of the crisis the structure of quite a number of international monopolies has been loosened. A typical instance in point is that of the community of interests concluded within the limits of the international copper cartel between the Belgo-African copper-producing concern of Haut-Katanga and the German concern of Hirsch-Kupfer. The Haut-Katanga produces at a very low cost and was from the outset opposed to the high-price policy of the copper cartel. Hirsch-Kupfer on the other hand complained at the time of the business boom that it had not been accorded a sufficient quantity of copper by the cartel. The community of interests is a preparation for the eventuality of a dissolution of the international copper cartel. It is at the same time an element in the economic struggle between the United States and Great Britain. The international copper cartel is controlled by the chief producer, the United States (Guggenheim), while Great Britain participates officially to 25 per cent in Hirsch-Kupfer and is also considerably interested in Haut-Katanga, whose shares form the object of international speculation.

The Price Drop and the Distribution of Income.

The price drop which has been prevailing ever since the beginning of the crisis and which is by no means likely to terminate soon, has entailed far-reaching changes in the distribution of income. These changes move along the following main lines:

a) As long as the price drop had not at all, or only

³⁾ The stocks of copper on the 1st of each respective month figured as follows:

	Thousands of Tons	
	U.S.A.	London
April 1929	53	8.4
January 1930	171.3	7.3
February 1930	203.4	8.2
March 1930	233.1	9.5
April 1930	256	—

On April 1st, 1930, the visible stocks represented more than two months' output. ("Frankfurter Zeitung" of April 17th, 1930.)

⁴⁾ A loosening of the combined steel cartel has likewise ensued: at the Paris Conference of this cartel the sale prices of rod iron, band iron, and rough sheets were released, seeing that no agreement could be reached.

slightly, spread to retail prices⁵), and affected mainly the products of mining and agriculture⁶), there was a change in the distribution of profit in favour of industrial and commercial capital.

b) In so far as the price drop is now spreading to retail prices, there is a shifting of the profit distribution in favour of loan capital, rentiers, employees and others with fixed incomes, since the same sum now represents a higher value and a larger real share in the total value product. The price drop therefore represents an increase in the share and importance of fixed interest bearing capital, a strengthening of the rentier class, and an accentuation of the parasitical character of present-day capitalism. (The fact that the rate of interest is at present absolutely low, in no way alters the dynamics of the case.) Enterprises which have contracted long-termed debts at a high rate of interest, debentures and preference shares, mortgage debts of agriculture and the like, are particularly affected by the price drop.

c) The price drop represents a parallel increase in the onus of international indebtedness. The 3,000 million marks annually payable by Germany to foreign countries in the way of Reparations and interest on debt, if expressed in terms of working hours or goods, represent 10 or 15 per cent. more than a year ago; by the end of the crisis they will probably represent 25 per cent. more. Thus the burden of indebtedness appears to be enhanced by one quarter. The case is similar in regard to all debtor countries. The price drop means a sudden and inevitable increase in the exploitation of all debtor countries by the creditor countries, i. e. of the weak by the strong; before all it means a sudden rise of the actual revenue of the two big creditor countries, the United States and Great Britain, from their foreign capital investments.

Aggravation of the Agrarian Crisis.

The attempt of the Federal Farm Board, undertaken at great expense, to stabilise the prices of cotton and grain, broke down completely in June after a transient success. After fluctuating for months between 100 and 108 cents in Chicago, the price of wheat has dropped to 88 cents per bushel, which is below the price of 1914. The cotton price, which was to have been stabilised at 16 cents a pound, has dropped to 13 cents. A similar price drop is recorded in regard to maize and most other feedstuffs. Animal foodstuffs are likewise beginning to decline in price, as is always the case some short time after a decided drop in the price of fodder. The price reduction in the United States has entailed a relative drop on the world market, in so far as immediate customs increases in individual countries did not temporarily check the downward trend.

⁵⁾ Retail Prices in the Leading Countries⁸⁾ (On the Basis of 100 to Represent the Level of July 1914)

	U.K.	France	Germany	Italy	U.S.A.
1929 Dec.	166	115	152.6	150	162
1930 January	164		151.6	150	160
February	161	—	150.3	148	159
March	157	115**)	148.7	147	157
April	155	—	147.4	146	—
May	154	—	146.7	144	—
June	155	116	147.6	145	—

* A pronounced price drop has so far taken place only in England.

**) Calculated for a quarter-year.

*) How great the divergence still is in the price movement of raw materials and finished goods, respectively, may be seen by the following figures:

Index Figures of German Wholesale Prices. (On the Basis of 100 to Represent the Level of 1913)

	Means of Production		Means of Consumption	
	Raw Materials	Finished Goods	Raw Materials	Finished Goods
1929 January	137.0	138.2	153.4	174.7
1930 January	136.7	139.5	129.2	168.4
1930 February	136.0	139.4	122.3	166.1
1930 March	135.1	139.1	120.3	163.3
1930 April	134.9	138.8	122.3	161.8
1930 May	—	138.5	—	161.3
1930 June	—	138.3	—	160.9

The causes of the renewed price drop are fairly obvious.
a) In spite of the bad harvest of last year, the transition stocks are larger than, or very nearly as large as, at the close of the last harvest year⁷⁾.

b) On the Northern Hemisphere at any rate, the harvest prospects are in general quite satisfactory and the area under cultivation has, in spite of all the endeavours of the Farm Board, decreased only quite insignificantly, if at all. It was however, long apparent that a further price stabilisation would only be possible in the case of a bad world harvest.

c) The consumption of agricultural products, in particular of industrial raw materials and animal foodstuffs, is decreasing in consequence of the crisis.

d) The immediate cause of the pronounced price drop in the United States, however, is the announcement of the Federal Farm Board that it is not intended to stabilise prices in the coming economic year.

"The new programme of the Grain Corporation for the sale of the new crops makes no mention of loans at 'pegged' or fair market prices, such as were granted in the emergency period of the harvest of 1929, loans which had a firm basis of valuation irrespective of market quotations."

"The Federal Farm Loan Board will make the basis of valuation for loans on the new harvest dependent on market conditions."

This announcement spells the end of price stabilisation and gave the immediate incentive for the renewed price drop.

Such are the causes of the acute aggravation noticeable in the last few months. The general underlying cause, however, is the present revolution in the techniques of grain cultivation in the big concerns, the introduction of tractors and combines. This so greatly reduces the costs of production that even the present low price level is still profitable. At the same time, the greatly increased machine plant (fixed capital) affords an inducement to extend the area under cultivation, so as to derive a greater profit from the capital invested.

This fact is being stated with increasing frequency and brutal candour by the organs of American finance capital. We quote here one example of many. "Trade Winds", the monthly journal of the "Union Trust Co.", a big bank in Cleveland, writes as follows:

"The advent of power farming has been declared by authoritative observers as analogous to the industrial revolution ushered in by the advent of the steam engine. Whereas the industrial revolution was based on steam power, the international combustion engine is the foundation of the agricultural revolution . . .

Alert farmers seek to lower production costs by the introduction of improved machinery. As costs are lowered and the productivity of labour increased, yields tend to increase and prices to fall. This again necessitates more labour-saving machinery to further lower costs . . .

American farmers often have been advised to cultivate acreage sown to these crops. What they have not done voluntarily the grim working of economic necessity must force them to do. The so-called marginal lands—that is, the less fertile farms, are being abandoned, and bankruptcies are overtaking many producers. Farm population is dwindling.

The movement away from the farm is not only not a matter for alarm, but is necessary to a sound National economy. Farms are being consolidated, and the high-cost farmer is in the same plight as the high-cost industrialist.

All good counsels in regard to a diminution of the cultivated area and an afforestation of 5 per cent of the land in place of wheat, are turned down by the farmers. The development pursues its anarchic course: the powerful capital enterprises flourish and the small farmers are ruined

*) At the end of June the visible stocks in the United States were estimated by Bradstreet at 251 million bushels, against 216 million bushels at the end of June 1929. ("Times of June 25th, 1930.) That there are also sufficient stocks in Europe is proved by the fact that this June shipments from America to Europe were smaller than in the June of last year.

**) "Financial and Commercial Chronicle" of May 31, 1930, p. 3805.

In European countries, in which the use of tractors and combines is only exceptionally possible in view of the splitting up of the ground, the most varied means are employed to check the price drop of agricultural products. In the foodstuff-importing countries this purpose is served by protective tariffs. The tariff rates for grain have on all hands surpassed those of pre-war times. In Germany there is at present a duty on rye of 15 marks per double cental, which is three times the pre-war rate and represents 150 per cent. of the value. In countries with an export surplus, duties alone are of no avail. Even before the war, Germany had recourse to an import voucher system in dealing with the problem of maintaining home prices at the level of world market prices plus import duty in the face of exportation. To this system it has now returned. The maintenance of this system, however, would at present involve such tremendous sums as completely to ruin the State finances; thus this expedient may likewise be considered to have failed. There remain measures such as a milling obligation for inland grain, the prohibition to import foreign agricultural products, and the State management of certain products of the soil. Some instances in point may here be cited.

According to press reports, the Yugoslav Government has, by decree dated April 15th, 1930, acquired interests in a joint-stock company for the exportation of products of the country, with a view to active co-operation in the great international grain transactions. The task of the company will lie in placing Yugoslav agricultural products at the best possible prices on foreign markets. In exceptional cases it is to buy up grain stocks in the interest of the national economy, and also to make advances on stocks. At the same time it is to erect granaries and in general to see to the promotion of the agricultural output. The participation of the Government in this company is substantiated by the extraordinarily low price level of agrarian products.

In France the two deputies Margarine and Ferin have submitted a Bill to the Chamber, according to which the Government is to be authorised to found a grain-transaction company with a capital of 400 million francs. The task of this company would be to control French grain imports and exports. The board of the company, moreover, would annually have to establish the price at which imported grain would be sold through the medium of the company. At the same time, a purchase price would be established for French grain intended for export.

In Hungary the following procedure is envisaged. Every dealer desirous of purchasing wheat from the farmers, must procure a purchasing license from the financial authorities and pay 8 pengös per double cental. Of this sum, 3.20 pengös pass to the vendor as a special premium on production, while 4.80 pengös accrue to the State and are to be employed for the foundation of an agricultural relief fund. If wheat is exported, the sum of 8 pengös per double cental is refunded to the exporter. A similar system is to be introduced for dealings in rye.

This system is tantamount to an enhancement of the home price for the consumer by 8 pengös per double cental. At the same time, it represents a premium on exportation to the same amount. The price of bread in Hungary will consequently figure above the world market price.

In Spain the importation of foreign wheat and wheatmeal is prohibited for so long a time as the price of home wheat does not exceed 53 pesetas per 100 kilogrammes.

In a number of other countries, government measures are contemplated for the purpose of raising the price of grain.

A further instance is afforded by the Government restriction of wine production in France. France has a great over-production of wine, especially such of inferior quality. New plantations have been made and afford an ample yield. So as to curb over-production, a Bill now under discussion provides the following measures: Such plantations as yield more than 200 hectolitres per hectare, are subject to a penalty, in the form of a progressive tax (rising to as much as 80 francs per hectolitre) which is levied on all production exceeding 200 hectolitres in the case of vineyards with an output of more than 250 hectolitres per hectare. Such excess beyond 200 hectolitres per hectare, moreover, may only be employed for the production of vinegar or spirits of wine, presuming the ability to comply with certain stipulations. Once the Bill has

become law, every new plantation is to be subject to an annual tax of 5,000 francs per hectare. "A draconic measure", as the "Temps" (of July 15th) calls it.

That this and similar forms of Government intervention can lead to no lasting improvement, is proved by the fate of the Stevenson scheme for maintaining the price of rubber, by the failure of the coffee valorisation in Brazil, the fiasco of the Canadian Wheat Pool, and so on. All such measures suffer under their internal contradiction, inasmuch as in succeeding in maintaining the price level they afford a fresh incentive for extending production, thus again entailing over-production and a renewed price drop.

There is therefore no prospect of the agrarian crisis being overcome within the limits of capitalism. Machinery will continue its triumphal progress in agriculture, the mechanised big farming undertaking will increasingly oust the primitive small undertaking first in grain cultivation, then in the production of textile materials and finally even in cattle-breeding or rather its accessory industries, forcing the small farmers either to quit their farms or to deteriorate into an only apparently independent class, such as that represented by the small Negro cotton planters in the Southern United States.

Increase of Protective Tariffs.

In face of the crisis, capitalist economic policy can but have recourse to attempts to safeguard home markets for the individual bourgeoisies by a further enhancement of protective tariffs. A new wave of customs increases is let loose upon the world. The recommendations of the World Economic Conference of 1927 are wholly forgotten. The attempt made in Geneva by Graham, President of the Board of Trade, to attain some form of guarantee, however elastic, by means of a "customs truce for two years", has proved miserably abortive.

In the matter of customs increases, the lead lies with the United States. The revision of customs tariffs originally initiated by Hoover for the purpose of adapting the safeguarding of agriculture to that of industry, has crystallised—under the influence of the various monopoly organisations, which "commandered" the necessary number of senators required to secure their customs aspirations a majority—into a regular all-round increase of industrial tariffs. The augmentation of the American customs tariff varies greatly for individual articles, in keeping with the influence of the respective monopoly organisation.

The new Hawley-Smoot tariff raises the customs burden on an average from 33.22 to 40.08 per cent. of value. The original idea of an adaptation of the agricultural tariff rates to those of industry was completely dropped in the course of the lengthy legislative work under the pressure of the monopolies. In its final form, the tariff contains more numerous items and heavier duties than any previous customs tariff of the United States. On an average, the duties are almost twice as high as was the case in 1913. 750 raw materials of the automobile industry are more highly taxed, as are also 150 commodities employed in the wool and cotton industries. The duties on footwear, wool, meat, and sugar may be estimated to represent an increased burden for the consumer of annually a thousand million dollar⁹.

This exorbitant increase in customs tariffs has called forth considerable opposition in American industry itself. Industries, such as automobile construction, typewriters, cash registers, and the like, which have no reason to fear foreign competition but which employ foreign raw materials and sell a great part of their output abroad, fear that the new tariff will not only enhance their costs of production but also lead to retaliation in the form of higher duties on their own goods in foreign countries. Hence Ford's protest against the new Tariff Bill.

This attitude has found utterance in the protest of 1,028 national economists, submitted to Congress on May 5th. The signatures include names of worldwide fame, such as Irving Fisher, H. R. Seager, and F. W. Taussig.

It is an interesting fact that the American Federation of Labor consistently champions the further increase of the tariffs. On June 2nd, Woll, Vice-Chairman of the Federation, addressed a letter to Congress, in which in the name of the

American workers he vehemently opposed Ford's free-trade tendencies. (This letter is published in full in the "New York Times", issue of June 2nd, 1930.) Woll reproaches Ford for depriving from six to ten thousand American workers of employment by removing his tractor works from Detroit to Ireland and considers it a shame that these tractors, produced at 60 per cent. lower wages, should be imported into the United States free of duty.

"Behind this campaign for the lowering of protective tariffs, there is the desire either to reduce the wage level of American workers to that of Europeans or else a total disregard for the welfare of the American wage-worker."

The arguments advanced by the economists' protest, on the other hand, are those of the classic free trade school. From an abstractly theoretical point of view they are fully correct. But the economic policy of the United States is not fashioned in the interest of the general public but in that of the profit of the temporarily strongest group of the ruling class, a group at present composed of the industrial monopolists supplying the American home market.

The American customs tariff will undoubtedly be the starting point of a fresh aggravation of tariff warfare throughout the world. The diplomatic protests of practically all other countries (84 in all, we believe) remained without avail. Recourse must thus be had to active retaliation. The most important step in this direction so far is the resolution published on July 5th by the leaders of the leading British banks, calling, in abandonment of free trade traditions, for duties on all goods from countries outside the British Empire. The significance of this document is all the greater, seeing that two of the signators, Pease and MacKenna, four years ago signed the renowned manifesto of the bankers in favour of free trade. It cannot be doubted that this announcement on the part of the rulers of British financial capital is the signal for the final abandonment by Great Britain of free trade principles in favour of protection. The Anglo-American differences are bound to be strengthened by such a step. This impending change in Great Britain's customs policy is closely connected with the new customs tariff Bill in Canada, which will affect an American importation into that country of a value of 225 million dollars per annum (as calculated by the Department of Commerce). The increase in the duties on automobiles in France and Italy is likewise directed in the first place against the United States, as are also the customs increases in Australia. Altogether, the higher American tariffs make for increased tariff protection endeavours on all sides, seeing that the present serious economic crisis has brought the protection of the home markets for "national" industry to the fore practically everywhere. In short, we are undoubtedly approaching a period of increased tariff protection both for industry and for agriculture, such measures being one of the chief weapons in the struggle to combat the fundamental contradiction between the productive and consumptive forces in capitalist society, a contradiction which can naturally not be removed by any tariff protection policy.

The Crisis, the Working Class and the Social Traitors.

In our circles it has already become a commonplace that the burden of the crisis falls principally upon the working class and the working peasantry. The working class suffers under the great increase in unemployment, the reduction of wages, and the deterioration of working conditions in connection with the crisis. The facts themselves are well known from the Communist press of all countries. In some countries e. g. England, the number of unemployed is 50 per cent. higher than it was a year ago, in others (Germany) it has increased by 100 per cent. In the United States the unemployment total is about three times what it was last year, so far as can be judged on the strength of incomplete data. The worldwide agrarian and raw material crisis has caused mass unemployment in countries where such a phenomenon was hitherto practically unknown, as e. g. in South America and Asia. The full extent of unemployment cannot possibly be recorded in figures: in the chief capitalist countries, the United States, Germany, and Great Britain, a rough estimate shows a fifth

of the total number of workers to be unemployed, while a further fifth is working short-time.

Unemployment in the Trade Unions (In Gt. Britain among Insured Workers)

	U. K.	Belgium	Denmark	Germany	Sweden	Australia	Canada
June 1928	10.8	0.6	13.7	6.2	7.6	11.2	3.2
June 1929	9.8	0.4	10.0	8.5	7.2	10.0	2.9
January 1930	16.6	3.5	20.2	22.0	14.2	13.1	10.8
February 1930	13.1	2.6	21.3	23.5	13.2	—	11.5
March 1930	14.0	2.2	16.9	21.7	12.5	14.6	10.8
April 1930	14.6	2.2	12.0	20.3	11.1	—	9.0
May 1930	15.3	—	10.0	19.5	7.8	—	—
June 1930	15.8	—	8.8	—	—	—	—

The seasonal diminution of unemployment in the summer months is almost wholly counter-balanced this year by the crisis. How great the loss of the working class by reason of unemployment and short-time work actually is, may be seen by the calculation of Kuczynski, according to which in May 1930 the German workers suffered an average loss of wages of 10.6 marks a week through unemployment and short-time, as against 4.98 marks a week in May 1929¹⁰.

While the chronic mass unemployment of post-war times is an outcome of the general crisis of capitalism, the pronounced and prolonged increase of unemployment during the crisis is, as we have repeatedly pointed out, an outcome of the monopolist character of modern capitalism, which has not ceased to develop even in the crisis. While in the period of industrial capitalism, the period of "free competition", the prices of all goods fell rapidly at times of crisis and the price drop (by reducing the price total of commodities, as Marx pointed out, to the socially necessary level) formed an important element in overcoming the crisis, the monopolies put up a powerful resistance to the price drop both in the sphere of production and in that of circulation¹¹), and endeavour to bring about a consumption of stocks by means of decreased output. Hence there is a lengthy augmentation of unemployment during the crisis.

It is the wholesale prices of the non-monopolised goods which have so far dropped most markedly, while the price drop in the case of wholesale finished industrial goods and retail business is insignificant. This means that the workers as consumers have practically no advantage from the price reduction, while at the same time they have to put up with heavy wage reductions and a deterioration of working conditions. The workers thus receive lower wages and suffer heavy losses by unemployment, without profiting as consumers by the price reduction. The greatest burden of the crisis therefore falls on the proletariat. The Oeynhausen award of a "price reduction together with wage reduction" (and incidentally at fat extra profit for the capitalist) most aptly characterises the situation.

The crisis presses with its whole weight upon the working class. What, then, do the Second International and the Amsterdam International say and do in face of such a state of affairs?

The Executive of the Second International passed a unanimous resolution early in May in regard to the international economic crisis. In the "Vorwärts" of May 13th, this resolution occupies fully 44 lines. What does it contain?

It starts with a recognition of the need of the working classes by declaring:

"The international economic crisis shows that the anarchy of the capitalist mode of production is less and less compatible with the vital interests of the working masses in all countries."

Mark, that not the capitalist manner of production itself is incompatible with the vital interests of the workers, but merely its

¹⁰) "Finanzpolitische Korrespondenz" of June 26th, 1930.

¹¹) At the World Power Conference, Sakett, American Ambassador to Berlin, established that the American electricity companies (the so-called "Power Trust") sell electricity at as much as 15 times cost-price. ("Frankfurter Zeitung" of June 19th.)

anarchy. A non-anarchic but "organised" capitalism would apparently be fully compatible with the vital interests of the workers.

The Social Fascists were the champions of capitalist rationalisation. This does not prevent the Second International from declaring:

"Industrial rationalisation has increased the productivity of labour to an unforeseen degree. But the capitalist organisation of world economy has made the increase in the productivity of work a source of unprecedented unemployment."

True. But does the Second International summon the workers to fight against capitalist rationalisation? By no means. As a matter of fact, the Labour Ministers even after this resolution insisted on the necessity of rationalisation.

What are the slogans proclaimed by the Second International?

"The L. S. I. calls upon all Socialist and Labour Parties to resist to their utmost both these reactionary advances (against the reduction of wages, the deterioration of the workers' protection, and the systems of taxation) and the orgies of the tariff protection."

What the nature of this "utmost resistance" is to be, is not said. Obviously it is a question of votes in Parliament, in which connection it is safe to predict that the French and German Social Fascists (to say nothing of the A. F. of L.) will not adhere to these directives.

The resolution goes on to say:

"While millions of workers and employees are out of work, the occupied workers and employees are driven by rationalisation to ever greater and more exhausting straining of muscles and nerves. This contradiction will compel (!) the working class to take up the fight for the reduction of working hours below the 48-hour week."

The Second International itself by no means summons its adherents to this fight. On the contrary, it seeks to sabotage the fight by making it dependent on an unrealisable condition.

"This fight, however, presupposes that the eight-hour day, the outcome of former fights for shorter working hours and the starting-point of future fights for a further reduction thereof, will be safeguarded."

"The L. S. I. therefore reminds all its sections of the necessity of utilising every chance of ensuring the ratification of the Washington Convention."

Seeing that the capitalist Powers will on no account ratify the Washington Convention, this condition implies a sabotage of the fight for a reduction of the working week below 48 hours.

For the duration of their natural lives, the Austro-Marxists desire to maintain for the working masses exploitation, unemployment, and mass misery, and for themselves Parliamentary seats and Ministerial portfolios. The overcoming of capitalism is reserved for a future generation.

II. Special Section.

Germany.

"It is appalling to see what a degree of hopelessness is seizing on ever wider circles of the population in Germany." (Gustav Stolper in the "Deutscher Volkswirt" of June 6th, 1930.)

The above lines best characterise the general economic situation in Germany and show that it will be hard to find a way out of the present serious economic crisis in that country.

The peculiarity of the present economic crisis in Germany lies in the fact that it does not follow a boom but comes

after a period of three years during which the output has remained practically unchanged. This means that German economy, as we pointed out six months ago, has come to the limits of its development and is no longer able to rise to a real boom.

The Development of the Economic Crisis in Germany.

In the last few months the economic crisis in Germany has set in with full force. Output is declining all along the line. Apart from a slight seasonal improvement, unemployment is more serious than it has ever been in the last seven years. Nor are there any prospects of an improvement. The economic crisis which has set in after years of stagnation, has led to great difficulties in the State budget. The interest of the various classes collide sharply in the distribution of the product value of economy. Elements of a general national crisis develop more and more clearly from week to week.

The productional data at our disposal at the present time do not yet reveal the full rigour of the crisis, although the output of heavy industry was already in April 20 or 25 per cent, below the level of last year.

The industrial index of production edited by the Institute for Business Research is so far only calculated as far as April¹²⁾ and figures as follows:

Quarter Years (100 repr. 1928)

	I	II	III	IV
1929	95.1	109.1	103.3	99.6
1930	93.4			
1930 April		91.5		

In April, the output was thus 17 per cent below that of the second quarter of 1929; in May and June it is bound to be still lower. In February, the Institute announced that "a transition to a state of depression was apparent". Events have given the Institute the lie, as has almost invariably been the case since its existence.

Output of Heavy Industry

	March 1929	April 1929	May 1929	March 1930	April 1930	May 1930	June 1930
Hard Coal (Mill. Tons)	13,50	13,41	12,76	12,54	11,48	11,95	10,80
Brown Coal (Mill. Tons)	14,73	14,23	13,67	11,30	10,83	12,31	11,75
Crude Iron (Thou. Tons)	34,2	37,1	37,1	32,5	30,0	27,7	25,6
Crude Steel (p. Work-Day)	52,6	56,7	56,9	46,2	43,1	39,8	37,3
Rolled Prod. (p. Work-Day)	40,6	44,2	42,7	35,7	34,5	31,4	23,7

The recession of sales is still more pronounced than the recession of output. Pithead stocks in the Ruhr district in particular have rapidly increased.

Pithead Stocks of the Ruhr Coal Syndicate

	Coal (Thousands of Tons)	Coke	Total
		Coke & Briquettes (in Terms of Coal)	
End of December	655	813	1,748
End of January	842	1,113	2,344
End of February	1,473	1,349	3,251
End of March	1,918	1,753	4,215
End of April	2,116	2,262 (about)	5,100
End of May	2,600	2,600	5,800

Added to these stocks, there are substantial quantities on rail and the reserves in the Syndicate deposits. The pithead

¹²⁾ "Wochenbericht" of June 23rd, 1930.

are at present almost as great as before the British mining lockout of 1926, when 6.4 million tons lay at pitheads¹³⁾. The same impression may be gained from the report of the Dortmund Chamber of Commerce in regard to the big iron industry in May.

"The depressed state of the iron market at home has continued unabated. In regard to almost all products, the demand and the contracts concluded have remained within quite modest limits. At the same time, the restriction of the material expenditure programme of the Deutsche Reichsbahn Gesellschaft has been having an increasingly adverse effect on the works. All these circumstances have, on the other hand, led to a constant increase of stocks. The works were therefore not only obliged to carry out to the full the measures of restriction hitherto observed in force, but had also to proceed to fresh work restrictions and staff dismissals on a large scale."

In June the position further deteriorated. Closing down of works and discharge of workers are still the order of the day.

The building market is seriously affected:

"The reserve on the building market is general; it does not extend only to business and private building projects, but quite particularly to the building activity of the State and municipalities. Work is proceeding almost exclusively on buildings works already commenced. In view of the municipal programme of retrenchment, we can reckon, in regard to the construction of dwellings alone, with a diminution of roughly 15 per cent. compared with last year's total; altogether the recession in public building activity is estimated at 1,000 million marks on a total volume of 2,600 to 2,800 million marks last year."¹⁴⁾

It is not surprising under such circumstances that 44 per cent. of the building trade workers remained unemployed throughout the height of the season.

The position of the engineering industry is likewise very bad. A general decline is also noticeable in the industries producing means of consumption, with the exception of the wool industry, which has recorded a considerable volume of orders received during the last few weeks.¹⁵⁾

Under such circumstances it is no more than natural that the unemployment total should have reached tremendous dimensions. At the end of May, the number of those seeking work at the Labour Exchanges was

2,689,000,

which is almost double the figure of the corresponding data last year.

The number of such unemployed as receive no relief and must have recourse to charity, is increasing from month to month.

Unemployed in Receipt of Charitable Relief¹⁶⁾.

March 31st, 1930	315,000
April 30th, 1930	327,000
May 31st, 1930	350,000

The following table shows the formation of unemployment in the trade organisations of the A.D.G.B. (General German Federation of Trade Unions).

Unemployment in the Trade Unions affiliated to the A.D.G.B.

(In Percentage Proportion to the Registered Total)

Organisation	Unemployed					Short-Time				
	Feb.	March	April	May	Feb.	March	April	May	Feb.	March
Miners	4.3	4.7	6.3	6.1	31.0	25.2	21.4	19.2		
Glass Industry	18.0	19.0	20.2	22.3	11.2	10.1	1.4	9.6		
Porcelain Industry	15.8	14.6	13.4	14.3	19.5	19.9	18.5	19.6		
Chemical Industry	13.3	13.7	13.1	13.7	14.0	11.8	11.2	11.6		
Metal Workers	15.7	16.6	17.0	17.9	19.4	19.6	19.3	20.1		
Textile Workers	12.8	13.8	14.8	15.1	26.8	30.3	31.1	31.4		
Garment Workers	24.3	18.0	14.0	13.7	18.4	14.2	13.0	12.7		
Shoemakers	23.0	24.0	23.7	22.5	38.1	32.2	32.4	20.9		
Printers	13.0	13.1	13.1	13.4	1.5	1.8	1.1	1.0		
Leather Workers	18.7	21.9	20.6	22.5	18.5	20.5	18.6	16.0		
Timber Workers	29.0	29.0	29.1	29.6	13.2	13.4	13.2	13.8		
Foodstuffs, Beverages	10.6	10.7	10.2	10.2	6.6	6.8	5.8	4.9		
Sugar, Preserves	16.3	16.4	15.4	16.7	6.1	4.5	3.4	3.7		
Tobacco Workers	19.0	21.3	20.3	19.5	26.6	21.5	22.1			
Regular Business Group	15.0	15.1	15.1	15.4	15.1	14.7	14.3	14.1		
Building Workers	62.4	51.6	45.1	41.1	—	—	—	—		
Carpenters	66.2	60.0	51.4	43.8	—	—	—	—		
Quarrymen	59.0	48.4	41.4	38.4	4.5	4.3	4.8	3.5		
Rough Ceramic	41.9	36.6	29.3	24.6	7.2	6.9	6.4	7.0		
Seasonal Group	59.5	50.0	42.9	38.1	2.0	1.4	1.2	1.2		
A.D.G.B. Total	1930	23.7	21.8	20.5	19.8	12.5	12.1	11.7	11.7	
	1929	22.3	16.8	11.1	9.1	8.5	7.5	6.6	6.3	

The intensification of the crisis is likewise to be seen in the price formation; wholesale prices continue to fall, in spite of the resistance of the monopolies.

Wholesale Price Index

Date	Agric. Prods	Groceries	Rawma- terials semi-finished goods	Means of pro- sumptuous goods	Con- ducta, goods	Total	Total Index	Changes %
1929	130.2	125.2	113.9	136.6	171.6	157.4	137.2	- 2.0
1930								
Jan.	121.8	114.9	128.3	139.5	168.4	156.0	132.3	- 1.5
Feb.	116.0	114.8	126.7	139.4	166.1	154.6	129.3	- 2.3
March	110.0	117.6	125.5	139.1	163.3	152.9	126.4	- 2.2
April	112.1	118.4	124.8	138.8	161.8	151.9	126.7	+ 0.2
May	110.7	117.2	123.8	138.6	161.3	151.5	125.7	- 0.8
June	109.7	115.0	122.0	138.3	160.4	150.9	124.0	- 1.0

The "scissors" between the prices of agrarian products and those of finished industrial goods are once more extremely large, far larger than in 1929, which proves the intensification of the agrarian crisis.

Foreign trade has been relatively favourable. Though the total value of exports is roughly 10 per cent. below last year's level, that of finished goods is approximately the same as last year. At the same time foodstuff imports have greatly declined both in volume and in value. The improvement is therefore very considerable.

¹³⁾ "Deutsche Bergwerkszeitung" of June 7th, 1930.

¹⁴⁾ "Deutsche Bergwerkszeitung" of May 8th, 1930.

¹⁵⁾ An excellent survey of the intensification of the crisis in regard to various branches of industry is contained in the Half-year Review of the Reichskreditgesellschaft.

¹⁶⁾ In cities with more than 25,000 inhabitants (totalling 25 millions).

Foreign Trade
(In Millions of German Marks).

Monthly Average	Foodstuffs and Beverages		Raw Mat. and semi-finished goods		Finished Goods		Parely goods traffic		Surplus Deficit
	In-pts.	Expts.	In-pts.	Expts.	In-pts.	Expts.	In-pts.	Expts.	
1929	318.6	58.5	600.4	343.8	189.1	819.4	1120.6	1123.5	+ 3.0
1930									
Jan.	480.8	46.4	634.4	348.7	174.2	795.3	1304.7	1092.3	- 212.0
Feb.	278.4	43.8	523.8	223.6	167.8	755.9	981.6	1026.3	+ 44.0
March	213.6	46.2	473.2	220.7	16.5	833.5	883.4	1104.0	+ 220.0
April	241.8	36.7	479.6	199.4	159.4	734.4	889.3	976.7	+ 87.0
May	209.2	39.9	453.5	236.3	159.3	813.3	830.2	1096.5	+ 266.0
June	215.0	48.1	440.6	187.2	150.5	669.9	813.6	910.2	+ 96.6

The money and capital market is also completely under the influence of the crisis. As in all countries, the money is pronouncedly liquid. The discount rate of the Reichsbank was reduced to 4 per cent and a further reduction to 3½ per cent is by no means excluded. The borrowings from the Reichsbank were at the end of June 1,200 million marks below the aggregate of last year. ("Frankfurter Zeitung" of June 26th, 1930.)

The situation on the capital market is complicated. On the one hand, Stegerwald maintained in his Reichstag speech that 8,000 millions of German capital have gone abroad so as to escape the high degree of taxation in Germany. On the other hand, the lower Reichsbank rate has been substantiated by the declaration that all superfluous arbitrage operations in gold must be prevented. In answer to pressure on the part of the Note Bank, some of the leading banks are said to have resolved to effect no purchases of gold abroad, profitable as such purchases would be for them. ("D. A. Z." of June 1st, 1930.)

In spite of the great liquidity of money, there has been no revival of emission activity. The bad trend of business affords no inducement for new foundations or the extension of works.

German Emissions at Home and Abroad.

In Millions of Marks Monthly Average	Loans		New Emissns of Real Credit Instit.		Shares Issues		Total
	Foreign	Inland	Total	Instit.	Capital Increases	New Foundat.	
1926	126.30	108.80	173	101.02	6.25	107.27	
1927	140.40	82.80	162	77.74	11.50	89.24	
1928	137.34	90.10	162	82.02	15.08	97.10	
1929	53.3	48.70	96	42.74	12.76	55.50	
1929							
April	1.70	17.50	147	46.34	22.02	68.36	
May	8.50	201.50	70	42.63	20.15	62.78	
June	292.50	—	58	59.41	3.76	63.17	
1930							
April	120.80	36.00	309	16.11	1.51	17.62	
May	37.82	17.00	239	6.68	3.60	10.28	
June	545.80	43.00	—	3.87	0.75	4.62	

Statistics of emission show the typical symptoms of critical times, a complete standstill in the emission of shares (in three months no more than 32 million marks were invested in share emissions as against 194 millions in the corresponding part of 1929), and an increase of loan emissions, the bulk of which falls to the share of the foreign loans of public corporations (Reparations loans).

The Oeynhaus Arbitration Award and the Labour Aristocracy.

The Oeynhaus Arbitration Award is the first wage reduction that has been enforced by the German State for a long time past. The total wages in the iron industry are to be reduced by 7½ per cent, but in such wise that only workers are affected who earn more than 15 per cent above the tariff rate of wages. It therefore represents a curtailment of the wages of the best paid workers, though in practice it may be assumed that the various enterprises will go beyond these limitations.

In this connection we should like to draw attention to the following important factor in characterisation of the confusion in the ranks of the German bourgeoisie. The inflation had levelled down the wages of German workers very substanti-

ally. During the inflation there was practically no working aristocracy. In the first few years after the stabilisation of the German mark, the policy of the German bourgeoisie was directed towards a differentiation in wages and the creation once more of a "labour aristocracy" at the cost of the broad masses. The Oeynhaus award broke with this principle by reducing in the first place the earnings of the labour aristocracy". This constitutes politically an attack on the standard of living of those sections of the workers which form the best prop of the bourgeoisie within the working classes during the period of imperialism.

That the social significance of the Oeynhaus award is recognised in this sense by the bourgeoisie, may be seen by numerous comments on the part of the Press. An example in point:

"Employers have rightly been striving for a long time past that tariff wages should merely guarantee certain minimum wage rates and should permit of the legal and practical possibility of paying a capable worker a relatively higher wage. The present curtailment, however, hits mainly the worker of more than average capability, whose earnings could hitherto, thanks to the piece-work system, most exceed the tariff average." ("Deutscher Volkswirt" of June, 13th, 1930.)

If we inquire after the cause of this change of German bourgeois wage policy, the answer can but be that the bourgeoisie has not the courage to provoke—at the present time of rising costs of living — the great mass of workers into a mass struggle by wage reductions, and therefore chooses the lesser evil of reducing the earnings of the labour aristocracy. So as to safeguard itself against the social consequences of this policy, the bourgeoisie has entered into negotiations with the heads of the trade unions for the purpose of creating a new working community. These negotiations, which were in progress throughout the month of June, led to no immediate result, it is true, and have been transferred to the "Reichswirtschaftsrat". It is obvious, however, that the Social-Fascist leaders, though placed in an awkward position by the capitalists' attack on the "labour aristocracy", will find a way of coming to terms with the employers. It is possible, indeed, that they are reserving this as a consideration in the eventuality of their participation in the Reichs Government.

Any division of the value product increasing the share of the workers and diminishing that of the employers, is likely to act deterrently on the spirit of enterprise, on new investments, and therefore on the transition from depression to a trade revival. Hence the present demands for a reduction of real wages on the part of the competent representatives of the bourgeoisie. In the sense of the Oeynhaus award, prices are to be reduced to the same degree as saving is possible in the sum total of wages, so that there is, allegedly, to be no reduction of real wages.

"Above all, it is a self-deception if the workers are persuaded that their real wages are not to be reduced. Wages, they are told, are to drop only in the same degree as prices. If this were really the case, the entire action would not be of much economic importance. If it is to have any sense and purpose, i. e. if it is to serve in the sense of overcoming the deep depression of economy, this can only be attained by a diminution of real wages and a consequent increase of profits." (Gustav Stolper in the "Deutscher Volkswirt" of June 6th, 1930.)

As a matter of fact, the Oeynhaus award means a reduction of real wages and an increase of profits, as the following considerations show:

1. For years past, the prices of iron have been maintained in the face of a falling tendency of world market prices
2. A reduction of prices would in any case have been necessitated by the crisis. As a matter of fact, the old official cartel prices were not infrequently undercut in foreign deals.¹⁷⁾
3. If the iron prices are reduced to the full amount of the wage reduction, this will mean an absolute increase in the profits of iron producers, seeing that also the other expenses, for coal, scrap, etc., have by reason of the crisis either already, fallen, or else are about to do so. Placing the price reduction

¹⁷⁾ This appears from numerous newspaper reports.

The critical state of French agriculture is well known. It is not only part of the international agrarian crisis but in part a structural crisis; in view of the stationary population total and the migration of the younger generation to the cities, entire villages are depopulated. The exaggerated parcelling out of the ground in France makes it difficult to employ the requisite labour-saving machinery. Thus a certain part of the land actually remains untilled. Agrarian capital is interested particularly in the production of marketable crops, especially the vine, the result being a particularly severe crisis in vine-culture. So as to stay the drop in the price of wheat, the duty was suddenly raised by the Government on May 20th from 50 to 80 francs per double cental. This rate is more than double that of pre-war times. In the case of wheatmeal exportation, if made from French wheat, this tax—computed in terms of wheat—is refunded, so that in effect there is an export premium. Nevertheless, the prices of agrarian products continue to be extremely low.

In summing up we may say that the economic crisis has undoubtedly commenced in France, but has not attained any very great dimensions so far.

Price Formation.

In France, prices are more tenacious than elsewhere in maintaining the level once gained.

Wholesale Prices (At End of Each Respective Month)

	May	April	March	Febr.	Jan.
General Index	553	560	565	575	576
Home Products	590	596	600	611	604
Imported Goods	485	497	501	509	520
Food stuffs	532	526	523	529	524
Vegetable	472	432	422	430	440
Animal	571	611	617	624	604
Sugar, Coffee, Cocoa	524	532	536	536	532
Ind. Raw Materials					
Aggregate	579	592	601	614	618
Minerals and Metals	530	544	577	584	595
Textiles	519	537	523	544	565
Miscellaneous	646	654	659	675	669

While imports have receded in five months by almost 7 per cent, the price drop for home products is barely 2 per cent. Indeed, retail prices in Paris rose during May.

Retail Price Index for 13 Articles of Food in Paris at Close of Month:

May	April	March	February	January
590	586	591	598	609

Apparently, on a stable price level it will take very long to overcome the crisis.

France's "Five-Year Plan".

The great popularity which the Five-Year Plan of the Soviet Union has already attained throughout the world, is documented by the fact that in France there is general talk of a five-year plan of State investments for the purpose of improving the economic situation. But how tiny are the dimensions of this French five-year plan. Altogether 5,000 million francs are to be set aside in yearly instalments of 1,000 millions out of the surplus of the State budget. 14 francs equal one rouble. 1,000 million francs are therefore roughly 70 million roubles. A ridiculously small amount in comparison with the investments of the Soviet Union.

Of these 5,000 million francs, the following sums are to be used in five years:

1,750 million francs for agriculture, electrification, afforestation, provincial telephones and telegraphs, etc.

1,450 million francs for public health and educational purposes, construction of schools and hospitals, etc.

1,800 million francs for commerce and industry, roads, waterways, harbours, electricity plant, etc.²¹⁾.

Altogether, this plan is economically of ridiculously small importance and mainly serves purposes of electoral demagogic. Under the pressure of the bad business position an

increase of the total sum to 17,000 million has been demanded (the Radical deputy Chabrun even calling for 65,000 millions) but Parliament is not likely to exceed the 5,000 millions, which are actually available in the form of a treasury surplus.

Money and Capital Market.

The unprecedented liquidity of money in France continues unchanged.

The superfluity of money flows into the Caisse d'Epargne for the purchase of debentures, now that the formerly popular investment in "bons de trésor", paying more than 4 per cent., and in "bons de défense nationale", paying more than 5 per cent., has become impossible, and in fact are being continually redumed.

Emission of Securities²²⁾

	Existing Companies Shares	New Shares	Total Debentures	Millions of Francs
1913	47,1	96,5	76,3	219,9
1925	178,7	86,2	42,5	307,4
1926	192,6	160,2	47,7	400,5
1927	279,2	280,7	58,9	618,8
1928	457,0	364,0	84	896
1929	633	565	84	1274
1930	January 234	1027	52	1313
	February 283	2790	88	3261
	March 364	1914	76	2354
	April 203	614	55	872

The old joint-stock companies make use of the liquidity of money for the purpose of increasing their capital; on the other hand the emission of shares of new companies remains insignificant if we take the depreciation of money into consideration, being not even a fifth of what it was in 1913.

It is interesting that in spite of the unparalleled low rates of interest for stock-exchange money and bank deposits, the shares still command a fairly high rate of interest at their present quotation. The following examples are on the basis of the quotations of June 23rd:²³⁾

Banque de France	3.06%
Credit Foncier	2.32%
Pays-Bas	2.83%
Union Parisienne	3.00%
Credit Lyonnais	2.50%
Paris-Lyon-Méditerranée	4.43%
Creusot	4.27%
Lens (Coal)	1.59%
Kühlmann	3.24%
Longwy	3.07%

The shares of absolutely safe concerns, such as the Bank of France, the Credit Lyonnais, or the P.L.M., yield from 2.5 to 4.43 per cent, on the basis of last year's dividend. It is obvious that the share quotations anticipate the reduction of the dividend to be expected for the coming year.

The surplus of monetary capital ought to lead to increased capital exportation, the possibility of which is given in the gigantic stock of foreign bills (some 35,000 millions) with the bank of issue and the State Treasury. So as to set the exportation of capital going, the taxes on securities, coupons, etc., were reduced at the end of April. The same purpose is served by the foundation of the "Banque Française d'Acceptation" by the leading Paris banks. This bank is said to have discounted as much as 30 million pounds worth of foreign, mainly German, bills in the month of April alone²⁴⁾. How many foreign loans were placed during the last few months, we could not ascertain, since the French statistics of emission make no distinction bet-

²²⁾ "Temps" of May 30th, 1930.

²³⁾ "Information Financière" of June 28th, 1930.

²⁴⁾ "Frankfurter Zeitung" of June 12th, 1930.

ween home and foreign issues²³⁾). Be this as it may, the liquidity of money continues undiminished and a reduction of the bank rate to 2 per cent. is altogether within the limits of possibility.

The Tax Burden on the French Population.

In all capitalist countries complaints are heard of the high rate of taxation. It would appear, however, as we have more than once pointed out, that France is relatively more heavily taxed in proportion to its national income than any other of the imperialist Powers. For the year 1929, the following sums were collected in taxes²⁴⁾:

	Million of Francs
Ordinary Budget	47,100
Amortisation Fund	7,300
Extraordinary Budget	700
Departments and Municipalities	8,000 to 9,000
	(roughly) 65,000

In comparison with pre-war times and allowing for monetary depreciation, the burden of taxation will be seen to have doubled. In comparison with Germany, France appears to be very highly taxed. Since the national income was estimated in 1928 at about 2,050 million pounds, the tax onus is roughly one quarter of the national income, which is relatively far more than in Great Britain, the United States, or Germany.

The tax burden falls predominantly on the working population, as may be clearly seen by the following computation of the "Frankfurter Zeitung", which refers only to State taxes.

	In Millions of Francs	In Per Cents
Total of Taxes Raised ...	55,110	100
I. Taxes on Income		
1. Actual Income Taxes	9,885	17.9
2. Other Direct Taxes ..	804	1.4
3. Capital Income Tax ..	3,980	7.2
Total	14,670	26.5
II. Trade Taxes		
1. Turnover & Luxury Taxes	9,901	18
2. Death Duties, etc. .	2,727	4.9
3. Stock-Exchange Turn. Tax.	531	1
4. "Enregistrement" ²⁵⁾ .	5,921	10.7
5. Stamp Duties . . .	2,270	4.1
6. Taxes on Expenditure, Automobiles, Theatres etc.	957	1.7
	22,307	40.4
III. Duties & Consumption Taxes		
1. Duties	4,425	8
2. Alcohol	2,348	4.3
3. Tobacco Monopoly ..	4,330	7.9
4. Other Consumption Taxes ²⁶⁾	6,165	11.2
	17,268	31.4

²³⁾ Under such circumstances it can only be explained by political reasons that no more than 85 million dollars worth of the Reparations Loan (which pays almost 6 per cent. interest) was placed in France. French politicians have explicitly declared that a non-payment of interest on the part of Germany would not be a merely Franco-German affair but a question between Germany and the rest of the capitalist world. Therefore France must not contribute in a higher degree to the Reparations Loan.

²⁴⁾ We call the following figures from a good survey published in the "Frankfurter Zeitung" of April 23rd, 1930.

²⁵⁾ Includes the special due for the Amortisation Fund. "Enregistrement" covers various dues on the drawing up of deeds and represents essentially a taxation of capital traffic and change of property, but it also covers various stamp duties, as e.g. on birth certificates.

²⁶⁾ Includes transport taxes estimated at 2,000 million francs.

More than one quarter of the taxes are taxes on income, 74 per cent are turnover taxes, duties, and taxes on articles of consumption, affecting the working class.

This system of taxation, the stability of retail prices, and the endeavours of French capitalists to depress wages, have led to the extensive economic struggles of the last few months. Nevertheless, the crisis in France has by no means entailed such far-reaching social unrest as is the case in Germany and Poland.

Italy.

In the last few months, the crisis has also developed in Italy. Naturally it is very difficult on the basis of the unflinchingly optimistic reports both of the Italian and of the bulk of the foreign press, to form a correct opinion of the actual situation. The Fascist press announces again and again that in Italy the crisis is bound to be less acutely felt than in other countries in view of the Fascist system and thanks to the effectiveness of Mussolini, the one-and-only.

The scant numeric data to hand in regard to Italian economy, plainly show the development of the crisis during the last few months²⁷⁾.

Italian Economic Returns

	January	February	March	April	May	April
Output						
Crude Iron Thou. Tons	38.5	43.2	44.9	44.7	46.1	60.5
Crude Steel " "	143	135	153	143	156	201
Cement " "	206	212	285	318	313	313
Artificial Silk Tons " "	2900	2745	2765	2615	2669	2669
Railway Freight Traffic Thou. Tons	4404	4194	4648	4497	4956	4956

Discounting the case of artificial silk, the output of which happened to be very small in the month of April last year, it will be seen that output has upon the whole fallen considerably in comparison with last year's figures.

During the last few months, the situation has continued to decline.

"Complaints as to poor business", writes the "Economist" of June 2nd, "are loudest in the textile industry. The silk industry has great unsold stocks, which it is unable to dispose of, as usual, in the United States. The wool and cotton industries complain of difficulty in disposing of their products in the Levante, the Far East, and South America."

So as to improve the situation of industry, renewed customs increases have been put through; thus on July 1st the duty on automobiles was once more increased. It now amounts to 300 or 400 gold lire per hundred kilograms, according to the weight or quality of the car.

Foreign trade, too, shows the characteristic symptoms of crisis in a pronounced recession of both exports and imports.

Foreign Trade in the First 5 Months

	Imports	Exports	Million of Lire
1930	5956	5182	774
1929	9632	7345	2287

The import surplus has greatly receded, partly in consequence of smaller raw material purchases abroad and partly as a result of the good harvest of last year, which necessitated far smaller purchases of foreign wheat.

The price development, too, shows the symptoms of crisis:

Wholesale Price Index in Gold Lire (On the Basis of 100 to Represent the Level of 1913)

	Foodstuffs	Industrial Materials and Ores
1930 January	130.8	119.9
" February	127.4	117.9
" March	125.3	115.8
" April	123.9	113.7
" May	121.5	111.1
1929 May	150.6	124.3

²⁷⁾ Figures taken from the "Wochenschrift des Instituts für Konjunkturforschung" of June 2nd, 1930.

The price drop for foodstuffs is very pronounced, amounting to almost 20 per cent in one year. The prices of industrial goods have fallen more markedly than on an average in other countries. All these, albeit scant, statistical data show that in Italy too the crisis is developing, and that obviously at a more rapid rate than is the case in France.

The dynamics of the price drop, considered in relation to individual groups of goods, present the same aspect as in all other countries, only in a more pronounced degree. According to the calculation of Bachi, prices fell in the following percentage proportion between March 1929 and March 1930:

Foodstuffs	18.8
Industrial Raw Materials	16.1
Semi-Finished Products	8.5
Finished Products	1.7

We see that the monopoly formation in Italy, which is fostered by the State, has so far almost completely prevented a price drop for finished goods in spite of the very serious drop in the prices of raw materials and foodstuffs.

The Bourgeois Class Character of the Fascist Economic Policy.

The plea of "public welfare", which is so often made use of masks a very obvious economic policy in the interests of the big bourgeoisie. In this connection it is of interest that the measures in question still have in part the character of a liquidation of remnants of what may be called the feudal system. Thus on April 1st, the system of taxing certain commodities upon their introduction into urban districts was finally abolished.

"In the first place," writes Professor Bachi in the "Wirtschaftsdienst" of May 23rd, "an end has been put to the 195 internal customs boundaries (round the so-called "closed" places), so that output and traffic within the country are now free. The onerous, ponderous, and complicated taxation of a number of commodities is replaced by a consumption tax on certain easily controllable goods."

In maintaining that the Fascist Government carries on an economic policy in favour of the big bourgeoisie, we do not mean to say that this policy is in any sense directed against the big landowners. In a laudatory article in the "Berliner Tageblatt" on the subject of the grain struggle, we read (on May 30th) that "the present Fascist legislation is not directed against landed property."

The same article contains the following description of the "feudal remnants" and of the misery of the peasantry:

"Agriculture in Italy stands and falls with the very complicated system of "half-yield tenants" (mezzadri) peculiar to it. The Italian landlord or farmer—if not tilling his property with the aid of hands supplied by an agricultural centre and participating in the yield of the harvest—generally divides it up, according to its size and fertility, into lots, ranging in size from 10 to 60 hectares, each of which he entrusts to a tenant and his family. The net profit is then divided between the landlord and the tenant." (Naturally not the net profit, but the gross return. — E. V.)

"The prospect of a higher profit is intended to interest the tenant in his work.

But let us view the other side of the picture. In extensive regions of central and southern Italy and on the islands, the tenants are often miserably poor in view of the backwardness of the prevailing working methods. It is only in rare instances that the soil yields a good return. It is therefore no wonder that in such districts in particular, the rural exodus is most noticeable."

The Fascist Economic Policy and the Position of the Working Class.

All the economic measures of the Fascist State are directed in the first place towards safeguarding the profit of the big bourgeoisie at the cost of the real wages of the workers, as will be seen by the following instances.

In the course of the year, the grain duties have been repeatedly raised and figure at present at the same height as the world market price.

The latest financial reform, which is to yield an annual 500 million lire for the amortisation of the State debt, seeks to

attain this end by raising the price of tobacco. "The price increase," says the "Borsen-Courier" of May 24th, "amounts, for the simpler varieties, to from 12 to 15 per cent. Foreign cigarettes have increased in price by 5 centesimi each, which is a substantial augmentation in the case of the inferior varieties. It is very doubtful whether this measure will cause the tobacco monopoly to yield the desired excess of 500 millions per annum."

The Fascist State, meanwhile, does not refrain from direct wage reductions either. Thus we read in the "Temps" of June 16th the following report which is particularly characteristic of the entire Fascist system:

"Bottai, Minister of Corporations, recently received the delegates of manufacturers and workers in the silk industry. After listening to both parties, the Minister resolved on a reduction of wages for certain categories of workers. This appears to be the only suitable measure for mitigating the crisis in the silk industry."

The significance of this and similar other wage reductions becomes apparent if we take into consideration the extremely low level of the real wages received by Italian workers. According to the well-known statistics of the International Labour Office, serving for the comparison of wages in the different countries, the level of wages in Italy is lower than in any other capitalist State. The said index was recently extended and now includes foodstuffs, fuel, lighting, and soap. Taking 100 to represent the real wage in seven big cities of Great Britain, that in seven big cities of Italy would figure at 43, in Spain at 45, in Estonia at 45, and in Austria at 52. Inaccurate and rough as these statistics may be, they show that the position of the Italian workers is worse than that of workers even in the poorest countries of Europe outside Italy.

These statistics do not take unemployment into account. But unemployment in Italy is very great. True, there are no reliable statistics in this regard and no record of the percentage proportion of unemployment, but even the official figures, which obviously record only a fraction of the actual total, show the deterioration of the position. The number of officially recorded unemployed in Italy, expressed in thousands, was as follows:

January	February	March	April	May	May 1929
466	457	385	372	367	288

Thus unemployment is roughly 50 per cent greater than it was last year. Whereas last year between January and May unemployment, as officially recorded, decreased by 234,000, the decrease this year was no more than 99,000. The diminution is wholly due to seasonal causes. In the textile industry, which is less influenced by seasonal factors, the number of unemployed rose from 55,000 in January to 77,000 in May. In regard to unemployment, therefore, the Italian workers appear to be just as greatly affected as the workers of other industrial countries. In view of the very low real wages of employed workers and the absolutely insufficient and very scantily accorded relief, the scourge of unemployment in Italy is even worse than in Germany or Great Britain.

Poland.

Among all the larger capitalist countries, Poland is the one in which the crisis began earliest and has attained its greatest degree. It follows that the aggravation of class antagonisms resulting from the crisis is most pronounced in that country. As a matter of fact, Poland is suffering not merely from an economic crisis but from a crisis of the Fascist system of government itself; indeed, we here see a rapid development of all the elements of a general national crisis.

The most important causes of the greater acuteness of the crisis in the case of Poland are as follows:

Poland is an agrarian exporting country: therefore the chronic agrarian crisis and its acute aggravation in 1929-30 had particular influence on Polish economy.

Poland is a rye-exporting country, and since it is just the price of rye that has fallen most pronouncedly on the world market, Polish agriculture was harder hit than that of any other agrarian country.

The industry of the country is concentrated on those

branches which have for several years past been subject to a chronic international crisis, viz. cotton spinning and weaving and coal mining. Therefore the industrial crisis was bound to affect Poland most severely.

All these factors taken together entail special market difficulties both for agriculture and for industry in Poland, and that both at home and abroad. The consumptive capacity of the home market is very small. If we pursue the development of the crisis on the basis of the Warsaw Institute for Business Research, it becomes obvious that the crisis was caused by the rapidly decreasing absorbing capacity of the home market in regard to articles of consumption.

Index Figures of Production Published by the Warsaw Institute for Business Research.

(on the Basis of 100 to Represent the Level of 1923-25)

	1927	1928	1929	1929	1929	1930	1930
	Nov.		Maxim.				
All Goods	114	129	144	129	124	103	—
Means of Prod.	117	146	152	144	136	123	—
Means of Cons.	116	124	—	118	114	95	—
Textile Industry	126	131	146	117	105	82	—

Thus, in December 1929, the output of the means of production was still relatively big, while that of consumptive goods showed a marked and rapid decline. Between November 1929 and March 1930, production decreased by 30 per cent.

The position of industry has since then continued to deteriorate, as the following survey of a correspondent tends to show ³⁰:

"The seasonal revival expected to ensue in the spring as an outcome of increased building activity, purchases on the part of agriculture, and the commencement of the summer season in the textile trade, has so far not made its appearance in anything like the degree anticipated. The failure of the building season affects very seriously all lines of industry connected with building. The metal-working industry, the production of fertilisers, and the other lines connected with agriculture suffer under the declining purchasing power of agrarian circles, which are experiencing an ever increasing crisis. There is an unsatisfactory development in the textile industry, with further dismissals, interruptions of activity and restrictions of working hours. After a slight upward movement in March, the iron foundries effected a renewed restriction of production in April, ranging from 9.5 and 14.8 per cent. The furnaces produced in that month 25,563 tons or 9.5 per cent less than in March; the steel works 66,764 tons (a decrease of 14.2 per cent), and the rolling mills 50,442 tons (a decrease of 14.8 per cent). The output of the coal mines declined by an average of 20 per cent."

The great poverty of the country and the lack of monetary capital caused the crisis in the sphere of circulation to assume particularly serious dimensions. It is generally known that there has always been a great lack of loan capital in Poland. Dewey, the American financial controller attached to the Polish Note Bank, reported as early as April 1929 that private firms were paying as much as 3 per cent monthly in Warsaw and 3½ per cent monthly in Lodz for bank credits. Obviously, private usurers charged, and still charge, still higher rates. These exorbitant terms are caused not only by the lack of monetary capital but also by the great risk of lending money, seeing that great sums thus advanced are lost owing to bankruptcy. Insolvency and bankruptcy have attained unprecedented dimensions. Hundreds of bills are protested daily;

during the last few months the percentage of bills protested figured at 14, in April in particular at 15.4³¹). Half the large and middle-sized agricultural concerns are in fact insolvent.

The agrarian crisis naturally affects the great mass of the peasantry most severely. The price of grain has dropped roughly 50 per cent in the space of two years. It is easy to imagine what havoc such a price drop was bound to cause among the peasantry, seeing that they are obliged to pay heavy taxes and in-supportable mortgage interest based on a high level of land prices established at a time when the price of grain was far higher than at present. The innumerable peasant disturbances on all hands furnish the best proof of the unbearably bad situation of the broad masses of the Polish peasantry.

The misery of the peasants is surpassed only by that of the industrial workers. Unemployment has attained catastrophic dimensions. The number of unemployed industrial workers was reckoned last December by the Warsaw Institute for Business Research to amount to 18.1 per cent of all industrial workers. Since then unemployment has continued to grow. On March 25th, there were officially 296,000 unemployed industrial workers out of a total of about one million. Since then there has been a certain seasonal relapse, but to a far smaller degree than in other countries during the spring. On May 17th, there were officially still 253,000 unemployed. The above number is obviously put too low. Polish comrades estimate that at the end of March 40 per cent of all industrial workers were wholly out of work, while a further 20 per cent were on short time. The agrarian crisis has naturally led to increased unemployment among land workers. The deterioration of the business position in France, meanwhile, is beginning to cause a return to Poland of the Polish workers hitherto employed in that country. Similarly, the crisis of agriculture in East Prussia lessens the possibility of seasonal work there, so that in the course of 1930, quite apart from seasonal influences, we can count on a continuation of this unprecedented degree of unemployment.

The standard of living of the Polish proletariat, at all times the lowest in Europe (with the exception of Italy and the Border States) tends under such circumstances to fall yet further. The unparalleled misery of the Polish workers must be recognised even by bourgeois economists.

The fundamentally bad economic situation of Poland has had the result that, in spite of the keen competition on the world market for opportunities of capital investment, the influx of foreign capital has since the middle of 1928 practically come to a standstill. If we add that the unproductive expenses of the State for the army and for the upkeep of the unproportionally great apparatus of power have not been, and cannot be, diminished since the rule of Fascism and of the bourgeoisie can be maintained only by the uninterrupted use of measures of violence, we come to the result that the present economic crisis must necessarily represent a serious shaking of the entire regime and that the elements of a general national crisis are given in Poland to an even greater degree than is the case in Germany.

The alienation of great sections of Polish economy makes rapid progress. In the last few years the American Harriman group has acquired ever larger portions of Polish industry. The entire Upper Silesian zinc mining enterprise is in Harriman's hands. The project of a large-scale electrification of coal mining and of all southern Poland by Harriman, was "definitely" declined by the Polish Government at the end of June after long discussions and mainly under pressure on the part of the Oppositional press³²). Dewey, the American advisor to the Central Bank, naturally does all he can in support of the American capital. In return, he publishes (contrary to the practice of his colleague in Germany, Parker Gilbert) very favourable reports on Poland's economic situation. In his last report he even goes to the length of declaring that the depression in Poland reached its nadir in the month of March³³), an assertion which lacks all justification and, as events have proved, all accuracy.

An apparent improvement is to be seen in the last few

³⁰) "Neue Freie Presse" of June 14th, 1930.

³¹) "Polish Business Conditions", published by the Institute for Economic Research, vol. III, No. 5.

³²) "New York Times" of June 5th, 1930. Report from Warsaw.

³³) "Germania" of June 3rd, 1930.

months in foreign trade, which has of late begun to show an export surplus.

Millions of Zlotys	Imports	Exports	Import Surplus	Export Surplus
1928 Monthly Average	280	209	71	—
1929 Monthly Average	259	234	25	—
1929 April	321	214	107	—
1930 January	217	219	—	2
1930 February	182	218	—	36
1930 March	195	221	—	26
1930 April	179	209	—	30

As these figures show, the export surplus was attained by means of the most drastic measures to curtail imports. In the first place a decrease was effected in the importation of industrial raw materials and machinery. In April, machine imports figured at only 10.8 million zlotys and imports of raw materials and semi-finished goods at 67.4 millions, as against 148.1 millions in April 1929, i.e. a decline of more than 50 per cent.²⁴⁾ The formation of foreign trade is proof of the severity of the crisis and by no means a sign of improvement.

In summing up we may say that Poland, which was always one of the weakest links in the capitalist chain, Poland where the crisis commenced earliest and has attained its greatest development, is also suffering great shocks in a social and political sense. There is no capitalist country in which the further maintenance of the capitalist system is threatened with such great dangers as is the case in Poland.

Great Britain.

The economic crisis which in the first quarter of 1930 made itself noticeable only in its earliest stage, has rapidly intensified during the last few months. In Great Britain we have the pronounced type of a business development in the period of capitalist decline, viz. chronic depression interrupted by crisis without any preceding business boom.

The rapid aggravation of the economic position is recognised unanimously by all economic publications.

If we proceed to a numeric description of output, we shall find comprehensive productional data only for the first quarter of 1930. They show a rapid sinking in comparison with the last quarter of 1929, but more or less maintain the level of the first quarter of last year.

Production Index of British Industry (On the Basis of 100 to Represent the Level of 1924)

	March Quarter	June Quarter	September Quarter	December Quarter
Board of Trade	1929 110.4	111.9	110.6	113.9
	1930 110.9			
London & Cambridge	1929 108.3	111.0	108.2	114.8
	1930 110.1			

An up-to-date, if somewhat less comprehensive, aspect of the development in the last few months is furnished by the index of business activity published by the "Economist" (100 standing for 1924).

	Jan. 1930	Feb. 1930	March 1930	Apr. 1930	May 1930	June 1930	June 1929
Net Imports of Raw Materials	135	126	117	103	103	97	105
Imports of non- ferrous Metals	131	134	119	119	116	129	135
Consumption of Iron & Steel	126	123	126	124	123	118	106
Consumption of Cotton	120	102	98	88	85	71	103
Consumption of Rubber	226	309	356	489	387	350	265
Consumption of Energy Coal	114	114	117	111	111	100	98
Electricity	132	131	130	122	113	—	108
Railway Freight Traffic	97	93	93	90	—	—	94
Export of Fini- shed Goods	106	100	100	94	93	87	106

²⁴⁾ "Polish Business Conditions", issue cited above.

Save in regard to rubber consumption, the recession during the last few months has been general, being particularly pronounced in respect of the consumption of coal and electricity, the exportation of finished goods, and quite especially, the consumption of cotton. In comparison with last year, the decline in the cotton consumption and in the export of finished goods is very great, whereas in other respects the business development is partly below, partly on or above, last year's level.

The crisis in the cotton industry weighs particularly on British economy²⁵⁾. The British cotton industry is a pronouncedly exporting industry, 85 per cent of the British output of cotton goods being exported. The absorbing capacity of foreign markets is therefore decisive for the position of this line of industry in Great Britain. No less than one seventh of the total British exports of goods in 1929, representing a value of more than 100 million pounds, fell to the share of cotton fabrics. Of such exports, from 25 to 30 (before the war as much as 50) per cent goes to British India. The boycott of British textiles in India is therefore a tremendously heavy blow to the British cotton industry. Added to this there is the complete disorganisation of the Chinese market, the competition of Japan, the development of a cotton industry in all industrialising agrarian countries, and other circumstances.

Price Formation.

The business position in Great Britain is worsened by the unceasingly downward tendency of prices. The principal effect of this on industrial capital is a depreciation in the value of raw materials during the time of production, so that the cost of reproduction which determines the selling price is lower than the actual cost of production. Besides this, the British bourgeoisie, as the chief producer of colonial raw materials of all kinds, is particularly hard hit by the price drop for non-ferrous metals, cotton, jute, rubber, oil plants, etc. The profits of the British bourgeoisie from their oversea enterprises will be very greatly reduced this year as a result of the drop in prices.

The development of wholesale price indices in the last few months show the following figures:

Board of Trade "Economist"

January 1930	131.0	123.7
February	127.8	121.0
March	124.5	119.4
April	123.7	117.2
May	122.0	115.8
June	120.7	113.2
June 1929	135.6	131.7

The price drop as recorded in the Board of Trade index is roughly 10 per cent, that recorded in the "Economist" index roughly 14 per cent in a twelvemonth, a recession hardly paralleled in the history of prices.

As in other countries, the price drop in retail trade falls very far short of that in wholesale trade. Thus the "Economist" (of June 7th) calculates that in four years wholesale prices have dropped 27.6 per cent and retail prices 10.4 per cent, while in the last twelvemonth (from April to April) wholesale prices dropped 13.2 per cent and retail prices only 3.7 per cent.

²⁵⁾ A good comprehensive survey of all the relative data is contained in the supplement of the weekly report issued by the German "Institut für Konjunkturorschung" on June 25th, from which we cull the following figures:

Cotton Consumption and Unemployment in the British Cotton Industry

Cotton Consumption in Thousands of Tons

	1st Qt.	2nd Qt.	3rd Qt.	4th Qt.
1928	187.3	169.6	143.3	176.9
1929	182.3	176.0	134.3	183.7
1930	163.7			

Unemployment in Thousands

	1st Qt.	2nd Qt.	3rd Qt.	4th Qt.
1928	52.0	61.4	85.4	67.9
1929	74.1	76.7	77.6	73.6
1930	151.5			

Professor Bowley hastens to demonstrate, in *Lloyd's Banker's Review*, that the reasons of this disparity are not the profits of transport and commercial capital and other intermediary factors, but before all the high wages and salaries paid in the sphere of distribution. In any case, the stability of retail prices forms an obstacle to the expansion of the home market and thus to the speedy overcoming of the crisis.

Foreign Trade, Money and Capital Market.

The decline in business, as already pointed out, is most perceptible in foreign trade, especially in the recession of exports. In the first five months of the year, the exportation of British goods figured at 262 million pounds, which was 47 millions, or 15.3 per cent, less than in the corresponding period of last year. Net imports amounted to 417 million pounds, or roughly 11 per cent less than last year. Naturally the great price drop accounted a great deal for this difference. An examination of the exports of the chief varieties of goods shows that, save in the case of coal, there was a serious relapse in comparison with last year; this was most pronounced in all sorts of textile goods, but also in regard to products of the iron and steel industry, with the exception of locomotives³⁶⁾.

Exportation of Principal Varieties of Goods

	First 5 Months		
	1928	1929	1930
Railway Material (Thou. Tons)	299,097	215,772	193,380
Total Steel & Iron (Thou. Tons)	1,761,863	1,933,982	1,546,571
Textile Machinery (Thou. Tons)	50,564	55,867	42,175
Total Machinery (Thou. Tons)	238,971	243,319	216,918
Cotton Yarn (lbs.)	72,708,900	73,322,600	62,038,600
Cotton Goods (Yards)	1,654,677,300	1,710,247,400	1,329,184,500
Woollen Thread (lbs.)	159,360	145,279	114,470
Woollen Goods (Yards)	54,038,400	45,208,000	35,875,700
Rough Material (Yards)	14,215,300	20,803,900	16,021,700
Linen Goods (Yards)	32,274,400	31,431,500	30,753,800
Jute Goods (Yards)	77,693,000	73,185,000	52,397,700
Boots and Shoes (Pairs)	455,218	381,397	401,230
Leather (lbs.)	187,432	139,646	125,679
Automobiles	18,034	18,120	14,356

The international economic crisis is reflected most strikingly in the recession of shipping rates. These figure as follows (100 representing the average from 1889 to 1913).

1913	May 1929	May 1930
116.3	113.2	88.5

The situation on the money market is the same as in all the leading capitalist countries, i. e. a great superfluity of short-termed capital. Early in May, the bank rate was reduced to 3 per cent. On the other hand, as everywhere, there is great reserve in the investment of capital for productive purposes. In this respect an analysis of the capital emission in the first half-year is of particular interest. The sum total of capital emission figured at 170 million pounds as against 174 millions last year. But whereas last year a total of 29 millions was employed for Government loans, the sum thus employed in the current year was no less than 85 millions or 50 per cent. of the total amount emitted.

At the same time, there was a pronounced shifting in disfavour of the capital invested within in the country, other than in Government loans. The amount thus invested was as follows (expressed in millions of sterling):

First Half Year	1926	1927	1928	1929	1930
	60	89.9	90.3	103.8	66.6

Thus the capital invested abroad increased to 26 millions, as against 19 millions in the first half of 1929.

The crisis is yet more pronounced in the diminution of new capital invested in British industry itself. While in the first

half of 1929 roughly 91 million pounds were invested in the so-called "home industries", only 31 millions, or little more than one third that sum, were employed in this direction in the current year.

In keeping with the bad' trend of business, the share quotations have greatly receded. The index of the "London and Cambridge Economic Service" figured as follows in the middle of the month for 20 industrial shares (on the basis of 100 to represent 1913).

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1929	256	246	236	213
1930	206	211		

The Search for a Remedy.

The present acute crisis, following upon a lasting chronic depression, has increased the efforts to find a way out. Naturally nothing fundamentally new has been discovered in this respect. A solution is sought along the following lines:

(a) Rationalisation and particularly a closer connection between banking and industrial capital.

b) Protective tariffs for the Empire or for Great Britain alone.

c) Reduction of wages.

As regards the first-named means, the lead has been taken, as we have already pointed out, by the Bank of England. A special financing institution, the "Bankers' Industrial Development Company", has been founded by the leading banks for a duration of five years. Besides this, the Bank of England, through the medium of its newly affiliated "Security Management Trust", has taken immediate control of certain industrial enterprises. The most important example in point is the merging (financed and controlled by the Bank of England) of a number of heavy industrial enterprises to form two new concerns, the Wigan Coal Corporation with a share capital of 1.75 million pounds, and the Lancashire Steel Corporation with a share capital of 5.5 millions. The control of the Bank of England is exercised by the emission of B-shares furnished with particular voting rights. The gigantic losses suffered by the British public in connection with the Hatry concern, the serious position of the Royal Mail Steamship Company (one of the biggest enterprises, with a share capital of more than 50 million pounds), and other events tend to show that there is a wide field open in British industry to the control of the Bank of England. This close connection between industrial and banking capital, which has long become an accepted fact in the other big capitalist countries but which was long delayed in Great Britain owing to special traditional reasons, is at present growing apace.

The Lancashire Cotton Corporation has continued its activity of concentration in the cotton industry. In the last few months it has acquired another half dozen big enterprises. It now controls 5,000,000 spindles and is negotiating for the acquisition of a further 5,600,000. The central purchase of cotton is said to have brought considerable progress, as have also the standardisation of yarns and the specialisation of the works in certain varieties.

"The Bank of England", says the "Köllnische Zeitung" of June 7th, "has reserved a credit of two millions for the rationalisation of industry, which is of course far too little. How little the Lancashire Cotton Corporation can alter the decline of the cotton industry, is shown by the fact that at present two thirds of their spindles are idle."

The Triumphal Progress of the Protectionist Principles.

Slowly and in the face of great obstacles, the idea of tariff protection is gaining ground in Great Britain. One of the most significant events in this direction was a resolution by the heads of the leading British banks and by certain big industrialists, which was published on July 5th, allegedly prematurely and as the result of a misunderstanding. The importance of this document lies in the fact that the 15 signatories are the virtual rulers of British economic life. We need mention but the following names: MacKenna, Peace (Lloyd's Bank), Tennant (Westminster Bank), Goschen (National Provincial Bank), Lord Bearsted (Royal Shell), Wigham (Bank of England), Hambro, Peacock (Baring's). These 15 represent, at a rough estimate, half the big capital of Great Britain. Subsequently, other bankers and big industrialists endorsed the resolution, among them Goodenough, Chairman of Barclay's Bank.

³⁶⁾ "Economist" of June 21st, 1930.

Let us reproduce this historic document verbatim:

"It is resolved that urgent measures for the promotion of interimperial trade are needed to secure and extend the market for British products, both at home and through the export trade.

"Bitter experience has taught Great Britain that the hopes expressed four years ago in a plea for the removal of the restrictions upon European trade have failed to be realised.

"The restrictions have been materially increased, and the sale of surplus foreign products in the British market have steadily grown.

"While we retain the hope of an ultimate extension of the area of free trade throughout the world, we believe that the immediate step for securing and extending the market for British goods lies in reciprocal trade agreements between the nations constituting the British Empire.

"As a condition of securing these agreements, Great Britain must retain her open market for all Empire products, while being prepared to impose duties on all imports from all other countries."

Two of the signators of this manifesto, McKenna and Peace, were among those who in 1926 signed the well-known free trade declaration of the international bankers. Obviously, the hope expressed in the document of a later definite victory of the free trade principle is nothing but camouflage to cover a retreat. The real purport of the document is the adoption by Great Britain of tariff protection, and the declaration that all goods are to be subject to duty naturally implies the introduction of foodstuff duties. In view of the great power represented by the signators and of the fact that the Conservative Party is more and more clearly adopting protection as a plank in its platform and that the Trade Union Congress (albeit in elastic terms) recently expressed itself in favour of free trade within the Empire, while Thomas declared that the Government would enter into the discussions of the Empire Congress in the autumn³⁷⁾ without binding itself in any way in regard to its customs policy, it appears inevitable that British policy will soon turn in the direction of customs protection.

This would effectually put an end to Great Britain's position as the only free trade country. Great Britain's free trade policy dates from a time when the country possessed the monopoly of large scale industry in all the world, when the British industrial bourgeoisie had no foreign competition to fear but was interested in receiving cheap raw materials and foodstuffs. Under present-day circumstances, now that Britain's monopoly position as an industrial country is shattered, while in view of the general over-production of industrial goods it is becoming more and more the market which all other industrial countries flood with their surplus products at dumping prices, the system of free trade can no longer be supported. It is not only the most important and influential branches of British industry which urge the adoption of protection tariffs, but also British agriculture, which is seriously menaced by the rapid price drop of all agricultural produce on the world market. Naturally, a change over from free trade to protection will call forth tremendous commotion in British economy. Numerous industrial enterprises which are wont to import their raw materials free of duty or to work up semi-finished goods purchased at dumping prices and export them to world markets, will lose their competitive capacity. What is more important still, the cost of living of the British workers will suddenly rise in consequence of the duties on foodstuffs, while their actual wages will fall. The struggle between capital and labour will be greatly aggravated. Economically and socially, Great Britain will in its entire structure approach far nearer to the other big European industrial countries—France and Germany—than ever before.

The attack on wages is already in full swing. A reduction of the wages of wool workers by 7½ per cent. could not be prevented in spite of the long strike. Wage reductions in the iron and steel industry, in the cotton industry (where eight

looms are to be served by each worker instead of four) and on the railways are likewise imminent.

Unemployment.

In the last few months, unemployment has been increasing rapidly in England, whereas normally there is a seasonal fall of unemployment about this time of year. In May, the unemployment among insured workers was 15.3 per cent., as against 9.7 per cent. in Mai 1929. The number of unemployed rises from week to week. In the second half of June it was close upon 1.9 million—not counting the unemployed in such occupations as are not subject to insurance—and it is obvious that the two million mark will be passed not in the winter but already during the inactive summer season. It cannot be doubted, moreover, that the growth of unemployment is no mere outcome of the bad business position, but that, similar to the conditions prevailing in the United States and Germany, rationalisation contributes greatly to the unemployment total, so that unemployment in Great Britain has to a great extent a structural character. This appears quite clearly from a comparison between the development of the volume of production and the number of workers employed.

On this subject there is a highly instructive table in the "Statist" of June 26th, from which we take the following figures:

	(All Figures Refer to the 1st Quarter)						
	Average Number of Employed		Average Number of Unemployed		Index of Production		
	1924 Thou.	1930 Thou.	% of 1924	1929 Thou.	1930 Thou.	% of 1924	1924 equals 100
Mining . . .	1,346	1,023	76.0	49	158	323.0	102.0
Iron & Steel . .	200	155	77.5	44	46	104.5	112.8
Non-ferrous Metals . . .	67	58	86.6	6	14	233.0	105.7
Shipbuilding & Engineering . . .	1,561	1,583	101.5	300	227	75.7	125.7
Textiles . . .	1,172	1,039	88.7	159	276	173.6	92.4
Chemicals . . .	198	200	101.0	19	18	94.8	107.5
Paper & Printing	328	364	111.0	25	23	92.0	—
Leather & Footwear . . .	194	177	91.2	21	25	119.0	108.5
Foodstuffs, Bever- ages, Tobacco	454	460	101.4	51	53	104.0	96.9
Gas & Electricity	165	151	91.6	11	11	100.0	—
Total	5,685	5,209	91.6	685	851	124.4	110.9

This table shows quite plainly the tremendous progress made in the last six years in the process of releasing workers: while the volume of output has increased by 11 per cent. the number of workers has decreased by 8.4 per cent. In certain branches (such as mining, iron and steel, textiles) the diminution in the number of workers employed is still far greater, in mining 24 per cent. on a volume of production which has increased by 2 per cent. It is therefore apparent that we are here faced with the same process as is to be seen in the United States. It must be emphasised that the returns in question cover more than half the industrial workers of Britain. In the course of six years, as the "Statist" points out, the output per head of the workers has increased by no less than 21 per cent. Since rationalisation is only now properly developing in Britain, it is certain that the process of ousting the workers from the process of production will continue with redoubled force in the next few years and that there is no prospect whatever of a diminution of the million-army of unemployed in Great Britain.

Unemployment and the Labour Government.

It will not long before the economic crisis has sent the unemployment total up to double what it was last year, which will render the position of the Labour Government extremely difficult. The results of the by-elections, with a serious falling off of Labour votes, already show how great is the disappointment of the working masses in regard to the activity of MacDonald's Government. It is apparent that if the bourgeoisie forces a new election on the country in the autumn, the outcome will be a severe defeat for the Labour Party.

Naturally it was clear from the beginning to every Marxist that the Labour Government would not be able to solve the unemployment problem in Great Britain, as it is

³⁷⁾ It is significant that the bankers should have resolved to send their declaration to the leaders of all the three political parties.

impossible of solution at all within the capitalist system, while a revolutionary policy cannot be expected of the Labour Party. Nevertheless, the workers entertained certain hopes which have now been blighted, since the MacDonald Government has not even done as much as might have been expected of an out-and-out bourgeois Government. Thomas contented himself with seeking business opportunities for the capitalists and supporting them in their profitable operations, proceeding from the standpoint that the welfare of the workers is solely dependent on that of the capitalists. The classical ideology of the privileged working aristocracy³⁸⁾.

The discontent of the workers with this policy of Thomas and MacDonald is so great that it even caused a certain rebellion within the Labour Ministry. Sir Oswald Mosley, Thomas's colleague in the "Ministry for Combating Unemployment", handed in his resignation in criticising Thomas from the "Left". This criticism consisted in the assertion that instead of the endeavours of Thomas towards mitigating the crisis by promoting exportation, attention should mainly be directed towards expanding the home market.

MacDonald supported Thomas, in which action he was ably seconded by the Opposition.

An attentive perusal of Mosley's speech, moreover, shows it to contain undeniable elements of a Fascist ideology, and we should not be at all surprised if this aristocratic "Left" Labour leader, who has served a term with each of the different parties, were soon to prove himself a thorough Fascist.

Nevertheless, MacDonald was obliged by the pressure of the masses to drop Thomas personally. Thomas had to share the conduct of colonial affairs with Lord Passfield (Webb), while MacDonald himself assumed the duties of conducting a campaign against unemployment. He attempted to treat the problem as a "super-Party national affair" by calling upon the leaders of the Opposition to co-operate in solving the unemployment problem. Lloyd George agreed, Baldwin refused. The Conservative Party declines to make itself responsible for unemployment.

This does not mean that there is not closest collaboration between the Labour Government and the bourgeoisie. In the Indian question it was officially declared that the Prime Minister was constantly in touch with the leaders of the Opposition parties. The London correspondent of the "Frankfurter Zeitung" (of May 22nd) aptly characterises the situation in remarking:

"Though there are men who are anxious to see the Labour Government deposed, there is not one among them who would be ready to assume authority in their place. With the greatest gratification the Opposition leaves to the Government the treatment of the Indian problem and the well-merited responsibility for the growth of unemployment."

The bourgeoisie knows that the Labour Government will not neglect any vital interest of British imperialism. And since the change to protection has not yet come about, since within the British bourgeoisie there are considerable differences of opinion as to the economic policy to be pursued (although the principle of customs protection is undeniably gaining ground), and since within the Conservative Party there is a continual struggle between Baldwin and the Press Lords, the Conservatives are content to let the Labour Government carry on for the time being. The longer it rules, the weaker the Labour Party is bound to emerge from the next General Election.

United States.

In an address to the Chambers of Commerce of the United States early in May, Hoover declared that the crisis in America had passed its acutest stage.

"We have been passing through one of those great economic storms which periodically bring hardship and

suffering upon our people. While the crash only took place six months ago, I am convinced we have now passed the worst and with continued unity of effort we shall rapidly recover. There is one certainty in the future of a people of the resources, intelligence and character of the people of the United States — that is prosperity."

Similar utterances may be read in thousands in the American press. They are not the expression of reality but of the belief that a show of economic optimism will ensure improvement in the business position. The bourgeoisie, incapable of comprehending the laws of its own system of production, has created, inter alia, a psychological theory of economic cycles which attempts to explain the periodic recurrence of crisis and boom as due to purely psychological, instead of economic reasons.

"It is a curious irony of fate", writes the "Financial and Commercial Chronicle" in commenting on the above utterance of Hoover, "that at the moment when Hoover boasts that the crisis in the United States will speedily be overcome by the measures he suggests, a new crash has begun in American economic life."

As a matter of fact, the economic life of the United States has been characterised in the last two months by continuation of the crisis at the very point at which it was interrupted by Hoover's measures of relief. Early in May there was a fresh stock-exchange crash, which was followed by repeated shocks all through June, in which month there was a renewed and more serious drop of grain and cotton prices and a further price drop for almost all raw materials with a fresh diminution of output all along the line. To-day there is hardly any doubt that the crisis will not be overcome this year.

In judging of the position we may cite some further utterances. W. C. Durant, the well-known stock-exchange speculator, who has for years past conducted the boom operations in shares, declared early in April:

"With keen regret I make the prediction that next winter we will see business conditions unimproved, longer bread lines, more soup kitchens, continued uneasiness and distress and a more pronounced tendency to socialism and communism. This, regardless of assurance that everything is all right."⁴⁰⁾

If we glance at the returns of production, it is obvious that the crisis has intensified of late. The deterioration is all-embracing, including both agriculture and all branches of industry, the stock exchange, the price formation, and in particular, the question of employment.

Production Index of the "Annalist".

	June 1930	May 1930	April 1930	March 1930	Febr. 1930	June 1929
Crude Iron Output	95.9	95.5	95.3	95.0	96.0	123.1
Steel Output	87.5	88.1	92.8	81.7	99.3	132.2
Laden Freight Wagons	87.5	89.9	92.4	88.8	92.3	101.9
Electric Power	92.1 ⁴¹⁾	94.2	96.7	94.0	95.7	101.1
Hard Coal Output	81.2	82.4	89.0	79.3	84.3	93.5
Automobile Output	88.0	95.4	101.2	98.4	106.6	143.4
Cotton Con- sumption	76.6	76.7	90.8	84.2	86.5	104.6
Wool Con- sumption	—	71.7	82.0	78.1	81.0	105.6
Footwear Output	—	93.1	102.2	95.2	95.6	112.9
Zinc Output Combined Index	79.6	75.7	76.9	82.5	81.2	99.5
	86.5 ⁴¹⁾	88.3	93.3	89.6	92.7	107.1

³⁸⁾ The contradictions now apparent in the British trade union movement are characterised by the utterance of a delegate to the Congress of the A. E. U.:

"There are trade unions of unskilled workers which hang like a millstone round the neck of the A. E. U." ("Times" of May 8th.)

³⁹⁾ "Financial and Commercial Chronicle" of May 10th 1930.

⁴⁰⁾ "New York Times" of April 23rd. 1930.

⁴¹⁾ Prov. Figures.

The table shows a relapse in June all along the line. Compared with June 1929, the recession in the index is just 20 points, or 19 per cent. Since a real crisis is wont to incur a decline of industrial production by 25 or 30 points, it appears likely that the worst stage of the crisis is still to come. It is also probable that the July index will be still considerably lower, since in July there was a particularly acute recession in automobile output, Ford closing down his works for at least two weeks and most of the other automobile works doing likewise.

In the other lines of industry not included in the "Annalist" index, the relapse appears to be just as great. Thus the copper output in May 1930 stood at 1945 tons, as against 3013 in May 1929, a recession of 35 per cent.

Among the most important lines of industry, the iron and steel production receded most markedly in June. In the third week of June the degree of occupation dropped from 69 to 65 per cent.; in July it probably went down to 60 per cent. There are indications that the utilisation of the productive capacity fell in July to 59 per cent.

The automobile industry shows a serious falling-off in comparison with last year. The total of automobiles of all sorts produced in the United States was as follows:

	1929	1930
January	401,000	275,000
February	466,000	347,000
March	585,000	401,000
April	622,000	443,000
May	605,000	417,000

Five Months 2680,000 1884,000

In June and July the difference compared with last year was probably still more marked.

As we predicted, the building industry, which Hoover expected would supply the main incentive towards overcoming the crisis, proved most disappointing this year. The sum total of building contracts figured, according to the statistics of the Dodge Corporation, at 2,037 million dollars in the first five months of 1930, as against 2486 millions in the corresponding five months of 1929, a reduction of nearly 20 per cent. Nor is there any improvement to be discerned in the tendency. In May the new contracts amounted to 457 millions, as against 588 millions in May 1929.

A very bad state of affairs prevails in the cotton industry. The consumption figured (in thousands of bales) as follows:

April 1930	572
May 1930	474
May 1929	669

The recession amounts to 27 per cent. Whereas in May 1929 31 millions of spindles were running, there were only 23.4 million spindles working in May 1930. The New England textile works, which were in any case the victims of a chronic crisis through the migration of the industry to the South, are now one after another closing down for a few weeks or else working only three or four days a week.

There is a systematic curtailment of output. The fine spinning mills of New England intend to curtail their output between June and December by 33 per cent. The coloured weaving mills of the southern States effected a 50 per cent. curtailment of output as early as May 12th; though originally intended to last only until July 19th, this measure is likely to be prolonged.

The deterioration of the business position is accompanied by a continuous drop of wholesale prices. The "Annalist" index shows the following figures:

Total Index of Wholesale Prices

1930	1930	1930	1930	1930	1930	1929
January	139.8	February	137.4	March	134.0	133.6

The price drop within a twelve-month figures at 17 per cent. The price drop is unequally divided: it is most marked in regard to textiles and dyes, least marked in chemicals and building materials. Monopoly formation plays a considerable rôle in this respect.

The growing recognition of the fact that no new revival in economy is to be expected in the current year and the greatly decreased profits of the railways and industrial enterprises

during the last few months, have led to a renewed slump of stock-exchange rates. This movement took the form of a number of successive drops, nor is it certain that the downward development is at an end. In view of the sagging character of the movement, it met with less attention in Europe in particular than did the crash last autumn, though this was probably also due to the circumstance that hardly any European speculators are operating on the New York stock exchange at present. How far-reaching this downward movement was, however, may be seen by the fact that the index of the Standard Statistic Company for 337 industrial articles was lower on June 26th than after the great crash in the autumn of 1929. The development of the stock-exchange index of the Standard Statistic Company contains the following figures:

	Highest 1929	Lowest 1930	Apr. 17 1930	May 7 1930	June 4 1930	June 11 1930	June 26 1930
337 Industries	218.9	134.5	172.7	157.0	161.4	147.6	130.6
33 Railroads	173.5	127.8	142.1	134.6	132.6	127.2	117.6
34 Utilities	330.4	177.6	260.0	243.2	253.9	231.7	202.8
404 Total		228.1	140.1	182.7	167.1	171.5	157.6
							139.8

In estimating this formation of rates it must be remembered that the bank rate in the United States is at present 2½ per cent. and that daily advances at less than 2 per cent. are abundantly available, circumstances which should act appreciatively on quotations. It is natural that the continued stock-exchange slump reacts unfavourably on the general economic position⁴².

Unemployment.

In the United States, which has no unemployment statistics, the most widely divergent figures are circulated regarding the number of unemployed. The Government is naturally interested in concealing the spread of unemployment by a false indication of the relative totals.

Thus in January the Government announced that in all 3 per cent. of the population were unemployed. Naturally such a computation is misleading, since unemployment must be reckoned not by the total population but by the number of wage earners. A certain insight is obtainable from a comparison of the degree of occupation with that of last year. According to the statistics of the Department of Labour, the index figure of workers on the wage lists of 13 branches of industry occupying more than three million workers was as follows:

1926	May 1929	May 1930
100	99.2	87.7

Even on the basis of the wholly imaginary assumption that there were no unemployed at all in 1926, it would appear that 12.3 per cent. of the workers are out of work at present. Since, however, there was a considerable number of unemployed in 1926, the present percentage must be somewhere between 15 and 20..

Added to this it must be borne in mind, as we have repeatedly pointed out, that the index of the degree of occupation is based on the number of workers figuring on the wage lists of industry at a certain time, irrespective of the number of days the workers in question were occupied per week and

⁴²) It is not uninteresting to regard the development of some of the internationally well-known securities.

	1929	1929	1929	1929
	Peak Rate	October 29	December 31	July 3
General Electric . .	403	250	243	67 ^{1/2}
General Motors . .	97 ^{3/4}	47 ^{1/2}	40 ^{1/2}	40 ^{1/4}
U. S. Steel Trust . .	261 ^{3/4}	185 ^{1/2}	171	157 ^{1/2}
International Harvester	142	85 ^{1/2}	79	82 ^{1/2}
American Smelting . .	130 ^{1/4}	80	73	50
Du Pont de Nemours . .	231	150	116 ^{1/2}	99 ^{1/2}
Chrysler Automobile . .	135 ^{3/4}	39 ^{1/2}	36 ^{3/4}	27 ^{1/4}
Stand. Oil New Jersey . .	83	64	66 ^{3/4}	65
Radio Corporation . .	114 ^{3/4}	40	43 ^{1/2}	35 ^{1/2}
Westinghouse Electric . .	292 ^{5/4}	145	144	134

⁴³) The shares were divided into quarters.

the number of hours they worked per day. Therefore, the wage total paid to them affords no general impression as to the degree of occupation. According to the statistics quoted above, the wage total (on the basis of 100 to represent 1926) was as follows:

May 1929 May 1930
104.8 87.6

The difference is 17.2 per cent. The change in comparison with that in the number of workers employed is less the outcome of wage reductions than of the fact that at present many workers are on short-time. The automobile works are in general working four days a week, Ford provisionally five days. The textile mills work four days a week or two weeks a month. The statistics of the American Federation of Labor puts unemployment among its members at 20 per cent, during the last few months, and this is probably the approximately correct figure for the whole of the workers in the United States.

Thus the position of the workers has very greatly deteriorated during the crisis, not only as a result of unemployment but also by reason of wage reductions, which have been increasingly frequent of late⁴³). According to the official returns of the Department of Agriculture, agricultural wages were lower on April 1st than ever since 1923. (This position is explained as being the outcome of an ample supply of agricultural workers resulting from the present small possibilities of employment in industry. In the various States, the supply of labour exceeded the demand by a percentage ranging from 13 to 21⁴⁴).

In this connection it should be mentioned that retail prices have so far hardly sunk at all. Over against a recession of wholesale prices by more than 17 per cent, within a twelve-month, there was a drop of retail prices for foodstuffs of barely 2 per cent. (Official Index of the Department of Labor.)

The Fresh Aggravation of the Agrarian Crisis.

In the month of June there was a renewed pronounced drop in the prices of the most important agricultural products, wheat, feedstuffs, and cotton. The price recession is now beginning to spread to animal foodstuffs. The reasons of this movement are fairly plain. In face of the activity of the Federal Farm Board towards stabilising prices, its agitation for a restriction of the Federal Farm Board towards stabilising prices, its agitation for a restriction of the area under cultivation remained relatively without effect. Seeing that the transitional stocks in America are larger than was the case last year and since the harvest prospects are fairly favourable (according to official estimates the harvest is likely to be as large as in 1929), it is obvious that a renewed price drop was inevitable. The internal contradiction between the policy of maintaining the price level and that of preaching the necessity of restricting the cultivated area could but end in disaster. The "New York Times" (of April 25th) sums up the situation by remarking that "the more the Farm Board purchases, the less it stabilises."

What a tremendous price drop has ensued during the last two years, may be seen by the following figures (culled from the "Harvard Economic Service" of June 7th and in regard to the later data from newspapers).

	May 1928	June 1929	May 1930
Wheat, \$ per Bushel . . .	1.63	1.05	1.00
Maize, \$ per Bushel . . .	1.07	0.88	0.80
Cattle, \$ per 100 lbs. . . .	13.12	13.46	11.56
Pigs, \$ per 100 lbs. . . .	9.84	11.00	10.23
Cotton, Cents per lb. . . .		18.72	16.43
Wool, Cents per lb. . . .		89.4	63.70

How greatly wheat prices in particular have dropped during the last few weeks and months, is shown by the following returns:

⁴³) Wage reductions were effected principally in the textile industry. As regards the automobile factories, Chrysler announces a 10-per cent. cut of wages and salaries "up to the general manager".

⁴⁴) "New York Times" of April 11th.

Quotations in Chicago

January 2nd, 1930	130 ^{7/8}
June 11th, 1930	104 ^{1/2}
June 18th, 1930	96 ^{5/8}
June 25th, 1930	88 ^{1/2}
July 12th, 1930	85

Within four weeks the price level has declined by 16 per cent.

Conditions are similar as regards cotton. Since at the time of sowing the Farm Board maintained the price at 16 cents a pound, the area under cultivation this year is approximately as large as it was last year; on the other hand, some 25 per cent more fertilisers were purchased by cotton producers than in 1929. Therefore a greater harvest may be looked for than in 1929, either with a relative maintenance of the present low price level or else with a further price drop.

Customs Tariff and Foreign Trade.

After six months' negotiations the new customs tariff was completed, signed by Hoover, and put into operation early in January. It represents a further restriction to the importation of foreign goods. Its birth was accompanied by fierce conflicts, which continued uninterruptedly even after it had come into force. A few days after Hoover had signed the customs tariff, Borah moved in the Senate that the productional costs of a number of goods be examined with a view to applying the "flexible clause", i. e. the authorisation of the President to increase or decrease the customs rates by 50 per cent.

The individual newspapers, periodicals, and economic interests differ widely in their estimation of the new tariff. While the Democratic papers attack the tariff and accuse Hoover of demagogic and mendacity, the Conservative portion of the Republican press firmly upholds the tariff and the Republican Party is prepared to use the Customs Bill as an election platform on the occasion of the partial re-election of the Senate in the autumn. The automobile industry is decidedly hostile to the new tariff, as it rightly fears retaliation in the shape of import duties on American cars in foreign countries. As a matter of fact, the duties on automobiles of foreign origin have already been greatly increased in France and Italy as retaliatory measures.

As is the case in regard to almost every successive American customs tariff, the original draft was transformed in the course of the negotiations into an instrument of the most influential monopolies. Therefore all the figures quoted by the Republican press in proof of the fact that the duties of the present customs tariff serve mainly the interests of agriculture and that on an average they are hardly higher than those of the last tariff, are devoid of all value as evidence. The duties on agricultural products will in most cases remain without effect, since the United States have an export surplus in this direction. Nor does the average height of the duties imply anything in particular, since it is rather a question how high a duty has been imposed on certain individual goods. In the limits of a survey it is naturally impossible to criticise the new customs tariff in detail, since it comprises more than 3000 items and forms a fairly big volume. We can merely show in individual examples what the tariff means for the big monopolies.

Para. 353, e. g., says that electrical articles of all kinds (locomotives, heating apparatuses, washing machines refrigerators, telegraph and telephone equipment, etc.) are to pay an ad valorem duty of 35 per cent. The one to profit will naturally be the General Electric Company.

Para. 374: Aluminium in a crude form, 4 cents per pound, semi-finished, 7 cents per pound. Here the beneficiary is the Aluminium Company, the property of State Secretary Mellon. Since this company produces 200,000 tons of aluminium per annum (at 2000 lbs. per ton), this duty—counting an average of 5 cents per pound—is tantamount to a gift of 20 million dollars yearly for Mellon and his family.

All sorts of iron goods are taxed according to their quality from 20 to 50 per cent ad valorem, the benefit accruing to three or four big iron trusts.

It is calculated that the new customs tariff will mean an annual burden of one million dollars on consumers.

The great increase in the tariff called forth serious

representations on the part of all European industrial States, the Spanish Ambassador and the Swiss Minister going so far as to speak at public meetings in America against the measure during the negotiations. Several dozen such protests were addressed to the Secretary of State, but without any avail. More than 100 economists protested against the tariff increases, likewise in vain.

The first consequence of the new tariff was the increase of duties by a number of other countries. The lead was taken by Canada, whose new tariffs, according to United States calculations, will affect exportation from the United States to Canada to the extent of 225 million dollars. The customs increases on automobiles in France and Italy have already been mentioned; they are likewise to be looked upon in the light of reprisals. It is not to be doubted, moreover, that the growth of the British customs protection movement, and especially the attitude of the banks, is largely due to the new American tariff. Thus the tariff increase acts as a factor aggravating the existing Anglo-American antagonism. From a standpoint of world economy the situation is as follows: America's foreign trade has greatly decreased in the last five months by reason of the crisis¹⁵⁾. Nevertheless, there was an export surplus of about 300 million dollars. Since, furthermore, the United States have a great revenue from their foreign capital investments, 117 million dollars having been realised in June alone in the way of interest and repayment of the inter-Allied debts, it is obvious that, provided the capital investments of the United States abroad do not assume quite unusual dimensions in the next few years, there must be a further continuous influx of gold to America. As a matter of fact, another 209 million dollars' worth of gold entered the United States in the first five months of this year. It is clear, moreover, that as a result of the renewed great customs increases, it will be more and more difficult for the European debtor countries to redeem, or pay interest on, their debts to the United States in the form of goods consignments or to purchase foodstuffs and raw materials in America. The augmentation of the customs tariff therefore automatically leads to a greater obstruction of trade between Europe and America in general and of the sale of American foodstuffs and raw materials in particular. It thus makes for an aggravation of the American agrarian crisis, although allegedly introduced for the benefit of American farmers.

The End of Hoover's Popularity.

The economic crisis has speedily put an end to the popularity of President Hoover. His constantly recurrent optimistic utterances in regard to the economic situation and the results of his policy of interference have made him ridiculous in ever wider circles.

In his afore-mentioned address to the Chambers of Commerce early in May, he was imprudent enough to make the following remarks:

"On the occasion of this great storm we made for the first time a great economic experiment, the greatest, perhaps, in all our history. By the co-operation between Government officials and the entire Government, business men, the railroads, public services, agriculture, workers, press, financial institutions and public authorities, we have undertaken to stabilise economic forces, to mitigate the consequences of the collapse, and to curtail its duration."

"I believe I can say with certainty that our common enterprise was successful to a very great degree. It has been possible to maintain confidence and courage. We have avoided monetary panic and credit restriction; those dangers now lie behind us. For the first time in the history of great crises, we have been free of any material

reduction of wages and of all strikes and lockouts in any way connected with the situation." (Retranslated from the German.)

The stock-exchange crash in May and June, the serious price drop, the aggravation of the agricultural crisis, and the renewed restriction of industrial production have given the lie to this and similar former utterances of Hoover's and have made him ridiculous. The issue of the tariff conflict worked in the same direction. Hoover had suggested the tariff revision on behalf of the farmers. The present customs tariff represents a fresh burden on the agricultural classes. Hoover has now the choice between allowing the Democratic press to tell him that he has betrayed the farmers in the interest of the great monopolies¹⁶⁾ or else that he is powerless within his own party in dealing with the influence of the monopolies. The complete discredit of Hoover is to be seen by the fact that both the Senate and the House of Representatives, without any ceremony and by an overwhelming majority, brushed aside his veto against higher pensions for the survivors of the Spanish American war and their relatives. The bourgeois attempt (explainable only by the illusion of prosperity) to place the guidance of State affairs in the hands of an engineer instead of a politician, has proved a complete mistake. Hoover will not become President a second time. His successor has already been found. It is Morgan's partner, Morrow, the well-known Ambassador of the United States in Mexico, recently elected Senator in New Jersey by a great majority as an opponent of Prohibition. When he has been elected President, Government power in the United States will come to be exercised by the only real ruler of that country, the banking concern of Morgan.

Japan.

Japan is one of those capitalist countries which, similar to Great Britain immediately after the war, did not experience any real boom. Such a degree of economic prosperity as existed during and immediately after the war in most countries, Japan never attained. The last three years have been overshadowed by the bank crash of 1927, from which, in spite of substantial State support, Japanese economic life has not yet recovered. True, the business position somewhat improved in 1928 and 1929, but without rising to anything like prosperity. From the outset of the international crisis, Japan has been involved in it. In view of the general weakness of the capitalist system, the crisis assumed a particularly violent form in Japan.

The most important economic returns, in so far as they are available, show the following development:

Production Data¹⁷⁾

	Cotton Yarn	Cotton Tissues	Raw Silk	Silk Tissues	Copper
1927	118	136	154	133	106
1928	114	145	158	135	110
1929	130	161	177	132	125
1930, Febr.	131	161	90	132 ¹⁸⁾	115 ¹⁹⁾

No comprehensive returns for the current year are as yet available, but all newspaper reports speak of a particularly serious crisis.

"Chaos prevails here in the iron industry", writes the "Japan Advertiser" of April 23rd, "as a result of the low world market prices. Prices are 20 per cent. lower than in May of last year. The price of iron bars is the lowest recorded since the war. The Indian competition is very great. Stocks at the end of 1929 stood between 350,000 and 400,000 tons, as against 176,000 tons at the end of 1928. This is enough to cover demand for six months. Nevertheless, Japanese merchants have concluded contracts for 200,000 tons with Indian producers." (Retranslated from the German).

¹⁵⁾ v. the press review of the "Literary Digest" of June 28th, 1930.

¹⁶⁾ Data of the Mitsubishi Bank, culled from the "Viertel-Jahreshefte für Konjunkturforschung".

¹⁷⁾ January figures.

	Millions of Dollars					
	1929		1930			
	Exports	Imports	Exports	Imports	Exports	Imports
	Surplus				Surplus	
January	488	396	119	411	311	100
February	442	369	72	349	282	67
March	490	384	106	370	300	69
April	425	411	15	332	308	24
May	385	400	15	322	285	37
	2,230	1,933	297	1,784	1,486	297

There is a still more serious crisis in the textile industry, the most important line of industry in Japan.⁴⁹⁾ The price drop of raw cotton, the complete destruction of the Chinese market in consequence of the civil war and the depreciation of silver (which latter factor also affects Japan's other Asiatic markets most unfavourably), and the newly introduced 15-per cent. duty on cotton goods in India, are, apart from the international crisis itself, the most potent factors aggravating the crisis of the Japanese cotton industry.

Still worse is the position of the silk industry. Raw silk, silk goods, and silk waste form 46 per cent. of Japanese exports. 80 per cent. of the silk exports go to the United States. The American crisis has naturally led to a great restriction in the consumption of silk, by which Japanese exports are particularly hard hit.

Japan's foreign trade has remained stationary during the last three years.

Foreign Trade (Millions of Yens)
(On the Basis of 100 to Represent 1921/25)

	1927	1928	1929
Imports	103	105	106
Exports	119	117	124

The first four months of 1930 show a pronounced relapse.⁵⁰⁾ Imports totalled 674 million yen, or 229 millions less than the first four months of 1929. Exports stood at 518 million yen, which was 155 millions below 1929. The decline of exports falls mainly to the share of textiles.

Export of Textiles in the First Four Months of 1930.
(Expressed in Millions of Yens)

	Less than in 1929	
Raw Silk	134.6	101.2
Silk Goods	24.4	7.8
Cotton Yarn	5.7	3.9
Cotton Goods	112.0	19.5
	276.7	135.4

The exports of these four most important articles (which constitute more than half the total exports) have dropped 50 per cent. Of the entire recession of exportation of 155 million yen, 135 millions come under the head of these four items.

Under such circumstances it is probable that output will be greatly reduced all along the line. During the spring, already, restrictions of output figured as follows:⁵¹⁾

Silk	Cotton	Hemp	Wool
20%	17%	30%	25-40%
Chemicals	Paper	Iron and Steel	

20-30% 30% 30%

Since then, the crisis has deepened. "In vain we look for a ray of hope on the economic horizon", writes the above-named German paper.

Financial Capital and the State.

The peculiarities of Japanese capitalism, an extraordinarily great concentration of industry and

⁴⁹⁾ Of a total of 1,875,195 industrial workers in Japan in 1926, the following numbers fell to the share of individual industries:

Textiles	Machinery, Shipbuilding etc.	Foodstuffs
5.31 %	12.6 %	8.9 %
Chemicals	Metals	

5.9 % 5.4 %

More than half the industrial workers were occupied in the textile industry. (v. "Die Wirtschaft des Auslandes", p. 547).

⁵⁰⁾ "Japan Advertiser" of May 6th, 1930.

⁵¹⁾ "Wirtschaftsdienst" of May 2nd, 1930.

banking capital⁵²⁾), and the predominant position of the State in economic life, make themselves felt in the present crisis. Wherever enterprises get into difficulties, they are either bought up by one or other of the two leading banks or else by the State.

The well-known Hayeping works in China, a Japanese concern which has been in difficulties for years, has received loans of 38 million yen which are now being taken over by the steel works of the State. These in their turn will pay 2 per cent. interest to the Treasury. The Juhan Iron Mine Company (also in China) has debts of 4.1 million yen and is accorded the privilege of paying them in 15 years' time at a rate of interest of 2 pr cent⁵³⁾.

Another example: On August 1st a law came into operation, by which the Government is to take upon itself part of the losses to be incurred by the banks from the purchase of bills in the Soviet Union (!), the Balkan countries, Central and South America, and Africa. This for the purpose of supporting exports to the countries in question. The government estimates such exports at 5 million yen between August 1st 1930, and March 31st, 1931, and the presumable loss at 938,000 yen, one quarter of which the Government will bear⁵⁴⁾.

Yet another instance: So as to maintain the price of silk, 50,000 bales were purchased and stored, the Government under-taking a guarantee against loss of price up to 30 millions⁵⁵⁾.

Innumerable similar examples might be mentioned. The Japanese Government promotes, subsidises, and safeguards capitalist enterprises. The Japanese budget is a collateral source of profit for the Japanese big bourgeoisie.

Nevertheless, Japanese capitalism cannot withstand the invasion of American capital. One of the biggest concerns, the Tokio Elektric Company, an enterprise with a capital of 400 million yen (more than 40 millions pounds) has virtually passed under American control. (This enterprise belongs to the Mitsui concern.) Early in May, two directors of the Guarantee Company were in Japan, where they succeeded in reducing the dividend and ensuring the payment of interest on the American loan⁵⁶⁾. It is interesting to note that when the loan was first accorded it was stipulated that, in so far as regarded the liabilities of the company towards its creditors, the conduct of business should be subject to the laws of the State of New Jersey⁵⁷⁾.

Thus Japanese capitalism embodies quite special anomalies. While operating as an exporter of capital in China, Corea, and Manchuria, where it carries on an imperialist policy, it is on the other hand obliged to accept foreign capital and admit American influence in important lines of industry, though at the same time arming for a war against America.

The Attack on the Working Class.

Japanese capital is exploiting the crisis and unemployment for the purpose of a fresh assault on wages. The most important industries, cotton and silk, have already begun this assault, although the profits — of the cotton industry in particular — are very high. During the last six months, the

⁵²⁾ Almost all economic life is ruled by the two great banking concerns, Mitsui and Mitsubishi. The following extract from the "Wall Street Journal" of May 9th illustrates the concentration tendencies in Japan.

"Apart from the two Barons Sivasaki (proprietors of the Mitsubishi concern), M. Nezu is the richest man in Japan. He is said to be worth 100 million dollars. He is known as the "company doctor", who buys up broken-down industrial enterprises and makes profitable concerns out of them."

To think that in such a poor country there are fortunes of 100 million dollars and more, which is relatively as much as 1000 million dollars in the United States.

⁵³⁾ "Japan Advertiser" of May 25th, 1930.

⁵⁴⁾ ibid.

⁵⁵⁾ "Japan Advertiser" of April 15th, 1930.

⁵⁶⁾ "Wall Street Journal" of May 9th, 1930.

⁵⁷⁾ "Japan Advertiser" of May 20th, 1930.

following dividends were paid by the big textile factories⁵⁸⁾.

Dai Nippon	16 per cent.
Toyo	25 "
Osaka Godo	20 "
Fukushima	30 "
Naigainen	12 "
Kurashiki	14 "
Kanegafuchi	35 "
Nisshin	16 "
Kishiwada	25 "

According to the same authority, the dividends for the present half-year will, in spite of reduced output, only be slightly smaller. "The basis for the profits of the spinning mills in Japan is the low rate of wages", the same paper declares quite openly.

The lead in the attack on wages has been taken by the Kanegafuchi concern, which pays the highest dividend, 35 per cent. The reason why may be seen by the following announcement (reprinted in the "Wall Street Journal" of May 9th, 1930):

Kanegafuchi Co. was picked by the leading spinning concerns to announce the first cut for two reasons. First, it has successfully prevented labour organisations among its workers. Second, until the present it never has had any labour trouble. Its scheme of retirement allowances, bonuses, welfare work and savings funds (which regularly pay 10% interest) have kept the operatives contented. When the announcement was made, the fund for retirement and Pension allowances amounted to 6,940,000 yen, while the treasury also held 9,320,000 yen for welfare work among the employees.

The company announced a reduction of wages, to amount to "about 20 per cent." The workers protested. In each of the 36 factories of the company, mass meetings were held, but the company insisted that it was not inclined to change its programme of wage reductions.

"If the workers quit, the retirement, pension and

⁵⁸⁾ "Japan Advertiser" of April 14th, 1930.

welfare funds would simply be added to the general reserve."

In one mill the workers declared a strike, in the others they continued to work.

Under the plea of the bad state of the industry, wage reductions were also announced in the silk mills. "Wages and the price of cocoons form 80 per cent. of the production expenses, and in both regards drastic cuts are to be expected", writes the "Japan Advertiser" of June 15th. According to the same authority, some 60,000 girls have been discharged, while the wages of the remaining operatives have been greatly reduced. Seeing that no fewer than 2,165,000 families are occupied in the cultivation of silk-worms in Japan, the reduction of the purchase price of cocoons will affect a great section of the population, whereby the consuming capacity of the home market, which is small enough as it is, will be yet greatly restricted.

The position of the working class is very bad. The exploitation methods of Japanese capitalism combine the highest degree of technical rationalisation (the cotton industry is said by English authorities to be far better equipped with machinery than that in Great Britain, especially as regards automatic looms) with brutal pre-capitalistic methods of sweating women and children by day and by night.⁵⁹⁾ Rationalisation and bad business cause great unemployment. As a result of an investigation involving a total of seven million workers, it was officially ascertained that on March 1st out of this number 351, 589 were unemployed. This figure is probably far too low. Japanese comrades estimate unemployment at one million.

In summing up we may say that the international economic crisis has affected Japan very seriously and is likely to last very long in view of the structural weakness of Japanese capitalism.

⁵⁹⁾ The night work of women and the work of children under ten years of age is to be forbidden by law as from August 1st, 1933!

In response to several enquiries received by him lately from different comrades, Comrade Varga requests us to inform subscribers to the "Inprecorr." that his world-economic surveys, although they follow as their directive the line of the Comintern, are not to be regarded as being any official publications by leading bodies of the Comintern (just as little as other signed contributions appearing in the "Inprecorr."), but that the author in the first place bears the responsibility for the opinions expressed in and the concrete content of these surveys.

The Editor of the "Inprecorr.",