

# The Decline OF Capitalism

By E. Varga



Published by the Communist International

—  
1924

Kerry Young

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Moskau 17/6/24

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## PREFACE

The time when this brochure was written was a very unfavourable one for determining both the more remote and the immediate perspectives of the world situation. Several factors that are important for gauging developments cannot be determined at this time. They are :

*The American boom* is at an end. But it is impossible at this time to say whether the sharp decline of the boom during the month of April is only a passing phenomenon or the beginning of a crisis. If the latter were the case, a new proof would thereby be furnished to demonstrate our contention that capitalism is, on the whole, on the decline.

The *Report of the Experts' Commission* (Dawes) has been published ; likewise the acceptance in principle both of the Powers of the Entente and of Germany. But will an understanding really be arrived at on the basis of this report ? Will not the militaristic-imperialistic policy of Poincaré gain the upper hand, which fact would lead to a new catastrophe of the mark, since the Rentenmark, an artificial creation, would by no means be able to withstand such a blow ?

The *outcome of the harvest* is of very great importance for shaping the course of the market during the ensuing business year. For the moment the prospects for the harvest are pretty poor in Middle Europe, especially in Germany. A decidedly poor harvest would put an end to the sparse beginnings of a recovery of business in Middle Europe.

It is also unclear what the *relation of Russia* toward the capitalistic states will be in the immediate future.

These and many other factors cannot be estimated at this moment with reference to the influence they will exert.

But it is doubtful whether a later moment would show less fluid conditions. The only stable thing in this period of crises is the uncertainty, the chaos !

*Berlin, May 5, 1924.*

E. VARGA.



# The Decline of Capitalism

## I.—THE PERIOD OF DECLINE OF “NORMAL” CAPITALISM.

The Communist International adopted its last theses concerning the economic position of the world on the occasion of the Third Congress.

Three years have passed since then. During these three years the proletariat has suffered big defeats in several countries that are very important from the viewpoint of the revolution, viz., in Italy, Bulgaria, and Germany. The bourgeoisie has succeeded throughout the world—barring, of course, Russia—in establishing its hegemony anew. Under these circumstances the question must be raised whether the position taken by the Communist International in its theses has proven to be sound or unsound.

The fundamental idea of the theses was this, that the crisis which followed the short, speculative post-war “boom” was no ordinary crisis of “normal” capitalism, but rather the beginning of a *period of crises* for capitalism. Within this period of crises the course of business progresses in cycles, just as it did under the normal capitalism of pre-war days: *periods of booms alternate with periods of crises*. The principal question is that of placing an estimate *upon the whole period, and not upon the phases* of which it is made up.<sup>1</sup>

In the brochure<sup>2</sup> written for the Fourth Congress of the Communist International we made an attempt to sketch the difference

<sup>1</sup> During the Third Congress there was a rather strong opposition, supported by the German delegation, which at that time was very “left,” and by the Italian and Hungarian delegations, which took exception to Comrade Trotzky’s and my prediction, made in the theses, to the effect that there was a possibility that the boom-period might enter upon a new phase. “The revolutionary character of the period of crises, in the midst of which we find ourselves . . . is not expressed sharply enough . . . in the theses.” Comrade Thalheimer declared (Minutes of the Third Congress, page 113). Comrade Pogany’s criticism went even farther. “Within the great economic crisis . . . the theses . . . give too much emphasis to the phase of prosperity and too little to the period of crises within the crisis which obtains to-day. . . . We cannot and must not make prosperity and the future second world war our *Leitmotiv*, but, quite the reverse, we must talk about the crisis and the new civil wars” (Minutes, page 116). And Comrade Pogany was anxious to have the reference to a coming boom-phase eliminated entirely. Actual economic developments have, however, proven the correctness of the theses. Yes, it has even become evident that we ourselves underestimated the duration and intensity of the boom in the United States, the first signs of which were apparent at the time of the Third Congress.

<sup>2</sup> E. Varga: *The Decline of Capitalism*.

between the "normal" capitalism of pre-war times and the capitalism of the period of decline more sharply. We wrote there (page 8) concerning pre-war capitalism :

"The capitalist form of production *expanded geographically* : new countries were increasingly opened up to capitalism.

"Capitalism *extended its sphere of operation* in the capitalist countries themselves by drawing the pre-capitalist strata of society into its vortex. The gold standard, which considerably facilitates the exchange of goods on a capitalist basis, found favour in a growing degree. Foreign trade increased in weight and value.

"Large accumulations of capital formed the basis of these developments, since the falling rate of profit in the highly developed capitalist countries—the effect of the steadily growing higher organic composition of capital—was compensated for by the export of capital to less developed capitalist countries, with higher rates of surplus value and profit. The centralisation of capital into monopolist forms of production, covering the whole economic field of a country, reduced the cost of capitalist management.

"The result was that, apart from the periodic crises, the level of production rose steadily in the world at large as well as in each particular country. The standard of life of the proletariat rose slowly. The credit system and the small company shares permitted the working men and the lower middle class to participate, with their savings, in the appropriation of the surplus value. The number of people who had an interest, or who believed to have an interest, in maintaining the capitalist system, was on the increase. The proletariat of the imperialist countries received from Capital a small share of the surprofits which it got out of colonial exploitation. The upper stratum of the proletariat, the aristocracy of Labour, got separated from the mass of the working people and became subservient to Capital. All classes submitted to the leadership of Capital. The great land-owners turned into capitalists, and the capitalists invested money in land ; the tendency of financial capital was to amalgamate all possessing sections of the nation with one another. The crises were transitory phases within an upward development—the effects of the anarchy of the capitalist form of production, and caused but superficial disturbances in the structure of capitalism. The system as a whole, however, lost nothing of its equilibrium."

*The whole system of capitalist world economics formed a dynamic whole !* The alternating phases of booms and of crises recurred in all capitalistic countries at about the same time. The waves of booms and crises were rapidly transmitted from one capitalistic state to another. Even the larger tendencies of the capitalistic mode of production—concentration and centralisation of capital,

etc.—were noticeable in practically the same manner in all capitalistic states.

On the other hand, capitalistic world business did *not form a component whole geographically*. The individual states had reached very different stages of capitalistic development. (This is true even to-day, although in a somewhat less degree.) There was a *highly developed centre in Western Europe : England, Germany, Belgium*, and, less important, France, Holland, Czecho-Slovakia, Italy, etc. This centre, “the industrial workshop of the world,” was characterised by the following :—

- (1) It was connected much more closely than other countries with the division of labour obtaining in the world business, *i.e.*, a much greater part of the annual values produced was exported into foreign countries in the form of manufactured goods, and large quantities of foodstuffs and raw materials were imported.
- (2) These countries annually sent newly accumulated values in the form of new investments into countries capitalistically less developed.
- (3) These countries annually received large values in the form of profits derived from their investments throughout the world and as the gain of the political extension of wide colonial areas, without their having to render any service in return.

Outside of Europe there were two other, fully developed, capitalistic countries : *the United States of America and Japan*. Also, there were numerous countries in Europe and the other parts of the world that were only just developing along capitalistic lines ; furthermore, colonies and semi-colonies that served as sources of food and of raw materials under the dominion of the various highly capitalistic countries.

The equilibrium of this system was always an unstable one ; disturbances were overcome by periodically recurring crises. That an equilibrium nevertheless existed, on the whole, is proven by the stability of the exchanges.

In the most highly developed countries capital assumed more and more the form of financial capital, which was intimately connected with the heavy industries. Internal development and the tendency toward a decreasing rate of profit forced the capital in these countries *to secure for the export of its investments opportunities made secure by monopolies*.

In the course of technical development the organic concentration of capital—especially in the heavy industries—becomes ever higher, the realisation on industrial capital ever slower, the rate of profit ever lower. To this must be added another circumstance of the nineteenth century. Thanks to its stronger organisation, the proletariat is gaining for itself an improvement of its standard of living. “The historical moment,” which helps

to determine "the extent of the so-called essential necessities and the manner of satisfying them" (Capital, I. 134) creates a tendency in the direction of increasing the wages. In other words, necessary labour is extended at the expense of overtime labour. The rate for surplus values decreases. When variable capital has reached a certain size, there results an acceleration of the falling tendency of the rate of profit.

Capital employs different means for combating the falling tendency in the rate of profit. One of these is organic combination, whereby capital combined in a trust reduces the *faux frais* of the sphere of circulation, lays claim to a part of the profit of trade capital, and raises its own rate of profit by fixing monopoly prices at the expense of other strata of society. The principal means, however, is the exportation of capital to countries where the time involved in labour is shorter and the rate of profit and for overtime is a higher one. To make possible the exploitation of these areas, they must be subservient to the condition imposed by capital in general; *i.e.*, they must be subjugated. Capital in every highly developed, capitalistic country is compelled, in order to retard the decrease in the rate of profit, to subjugate larger colonial areas.<sup>1</sup>

Essentially, the world war was a conflict of the imperialistic Powers for the control of colonies and spheres of influence, carried on with the most modern instruments and methods of mass murder. It ended by reducing the number of imperialistic world powers to four: England, France, the United States, and Japan; with the transformation of the rest of the world—excepting the Soviet Republics—into dependencies of the imperialistic Great Powers; with the new dividing up of the world among them.

The direct economic consequences of the war were the separation of the world into spheres of relative over-production and absolute under-production. This condition was partly overcome during the last six years by the "imminent tendency" of capitalistic world economics, by its mechanism for "automatic steering," although it still manifests itself by the "dearth of credit" or of capital in these countries.<sup>2</sup>

The general crisis in world business during the years 1920 and 1921 was followed by a phase that is economically difficult to define and that is not at all uniform. There was a great boom in the United States; on the other hand a slow crisis in Europe with indications that a betterment of conditions was in sight—a betterment which, however, did not synchronise in the various countries with that of the rest of the countries and that did not lead to a general betterment within the whole capitalistic world.

<sup>1</sup> We therefore find ourselves in agreement with Rosa Luxemburg with reference to the fact that highly developed capitalism in the form of imperialism leads to warlike conflicts of world dimension. The reason for this, however, is not the impossibility of accumulation without the existence of non-capitalistic elements, but the simple desire for higher rates of profit.

<sup>2</sup> See the second edition of my *Crisis of Capitalistic World Economics*.

## II.—CHARACTERISTICS OF THE PERIOD OF DECLINE.

The period since the end of the war and especially during the last three years was characterised above all by the *confusion of economic conditions*, through the *absence of uniform course of business* in the whole capitalistic world, through the existence of *tendencies and counter-tendencies* that crossed each others' paths in the world's business. For this very reason it is exceedingly difficult to extricate the chief characteristics of this period from this confusion. In an earlier work<sup>1</sup> of mine I made an attempt to summarise the principal characteristics of the period of decline as follows :—

- “(1) The geographical extension of the capitalistic method of production becomes narrower : besides the capitalistic countries there exist and continue to increase in numbers countries in which the workers are already establishing their dictatorship.
- “(2) Within the various capitalistic countries there is a tendency toward the return to forms of production in existence in pre-capitalistic times.
- “(3) The international division of work is restricted, trade with foreign countries decreases : world commerce, which was previously grouped uniformly about the highly industrial centre in western Europe, loses its balance and is dissolved into parts that are built economically upon entirely diverging bases.
- “(4) Gold exchange, previously uniform and differing only as to the size of the various monetary units, is supplanted by uncertain, wavering paper exchanges : a tendency is discernible in the direction of reverting to trade in kind.
- “(5) The accumulation of capital gives place to progressive impoverishment—disaccumulation.
- “(6) Production decreases.
- “(7) The credit system collapses.
- “(8) The standard of living of the proletariat declines : either as a result of the fact that wages do not keep pace with the rising cost of living or as a result of tremendous unemployment.
- “(9) Among the various strata of the possessing classes there is an ever-sharpening conflict for the distribution of the decreasing social production of values. Politically this shows itself by the constant change of governments, the collapse and new formation of parties, the absence of a uniform government party in the parliaments, etc.
- “(10) Ideologically the faith in the eternal and unshakable character of the capitalistic order of society begins to

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<sup>1</sup> E. Varga : *The Declining Period of Capitalism*, page 9.

wane : the ruling class is compelled to arm itself for the protection of its dominion.

“ This condition of capitalism, which has been incompletely and hastily characterised in the above, may be called the declining stage of capitalism or the period of continuous crises.”

Not two years have passed since the above lines were written, and although they are still true in the main, yet the importance of several of the ten points has been greatly reduced, *e.g.*, the tendency toward a reversal to economic forms of pre-capitalistic times (Point 2). Whether the accumulation gave place to decumulation throughout the whole of capitalistic business, I set down as doubtful even then.<sup>1</sup> In the light of the boom in the United States which has taken place since then, this sentence can be set down as incorrect. This does not mean, however, that it is to be regarded as incorrect for the European countries that were hit hardest by the crisis.

On the other hand, several very important characteristics of the present period of world economics are missing in the above.

*i.* The *lack of uniformity in the development of booms* as a sure sign for the absence of a uniform capitalistic form of production.

*ii.* The *agrarian crisis*, interwoven with the general phase of crises and extending over the whole world.

*iii.* The *social crisis in Europe and in the leading industrial countries of Europe* as a result of a decline in the division of world economic labour.

*iv.* The tendency on the part of European imperialistic countries, instead of extending their markets, to hinder production on the part of a competitor and to turn capitalistic development backward.

\* \* \* \* \*

The result of the entire three years' development seems to us to be the following :—

THE ACUTE SOCIAL CRISIS of capitalism, the instinctive, unorganised rebellion of the working class against capitalistic society, seems on the whole to have been overcome. On the other hand, the “ normal ” conflict of capitalistic society seem to have been made very much more acute by fargoing concentration and centralisation on the one hand, and by the birth of consciously, revolutionary, communistic mass parties on the other.

THE ECONOMIC CRISIS of capitalism has become less acute, but is not yet overcome. Production has scarcely reached pre-war levels ; Europe's production has diminished, that of capitalistic countries outside of Europe increased ! Owing to the successful *offensive of capital* against the proletariat, owing to the *expropriation of the middle class* through inflation, and owing

<sup>1</sup> E. Varga : *The Declining Period of Capitalism*, page 17.

to the progressive *impoverishment of the farmers* as a result of the low prices of agricultural products compared with industrial goods ("shears"), the distribution of income has been shifted in favour of capital. In this manner capitalistic accumulation was made possible, in many cases at the same time that industry as a whole declined. Corresponding to the antagonistic character of capitalist society, the tendencies that are favourable toward overcoming the crisis have the imminent faculty of changing over into the very opposite; through the reduction of income the buying power of the classes affected is in a like manner reduced, which fact becomes a source of new wars.

The CRISIS of ECONOMIC POLICY continues unabated. None of the great economic problems—Reparations question, international debts, relation of the capitalistic states toward Russia, protective tariffs versus free trade, inflation or return to a gold basis—could be solved during the last three years. Economic chaos continues unchanged.

We shall justly be reproached with the charge that our presentation of the situation is unclear. But we must repeat that the lack of clearness, the existence of contradictory tendencies is a characteristic of the present period. As far, however, as the prospects for a revolution are concerned, we should like to say the following, anticipating the results of our later observations:—

*The present position of capitalism*, although the general feeling of rebellion on the part of the proletariat, observable immediately after the end of the war, no longer exists, *is one of giving good prospects for a successful revolution in Europe*. Whether this possibility becomes a reality, depends upon the attitude of the proletariat and of its revolutionary advance-guard, the Communist Party. There is no such thing as an economic situation which ensures a victory of the proletariat without long continued, enduring fights calling for numerous sacrifices. And there is no such thing as a situation that offers no way out for the bourgeoisie.

"We now come to the question of the revolutionary crisis as the basis of our revolutionary action. In this connection we must, however, mention two wide-spread errors. The bourgeois economists on their part represent this crisis simply—to use their elegant English expression—as 'unrest.' On the other hand, revolutionaries sometimes attempt to prove that there is absolutely no way out of the crisis.

"That is an error. There are no absolutely hopeless situations. The bourgeoisie acts like an impudent robber who has lost his head. It commits one folly after another, increases the difficulties of the situation thereby, and hastens its own destruction. All this is true, but one cannot 'prove' that there is no possibility for the bourgeoisie to put to sleep any minority of the exploited with the aid of some small concession, and to suppress the movement or the uprising of any small section of the oppressed and exploited. The attempt to 'prove' the 'absolute hopelessness'

from the start is futile and is fencing with words. A real 'proof' for this or similar questions can only be brought by experience. The bourgeois order is now passing through an exceedingly revolutionary crisis throughout the whole world. We must now 'prove' by actual practices of the revolutionary parties that they are sufficiently class conscious, and that they possess an intimate enough hold upon the masses and sufficient determination and wisdom, to utilise this crisis for the successful, the triumphant revolution.

"To prepare this 'proof' we have chiefly gathered here at the Congress of the Communist International."

The above was said by Lenin in 1920, at a time when the wave of revolution seemed still to be on the upward trend; when the great masses of the workers were on their way to joining the Communist Party; when the "notorious" Twenty-one Points were worked out in order to protect the Communist International from a flood of opportunistic elements; when the Red Army was in the midst of a triumphant march upon Warsaw.

But if it is true that there are no situations from which there is no way out for the bourgeoisie, it is also true that there are no situations in which the revolutionary proletariat cannot wage successful fights. The honest, earnest struggle of the proletariat for the improvement of its conditions *within* the capitalist system is a factor of prime importance for hindering the successful averting of the crisis. It is possible for the Communist Party, as the leader in the fight of the whole proletariat, to lead into the fight also the masses of peasants who are exploited by the big land-owners and the bourgeoisie, the struggle can lead to victory, even if the "normal" capitalistic system were apparently to be re-established.

### III.—WORLD PRODUCTION AND ACCUMULATION.

In the light of the characteristics of the present period of decline of the capitalist system mentioned above, we shall try especially to examine into world production and the accumulation of wealth.

**WORLD PRODUCTION.**—Table I in the Appendix affords a picture of the world production of the most important goods, in so far as statistics are available. If we compare the production of 1913 with that of 1923, we gain the impression that pre-war production has almost been reached. But in estimating the importance of this table we must emphasise the following:—

(1) The year 1923-24 was a very favourable one any way for wheat and grain; if we were to contrast the average for 1920-23 with that for 1909-13 (this average has unfortunately not been published as yet by the Institute of Agriculture), it would be clear that the normal pre-war production had by no means been reached as yet.

(2) The increase of production applies to the *non-European countries*. (United States, Canada, Argentina). Europe still lags far behind the pre-war period.<sup>1</sup>

(3) *Production in the heavy industries, which is especially important to capitalism, has not yet reached that of pre-war times!*— In millions of tons the production was:—

	1913	1923
Coal .. .. .	1344	1360 (our estimate)
Iron .. .. .	73	65
Steel .. .. .	75	73
Shipbuilding (1,000 tons)	3,330	1,643

In these branches of production, which are so characteristic of the capitalistic system, the production of 1913 has not yet been reached, although the year 1923 includes the apex in the American boom.

(4) Under normal conditions the production of *iron and coal shows a tremendous increase from decade to decade*. (See Table III in the Appendix.) During the decade 1913-23 this increase is wanting. Whether it will take place during the coming decade is doubtful. Considering the fact that the peak of the American boom, which before all others furnished the increase of production during the last few years, has no doubt been passed, and considering the fact that European business passed through no such boom, we deem it unlikely that a similar increase is to take place during the ensuing decade.

Production figures therefore furnish no basis for claiming that the critical period has been passed through. The low production in the heavy industries is all the more significant as the *capacity for production* is much greater than before the war. A large part of the plants is not producing at all. At the other extreme we observe the long continuing unemployment; we shall recur to it in another connection.

ACCUMULATION.—In dealing with the question of accumulation we shall differentiate between the accumulation of *wealth* and the accumulation of *capital*, to avoid the possibility of mistakes. Under accumulation of wealth we understand the increase of the objects of value in the possession of a people, irrespective of classes; in other words, the difference between a year's production of values and their consumption. By accumulation of capital we understand the increase of that part of the wealth that is used as capital and is in the hands of the capitalist. The accumulation of wealth and of capital under normal capitalism run along parallel

<sup>1</sup> The development of sugar production is characteristic:

	Millions of Double Hundredweights	
	1913	1923
Beet sugar (European product) .. ..	62·7	47
Cane sugar (non-European product) ..	95·0	127

lines, inasmuch as it is the capitalist class to whom the newly created wealth chiefly accrues in obedience to the law of capitalist production.

There is, however, also the possibility of the very opposite development in the accumulation of wealth and capital. It is possible for the wealth that is in the hands of all classes to remain the same or to become less, while at the same time an accumulation of capital takes place, in that a part of the wealth of the non-capitalist classes passes over into the hands of the capitalists and increases their capital.<sup>1</sup> Disaccumulation (decrease) of wealth and accumulation of capital are not necessarily exclusive one of the other.

The question now arises whether at present there is actually an accumulation of wealth and an accumulation of capital, or not. The answer to this question would be interesting for this reason : the comrades who adhere to Rosa Luxemburg's theory of accumulation consider this question as of vital importance in determining the prospects of a revolution. In general they are of the opinion that the capitalistic order of society cannot be maintained without accumulation ; some of them draw from the premise that capitalism is still accumulating the conclusion that there is no crisis whatever of capitalism<sup>2</sup>; and that therefore the prospects for a revolution are very slight.

I do not share any of these views, at least not when expressed so dogmatically.

The want of possibility for accumulation means reduced production and therefore a more bitter struggle of the classes for the division of the annual product ; hence also better prospects for a revolutionary movement of the proletariat. The cessation of increase in the means of production means—under capitalist conditions—that new generations on reaching the age when they can work are unable to find work even during the height of a boom ; this fact tending to aggravate the situation. *But the absence of accumulation or even disaccumulation is by no means a guarantee for the breakdown of capitalism.* Capitalism can move in a retrogressive direction ; a partial return to pre-capitalistic forms of economy can take place ; untold millions can die of hunger or be seized by plagues ; one or several capitalist countries can accumulate at the expense of the capitalistic countries that are “decapitalizing” themselves ; but the domination of capitalism can nevertheless remain if the proletariat does not wrest power from it by revolutionary means. It seems to us that speculation

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<sup>1</sup> In this connection one must distinguish still further between the actual transfer of wealth from non-capitalist into capitalist hands and the *fictional sham accumulation of war times*, during which the capitalist class received, instead of previous actual values, state obligations and claims upon the returns from the production of later years ; in other words, when in many cases it enriched itself on paper only.

<sup>2</sup> For a classic example, see the series of articles by Comrade Ollivier in the *Vie Ouvriere*, beginning with No. 208, 1923.

upon the impossibility of accumulation as a premise to the revolution represents considerable opportunism.

On the other hand the existence of accumulation by no means proves that a proletarian revolution is hopeless. The accumulation of capital may have been forced by reducing the real wages of the workers and by the successive expropriation of the middle class and the peasantry; it therefore by no means precludes the existence of revolutionary situations; in which connection it may be admitted that a real accumulation of wealth as the result of the raising of the standard of life for all classes creates a situation unfavourable to the revolution. The latter situation would, however, develop only in case capitalism throughout the world were to take a new lease of life.

It would certainly be useful to determine by means of figures whether or not an accumulation—in both forms, accumulation of wealth and accumulation of capital—took place during the last years.

The answer to this question is exceedingly difficult.

The question of actual accumulation of *wealth* is perhaps most easily determined by certain signs; by building activity in the broadest sense; by the size of visible stocks of wares; by the condition of the means of communication and of the cattle, &c.

The most important sign is certainly the *building activity*, since every extension of the establishments in which production takes place also means the extension of building operations, and since, on the other hand, *building activity signifies the conversion of present productive forces into a natural form, the amortisation of which will probably take place in 30-100 years*, and which therefore is the typical form of accumulation.

Now, we observe that in the United States, during the past two years, and presumably also during the year 1924, there is a tremendous building boom in the United States. Several billions of dollars are set aside annually for building purposes—for factory buildings, houses, warehouses, schools, &c. This means real accumulation; as does also the investment activity of the railways, the rapid increase in the number of automobiles, &c. This accumulation of wealth certainly also means the accumulation of capital in most cases!

A different situation obtains in Europe. Building activity everywhere is only a fraction of that of pre-war times. In all the large cities there is an appalling dearth of houses. Railway construction and other large operations likewise take place in only a reduced manner. From this one can draw but one conclusion, namely, that the accumulation of wealth proceeds, if at all, at a much slower pace than before the War.

An exception seems to be furnished by France, which during the last few years almost completely rebuilt its devastated areas. However, in evaluating this fact one must take account the further fact that operations in other parts of France were ex-

ceedingly limited ; that France received payments of considerable size from Germany, and that it was supplied with credits from other countries ; also, that a part of these investments was paid for at the expense of the middle classes through inflation.

As concerns the accumulation of *capital*, its progress is much more difficult to judge. The estimates of national wealth usually put forth by bourgeois writers, the inclusion of capital in stock companies, the deposits in banks, &c., cannot serve as an acceptable basis. Under national wealth are included *sham items*, such as land values (capitalistic ground rent) ; through the system of mutual participation and holding companies the same actual item of wealth appears several times ; through the depreciation of gold (the purchasing power of which is at present about one-third less than before the war) all estimates seem exaggerated. In countries with unstable exchange these estimates are encumbered with the further factor of unreliability.

For this reason we can do nothing with estimates of this kind.<sup>1</sup> We must rely upon the general observation of economic facts. These reveal the following :—

*An accumulation of capital running parallel with the accumulation of wealth in the United States, in the English colonial settlements, and in general in the capitalistic areas outside of Europe.*

*An accumulation of capital upon the basis, for the most part or entirely, not of the increase of wealth, but above all as a result of the transfer, brought about by concentration and inflation, of wealth formerly in the hands of non-capitalist strata of society into the hands of capitalists in the countries of Europe.*

Assuming that the sources of errors are about the same, certain interesting deductions may be made : if we eliminate government loans as not real accumulation, new emissions total 186.8 and 144 millions respectively for 1912 and 1913, and 131.1 and 97.9 millions respectively for 1922 and 1923. When we consider the reduced purchasing power of gold and its depreciation, a marked decrease of actual accumulation results. And as the economic position of England, despite the heavy crisis in the export industry, is by no means less favourable with reference to the possibilities of accumulating than that of the other European countries, we may conjecture from this that but limited accumulation is taking place in all of Europe.

#### IV.—THE LACK OF UNIFORMITY IN CAPITALISTIC WORLD ECONOMY.

*One of the most striking signs of the period of crisis is the lack of uniformity in capitalistic world economy.* World business is constituted of loosely connected areas, in each of which the progress of the turn of the market is a different one, with currencies of

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<sup>1</sup> See the Appendix for Tables VA and VB, containing data about the emission of capital in the United States and England.

unstable value substituted for gold as world money, with entirely different conditions obtaining with reference to credits, &c.

#### THE CONTRADICTIONARY PROGRESS OF THE COURSE OF BUSINESS.

While under "normal" capitalism the progress of the course of business is the same for all capitalistic countries, we note the unusual condition of late that the different capitalistic countries have booms at different times, and that the progress of these booms is contradictory and opposite. This is hard to express in figures, since the economic statistics of most countries are not adequate for this purpose. (In the Appendix, Table IV, a, b, c, we give the most important economic figures for the United States, France, and England.) On the basis of our observations of the turn of the market we can point out the following development on a quarterly basis:—

Quarter	U.S.A.	England	France	Germany	Czecho-Slovakia	Poland
1922						
1st	improved	poor	—	good	poor	improved
2nd	good	poor, but improving	improving	very good	poor	improved
3rd.	good	ditto.	improving	gd., declng.	poor	improved
4th	good	improving	—	ditto.	poor	improved
1923						
1st	boom	improving	worse	poor	improving	poor
2nd.	boom	improving	worse	poor	—	poor
3rd	boom declng.	worse	better	crisis	declining	better
4th	ditto.	improving	better	crisis	uncertain	better
1924						
1st	boom, imp.	improving	better	improving	—	poor
2nd	boom strongly declining	improving	better	improving	—	poor

This characterisation of the course of the market is, of course, inadequate and vulnerable as to details, since within the individual countries, too, *there is not uniform trend of business in all branches of production.* (Even during the peak of the boom in the United States there were branches of industry that remained below the standard of 1919.) Hence, in estimating the course of the market one can arrive at different results depending upon the importance that one attaches to every branch of production. In any case the table demonstrates that the course of business is not a uniform one.

Also, it may be asserted that the improvement in business in one country is bought at the expense of that in another. Thus the *improvement in the English heavy industry was attained at the price of the cessation of production in the Ruhr Valley and in part also in France.* It would seem that capitalism is unable to bring about a general boom!

#### THE ISOLATED AMERICAN BOOM.

The most important event of the last three years is the American boom. It reached its peak in April, 1923. (See Table IVa in the Appendix.) Of fundamental importance is the following:—

(1) That the American boom happened as an *isolated* fact and remained *isolated*, and failed to draw in its wake a boom of European capitalism.

(2) That it could take place although the crisis continued in Europe.

(3) The American boom depended entirely upon the purchasing power of the home market and had nothing to do with increasing export. This is manifest from the figures for the foreign trade of the United States. In millions of dollars, the trade figures were :—

		Imports		Exports		Excess of Imports over Exports
1921	..	2,509	..	4,485	..	1,976
1922	..	3,113	..	3,832	..	719
1923	..	3,950	..	4,025	..	75

We see : the *export of goods* did not increase during the period of greatest boom. If we take into account the very high price of cotton in 1923, the export of goods of all kinds must have been less than in 1921. More characteristic even is the fact that during the highest peak of the boom, during the months of March, April, and May, 1923, the United States *had a passive trade balance*—a very exceptional case. The capacity of the home market to absorb the product was so great that, although production had been increased to the utmost, it was not adequate to the needs : Dutch tiles, French iron, English coal—everything found its way to America and was bought there. As the boom subsided, imports decreased rapidly, while exports increased.

This change means that a boom in the United States no longer had a stimulating effect upon the European course of business. European capitalism was unable to participate in this phase of business improvement ; so overwhelming was the effect of the *period of crisis* that the *phase of individual business improvement* was suppressed by it.

Some are of the opinion that a boom will come in Europe only after the Reparations Problem has been solved on the basis of the Experts' Report. We consider this an erroneous standpoint, as we shall develop later. But even if the point were well made, the deduction would have to be made that the economic life of the United States had been completely severed from that of Europe and that boom and crisis do not coincide.

For, *nobody can doubt to-day that the American boom has reached its end*. All newspaper reports (the official statistics appear only two or three months later) agree in saying that the decline of business has extended to the entire heavy industry. The price of iron was reduced. Of 15 smelters of the Carnegie Company in Feddell, six were extinguished at one time. Tin works are employed at only 50 per cent. capacity. Production in the steel trust decreased 6-7 per cent. in April, that of independent steel companies 8-10 per cent. during March.<sup>1</sup> Ford is said to have

<sup>1</sup> *Usine*, April 19. *Boersen Courier*, April 29, &c.

one million cars on hand.<sup>1</sup> We will not presume to predict with certainty that a sharp crisis will soon ensue. But the capitalists of the United States will try to postpone the crisis by forced exportation of industrial product, and thereby greatly detract from the possibility of a European boom that is expected by optimists.

Let us briefly touch upon the special reason for the boom. In our opinion it was largely due to the circumstance that in the United States also accumulation was insufficient during the war. There was too little building, and the railway material was not renewed sufficiently. The gigantic boom in the building industry and the enormous orders of the railways were, aside from the automobile industry, the most important factors of the boom which has just come to an end. This urgent call for orders to replace the gaps of the war period has already been satisfied; agriculture, on account of the "shear," is less able to absorb orders; Europe cannot buy, because it has no goods with which to pay America. For this reason the boom period, which, by the way, lasted very long—for three years—had needs to come to an end.

The relation of the United States to Europe is one of the weightiest problems of the crisis. Even before the war the trade balance of the United States with Europe was decidedly active a one—average annual export, 1910-14, 63·3 per cent., imports, 49·6 per cent. (See Appendix, Table IV.) The difference was covered by the money sent by immigrants, expenses of Americans in Europe, and interest on American securities in the hands of Europeans. The trade balance became even more favourable over against Europe during the post-war period: export to Europe, 1923, 54·4 per cent., import 31·8 per cent. And as American securities had during the war been bought back by Americans, the difference had to be made up by the exportation of gold from Europe to America. In point of fact the gold supply of the United States is growing from month to month. The notes of the central bank of issue are actually covered more than 80 per cent. by gold. The time is not distant when they will be covered 100 per cent., in which case the problem of "gold inflation" will become acute. The continued accumulation of gold in the United States is a characteristic sign for the shift in the economic importance of Europe and America. At the same time it demonstrates how divided up the world's economy and business has become.

#### UNEMPLOYMENT.

Somewhat like the boom, unemployment is of an irregular, zigzag-like character, but the opposite of the boom. In this connection it is important to remember that the number of unemployed in the most important capitalistic countries is at present,

<sup>1</sup> *New York Herald*, April 16. *Times*, April 25, reports a general movement downwards.

at the beginning of 1924, at least as high as three years ago, as the following figures show :—

Beginning	U.S.A.	England	Germany (in thousands)	Italy	Czecho- Slovakia	Poland	Together
1921	3,400 <sup>1</sup>	977	300	112	95	74	4,958
1922	2,000 <sup>1</sup>	1,926	120	606	113	221	5,086
1923	—	1,493	300	391	441	120	2,745
1924	1,000 <sup>1</sup>	1,371	2,200 <sup>2</sup>	270	220 <sup>3</sup>	200 <sup>3</sup>	5,261

These figures are, of course, only approximately correct. The number of unemployed is surely greater everywhere than has here been given on the basis of official statistics. The unemployed are estimated differently in the different countries. But we may assume that the sources of errors are on the whole the same, so that the comparison is not upset thereby. The total number remains unchanged, taken by and large. (The figure 300 for Germany, 1923, is actually much too low for Germany, inasmuch as there was great unemployment in the Ruhr as a result of the Occupation, which, however, was not registered as such.) While in some countries, as for instance in England and Germany at this moment (end of April, 1924), the figures are on the decline, they rise in the United States and Poland. There is variation, but no absorption of unemployment, no reduction to "normal" status of the industrial reserve army. This is proof of the fact that the period of crisis in the phase of booms has not yet passed. (See Appendix, Table VII.).

#### THE EXCHANGE CRISIS.

Now as before there are no stable exchange conditions. Only in two countries, the United States and Sweden, is the money actually backed by gold. All other states are on a paper basis. During the last three years the exchange of Germany, Poland, and Austria collapsed completely, and stabilisation took place artificially on a new basis. We shall speak of the effects of this process upon income and fortunes later. The attempt of England to place the pound sterling back on a par with the dollar was

<sup>1</sup> Unofficial estimates, which, however, coincide with the estimates of the *Federal Reserve Bulletin*. The latter takes employment in 1919 as the index figure 100, and then states :—

Monthly average 1921	83
Monthly average 1922	90
April, 1923, peak of boom	103
January, 1924	98

There were in 1919 : factory workers, 9·1 millions  
railway workers, 2·0 millions  
office employees, 3·1 millions.

Adding the workers in petty industries, in commerce, &c., this means twenty million workers. Accordingly, the number of unemployed must be :—

1921	25% = 4 millions
1922	13% = 2·6 millions
1923	—
1924	5% = 1·0 million

<sup>2</sup> Estimated.

<sup>3</sup> December, 1923.

unsuccessful. Nor can one claim that the exchange chaos may be considered as having been ended by the stabilisation of the German and Polish exchanges. The last few months witnessed the collapse of the French franc : down to 130 to the pound sterling and then a rise to 65 to the pound. Several exchanges that were considered quite stable—those of Japan, Denmark and Spain—have depreciated considerably recently. The Japanese already shows a *disagio* of 20 per cent.

It would seem superfluous here to discuss in detail the catastrophic effect of fluctuating exchanges upon capitalistic business. These are generally known : instead of calculation and production—speculation ; the advancement of trade-and-speculation capital at the expense of solid industrial capital ; general insecurity, of which the big capitalists take advantage for the systematic despoiling of the little fellows. On the other hand, parasitic strata who busy themselves in the circulation field and who draw to themselves a part of the surplus capital. (See Appendix, Table VIII.)

#### DEARTH OF CREDIT AND CAPITAL.

An interesting phenomenon of the period of crisis is the enormous difference in the interest charged in the different countries for money loaned. While in the United States and England money is plentiful and interests rate are low—3 to 5 per cent.—the interest charged at this time in Germany for gilt-edged credits is 24 to 96 per cent. First class industrial undertakings pay 2 per cent. per month. A similar situation obtains in Finland, Poland, and in general in the states formerly designated as the “territory of underproduction.” The term “credit crisis” is used. In reality it is a question of the *dearth of capital* as a result of the impoverishment of this territory. Under normal circumstances such a divergence in interest rates could not be maintained for a long time, in fact, could not come to pass at all, since capital available for loans is very mobile and in the briefest possible time flows from one country over into another and evens up the rates of interest. (There is a constant difference within each country, depending upon the security of the investment.)

For the present, however, the political situation in continental Europe is so uncertain that English and American capital, despite the high rate of interest, makes its way there in only a limited quantity.

On the contrary, capital fled from impoverished Europe to the United States, where, to be sure, the interest was low, but where it seemed to be invested safely. According to the reports of the Department of Commerce,<sup>1</sup> there were bought in the course of the year 1923 :—

Foreign securities by Americans .. ..	\$410,000,000
American securities by foreigners.. ..	394,000,000
American currency by foreigners .. ..	50,000,000

<sup>1</sup> *The Times*, April 7, 1924.

In other words, more capital was brought by foreigners to America than was exported from the United States.

Says the official report: "If it proved impossible for us to maintain our position as the first loaning country in the world which we were last year, this not due to lack of capital on our part, but rather to the unsettled conditions abroad, that made the investment in foreign countries less attractive for the Americans."

To sum up: there is no uniform world economy, since the course of the business, the position of the labour market, the exchange situation, the interest rates do not move along parallel lines in the various countries, but in contradiction to each other.

## V.—THE DECLINE IN THE WORLD-ECONOMIC DIVISION OF LABOUR AND THE CRISIS OF THE EUROPEAN INDUSTRIAL COUNTRIES.

The crisis in the European industrial countries is set off in sharp relief from the general crisis. During the war the special advantage of western European industry—a skilled working class, trained in specialised work, which produced at very little cost per unit of product—was partly eliminated. The normal process of industrialising the colonial lands received a severe blow through the interrupted emigration of the European industrial masses. A native industrial working class, capable of working, and native industrial capital developed as a result.<sup>1</sup>

Upon the ending of the world war sharp competition set in on the part of European industry for regaining these markets. But these newly industrialised countries are defending themselves, some by cheap labour power, others by tariffs! India demands a tariff not alone upon twine, but even upon iron. Canada declined the idea of a united British world empire and of preferential tariffs for the raw materials of the colonies, because it wants to

<sup>1</sup> A general summary of the results of this development is not yet available. We give a few examples, however:—

CANADA'S industry has grown 300 per cent. during the last century.

(*M.G. Comm.*, October 11, 1923.)

AUSTRALIA :	<i>Number of factories</i>		<i>Number of workers</i>
	1911	14,445	312,000
	1921	18,018	395,000
	<i>Commerce Reports, September 23, 1923.</i>		
INDIA :	<i>Number of textile factories</i>		<i>Number of spindles</i>
	1910-11	226	6.0 million
	1921	284	7.8 million
	<i>Production (million yards)</i>		<i>Import</i>
	1913-14	1,164	3,197
	1922-23	1,725	1,578
	<i>Report of Overseas Trade, 1922.</i>		

CHINA : Of 109 modern textile factories,  
 77 belong to Chinese  
 5 belong to Englishmen  
 25 belong to Japanese

*Statist*, April 16, 1923.

carry out its own policy of protective tariffs. All this leads to increasing greatly the difficulties of exporting to these countries from Europe.

Parallelling this situation there is the phenomenon of the United States taking up ever closer economic connections with extra-European countries. These countries need capital, which they can obtain more easily from the United States than from Europe. The British colonies, especially Canada, but also Australia, lean heavily upon the United States. In South America the United States have tried to gain economic and political control.<sup>1</sup>

The result of this development is :—

(1) *The decrease of foreign trade in the world in general.* (See Appendix, Table VIII.)

(2) *The decrease in foreign trade for European industry in particular.*

Let us try to compare the export of the most typical European industrial countries in 1913 with that of 1923 by reducing the data of 1923 concerning the index figures for wholesale trade to those of 1913. This is a rough method and one that gives only approximate results, all the more so since the foreign trade data of France and Germany very rightly are considered as not very reliable.

*Exports in millions of monetary units*

	1913	1923	Wholesale Index	Transposed in terms of 1913	Minus	Plus
England ...	634	886	162 ( <i>Econom.</i> )	547	87	—
France ....	6,880	30,400	419	7,250	—	370
Germany ..	10,097	6,079	(In terms of 1913)	6,079	4,018	—
Belgium ...	3,716	8,993	497	1,810	1,906	—
Switzerland	1,376	1,760	181	908	468	—

Thus we see that the exports from the “Industrial Workshop,” with the exception of France, where there was an accretion of territory and an inflation boom, lag far behind those of pre-war times : Belgium 52 per cent., Switzerland 30 per cent., Germany 40 per cent., England 13 per cent. (in the case of England the severance of Ireland plays a part).

(3) *The decrease of exports hits particularly those branches of industry that are mainly dependent upon export.* This is shown most clearly in the distribution of unemployment in England among the various branches of industry.

In a special Free Trade Supplement of the *Economist* for November 17, 1923, the following very interesting data is given concerning unemployment in the various industrial branches of England. The various lines of business are divided into three groups ; one group in which exports exceed imports ; one group

<sup>1</sup> Interesting details concerning this are contained in : Helmer Key *Der Bankrott der Rekonstruktionspolitik und die Kolonialpolitik*, Berlin, 1924, page 47.

in which imports predominate; and one, the so-called home industries, such as building trades, hotels, railways, water works, &c. The groups that in England show a surplus of imports are: fine metals, woodworking, silk goods, oil, leather goods, and paper.

The number of unemployed at the end of September, 1923, may be divided as follows among these groups:—

Export Industry .. .. .	698,337
Local Industries .. .. .	395,018
Import Industry .. .. .	83,762

These figures prove that it is not the importation of industrial goods from abroad that is the cause of unemployment in England, for unemployment is greatest in the export industries. For this reason tariffs upon imports would be senseless, all the more so, since the importation of industrial products is less than before the war. Nor does the fault lie in the fact that *England's* share in the world's trade has grown less. On the contrary: according to McKenna's estimates, England's share of the world's trade was as follows:—

1912 .. .. .	13·8 per cent.
1922 .. .. .	17·3 per cent.

The English Free Traders are quite right in their arguments against protective tariffs. In his programmatic free trade speech of November 5, 1923, Asquith was quite right in asserting:—

“The first real cause is the fact that the whole trade of the world has dwindled. . . . The remedy lies in the re-establishment of the productive capacity and exchange power of the world.”

In other words, this means: the restoration of England and Western Europe in general as the “industrial workshop” of the world. But this seems to be impossible.

“The old markets, that have disappeared, can for the most part never develop again, and that is one of the reasons why continental Europe cannot be reconstructed within its own borders.”<sup>1</sup>

The shifting in the international economic relationships, the decrease in the economic division of work thus calls forth a special crisis in industrialised Western Europe. There is a tendency towards establishing a new equilibrium through the exportation of capital, emigration, return to agriculture, and limitation of offspring. But such a rearrangement needs much time and can only be brought about after severe class struggles. We shall revert to this when dealing with the perspectives.<sup>2</sup>

<sup>1</sup> H. Key, *Der Bankrott der Rekonstruktionspolitik*, p. 7.

<sup>2</sup> In the periodical issued by the Russian Socialist Academy, Vol. IV, 1923, Comrade Bronski launches an extended criticism of my interpretation of the crisis. He takes especial exception to a certain article published in 1916 under conditions of severe censorship, in which I demonstrate that the theory of the social patriots, according to which the proletariat has an interest in the exportation of industrial products, and therefore an imperialism and war

*Under capitalist conditions*, of course, things stand quite different, since production there does not take place for the purpose of supplying the need. The president of the American Steel Trust, I. A. Farrel, was right in stating to the Department of Commerce: "In every business there is a certain portion of the produce, roughly figured at 20 per cent., that cannot remain unsold if the first 80 per cent. of the sales are to net a profit. If you leave off the last 80 per cent., the whole operation will cease to yield a profit." ("Annals of the American Academy of Political and Social Science, 1922.")

If, therefore, the individual branches of industry in the *capitalistic* countries are so organised that they dispose of 80 per cent. at home, but must export 20 per cent., and if for these 20 per cent. there is no market, then this simply means that there is no profit; in other words, it means crisis, unemployment, which, corresponding to the structure of capitalism, becomes transferred to all branches of production.

In our own opinion there is, therefore, no contradiction in my contention on the one hand that the importance of export trade for business "in general" is overestimated, and on the other that the limitation of export means a heavy crisis for *capitalism*. One must only read my contention aright.

## VI.—THE AGRARIAN CRISIS.

Closely connected with the general crisis is the agrarian crisis, which has been lasting for several years, but has received scant attention. In my "Crisis" I have already referred to the agrarian crisis as an important phenomenon, but only in connection with economic United States. The reason for this was the fact that the agrarian crisis remained concealed for a long time because of the effect of inflation. The harm that came to the farming business through the low prices for agrarian products—low as compared with the general level of prices for industrial products

itself, is unsound. I therein cite Germany to prove that even the complete suppression of exports would be more favourable to the proletariat than militarism and war, since the importance of exports as compared with the entire production is much less than the social patriots claim. Comrade Bronski seems to have misunderstood the semi-illegal character of this work of mine. I there speak of the relative unimportance of industrial export *in general*, in other words, on the assumption, concealed or covered up there, of a non-capitalistic order of society. *In general* it is quite true—that a *large* modern country, such as Germany, France, Russia, or the United States might support its population without exports (hence also without imports). The standard of life would be lowered, poorer clothes would be worn, people would renounce certain pleasures, and possibly even suffer some hunger; but no catastrophe would result. At least none that would equal the world war as far as the proletariat is concerned. Even the English people could by intensive cultivation of the soil and by fishing sustain themselves at about the standard of the Irish fifty years ago, provided they got along without meat. The standard of life of the whole world would be lowered through the renunciation of the advantages of an international exchange of commodities, but in our opinion in a much less degree than most people believe.

—was compensated for through the automatic depreciation of mortgages, through the actual exemption of farmers from taxation, and through the circumstances that the farmers were able during the inflation period to purchase their industrial products below reproduction costs.

The agrarian crisis is of special social significance, since it has a tendency to separate the small and middle-sized farmers from the capitalist class, and to loosen their identity of interests. This expresses itself most sharply in the United States in the efforts to organise a third party.

*The "Scissors."*—The economic reason for the agrarian crisis is the so-called "*Scissors*," *i.e.*, the opposite development of prices for agricultural and industrial products during the post-war period. It is exceedingly difficult to express this in figures. From a purely economic viewpoint it is impossible to establish a normal relationship between the prices of agricultural and industrial products, unless one were to assume that the price for agricultural products must be so high that the cultivation of the unrented ground, the yield of which is still necessary for supplying the world market, nets the average profit on the capital. This is theoretically correct, but it can by no means be estimated in figures, since too many factors, modificatory in nature, are brought into play: land hunger, freight rates, varying productivity, depending upon the climate, weather, &c. There is no other recourse for us save to take the relationship of prices in a normal year, in other words, a price relationship uninfluenced by either agrarian or an industrial crisis, as our starting point. Such a year is 1913, which in most cases was also chosen as the starting point for estimating the various index figures. Since, however, inflation has caused confusion in the price relationship and since there are no index figures for prices fixed uniformly for all capitalistic countries, it is hardly possible to use the index figure for determining the "*scissors*." Depending upon the weight attached to the industrial and agrarian products in estimating the various index figures, contradictory figures are arrived at for the different countries.<sup>1</sup>

Under these circumstances it seems best to us to use the figures for wheat, the most important agricultural product, as our starting point. In Table X are given the market prices of certain grades of wheat in the most important produce exchanges

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<sup>1</sup> The various German index figures are quite contradictory on this point. The index for wholesale trade of the federal statistical office of Germany, for instance, was fixed at the end of November at 98.9 for grain and potatoes, and 155.8 for industrial products, hence a very strong "*scissors*." During the same period of time the index figure for wholesale trade given by the *Industrie und Handelszeitung* was fixed at 79 for grain, flour, &c., at the same time that the general index figure was 145, hence a divergence of almost 100 per cent. On the other hand the wholesale index figure for the *Frankfurter Zeitung* during the same period showed the very opposite tendency: food and articles of consumption, 1,584, total index for ninety-eight classes of goods, 1,565.

of the world, divided into export and import markets, as well as the notations of such European countries as on the whole produce their own supply. The price quotations of pre-war times show that the prices in the export markets were graded quite evenly, depending upon the distance from or freight charges to Western Europe. With the European countries there is a sharp divergence of prices, depending upon whether there is free trade or protection tariff. Thus the price for inland wheat per quarter was (all prices are expressed in gold francs):—

		<i>Free trade countries</i>	Average 1913.			<i>Protection countries</i>
London	..	19·86	Berlin	..	..	24·56
Antwerp	..	19·89	Paris	..	..	27·82
Rotterdam	..	20·60	Milan	..	..	28·10

If, now, we follow the prices, figured in gold francs, in all important exchanges of the world, we see that with the exception of France the price of wheat everywhere lags far behind the general rise of prices. If we compare the present moment, in other words, the course of prices at the beginning of April, 1924, with 1913, we find the following:—

		Average 1913	<i>Beginning 1924, April</i>
Chicago	.. ..	.. 17·19	20·37
Karachi (India)	..	.. 17·26	19·16
Argentina	..	.. 19·03	18·60
London—Manitoba I	..	.. 20·90	23·05
Plata	..	.. 20·61	21·77
Berlin	.. ..	.. 24·86	21·24
Antwerp	.. ..	.. 19·89	22·49
Paris	.. ..	.. 27·82	24·00 (about)
Milan	.. ..	.. 28·10	25·07
Rotterdam	.. ..	.. 20·60	24·83

These figures are all reduced to gold francs. If we take into account that the general purchasing power of gold, as reflected in the wholesale trade index figures for the United States, is about one-third less than in 1913, it is evident that the price of wheat at this moment is far below that of pre-war times in the whole world. And as wheat may be looked upon as characteristic for all agricultural products (except textiles), there can be no doubt but that the position of the farmers in the world's markets has become considerably worse, and that there is a "scissors" in the world market. The difference is sharpest in the countries where there was a high tariff on grain before the war, which, however, during the post-war period was either removed or greatly reduced: Germany, France, Italy.

#### THE CAUSES OF THE "SCISSORS."

The reason for this difference in the fixing of prices between agricultural and industrial products is above all the fact that

during the war and after monopolies were established in industrial concerns in greatly increasing numbers. We have already referred to this in a previous chapter. Through the formation of trusts and monopolistic companies the prices of industrial products are more and more placed outside of competition, and the profits of organised branches of industry are increased at the expense of those not comprised in such combinations. Owing to the fact that there are untold millions of independent producers, a monopolistic fixing of prices is an impossibility in agriculture. The monopolistic fixing of prices can take place only in exporting countries with the help of the government, as was the coffee valorisation scheme in Brazil. Attempts of that sort were made in the United States and Canada, but thus far without success. Were such an artificial concentration of surplus export for purposes of raising prices to come to pass in the most important countries, the "scissors" would in all probability disappear rapidly. It would be quite sufficient for Argentina and Canada to create a monopoly for the export of grain, since these two states, together with Russia, which monopolises its whole foreign trade anyway, control the world's grain market.

The creation of such monopolies is prevented, however, by the circumstances that the capacity of the European market, which is decisive in shaping prices, for absorbing the product is very small as a result of the decline of European capitalism that is taking place just now. Thus the agrarian crisis and the crisis of European capitalism are closely inter-connected.

#### DIFFERENT MANIFESTATIONS OF THE "SCISSORS" IN THE VARIOUS COUNTRIES.

The reaction of agriculture to the "scissors" was and is different in the different countries. In this connection the divergent policy governing the fixing of prices in the belligerent countries during the world war is of importance. In the countries of the European continent a maximum price was fixed for the agricultural products, at which the farmers were compelled to yield their produce. Although these maximum prices were constantly circumvented by the farmers, this system, taken by and large, nevertheless led to a decrease of the gold earned from agricultural products and also to a decrease of production itself. In the Anglo-Saxon countries, however—England, the United States, and the British colonies—the very opposite price policy was followed. No maximum prices were fixed and everything left to free competition. But the governments bound themselves to purchase certain agricultural products, above all wheat, for a number of years at a fixed price which was set rather high. This system tended to the very opposite of the fixing of maximum prices in the continental countries of Europe: it led to the extension of production, as this proved very profitable for the producers. The surplus profit of agricultural producers was, of course, turned

into capital and led to a sharp increase in the price of land. Then, when this system was abrogated after the close of the war, the effect of the collapse in prices that soon followed was felt in the following manner :—

In England and the United States, where all land is in private hands, and where the rents had been increased, corresponding with the higher productivity during the war, the crisis was and is severest. It manifested itself in the United States in this manner : hundreds of thousands of farmers went bankrupt and left their farms, streaming into the cities. Other hundreds of thousands were only held on the farms because their creditors left them unmolested, their calculation being that if these debtors sell their land at auction, the creditors will eventually lose everything, while if they left them on their farms there was at least the hope that under more favourable business conditions they might be able to collect. In 1923 the crisis among the wheat farmers in certain parts of the United States (the Dakotas) became such that hundreds of financial institutions were driven into bankruptcy. The reason for this is the fact that the leases and rents went up during the war, but the farmers, who during the boom bought land at high prices on credit or leased it, are now, in the face of the low prices, unable to pay their interest or rent. In England, where the farms are in the hands of better situated capitalists, such a catastrophe did not ensue.

But in both countries the result is a *sharp shrinkage of the area devoted to the raising of grain*. The area under cultivation was :—

	<i>Average</i>				
	1909-13	1917-21	1922	1923	1924
IN ENGLAND :—			<i>(In 1,000 hectares)</i>		
Wheat .....	767	854	796	704	—
Rye .....	23	36	34	30	—
Barley .....	748	611	552	537	—
Oats .....	1,634	973	873	800	—
IN THE U.S.A.					
Wheat .....	19,065	24,670	24,779	23,574	16,263 <sup>1</sup>
Rye .....	905	2,212	2,513	2,118	1,771
Barley .....	3,084	3,251	2,991	3,228	—
Oats .....	15,118	17,311	16,468	16,498	—
Corn .....	42,181	41,635	41,152	42,152	—

In England the area under cultivation is far less in extent than during the pre-war period. In the United States the cultivation of winter wheat in the fall of 1923 was 13 per cent. less than in 1922. This means that the United States with an equally good harvest has only half as much wheat to export as in 1922.

In *Canada and Argentine* the area under cultivation has increased still further despite the low prices. This is to be ascribed to the fact that there is still free land to be had<sup>2</sup> and that the

<sup>1</sup> Without summer wheat.

<sup>2</sup> Free land in the economic sense, *i.e.*, at prices that from an economic standpoint cannot be regarded as in lieu of rent ; for example, the low tax in Canada.

extension of grain cultivation includes lands that were thus far not tilled at all. The original fertility of this land is made use of, and with intensive cultivation and very small expenses harvests are achieved that even during the present time of low prices make the effort put into production worth while.

The area under cultivation in Canada was :—

	Average			1923
	1919-1913	1917-1921	1922	
	(In thousands of hectares)			
Wheat .....	4,025	7,505	9,074	9,175
Rye .....	47	325	852	586
Barley .....	637	1,096	1,052	1,127
Oats .....	3,884	6,139	5,885	5,372
Corn .....	125	108	129	129
In Argentina :—				
Wheat .....	6,496	6,572	6,451	6,967
Rye .....	34	97	87	128
Barley .....	93	253	243	258
Oats .....	970	1,024	1,059	1,112
Corn .....	3,525	3,285	3,177	3,425

In *continental Europe*, where agriculture is for the most part conducted by peasants, the “scissors” began to show their full effects only now. Their detrimental effect upon the position of the peasants, as already intimated above, was prevented by the fact that the farmers during the inflation period for the most part got rid of their mortgages; that until very recent times, also as a result of inflation (in Germany, Poland, Hungary, Austria, in part also in France), they had to pay taxes that were minimal in comparison with pre-war times; that they produce but once per year and by the immediate use of the money realised can escape the losses due to inflation; and that, finally, in purchasing goods they profited by the circumstance that industrial products were being sold under production costs.

The peasants began to feel the full weight of the agrarian crisis the minute stabilisation had taken place. Immediately they are loaded down with taxes in gold. The new mortgages must be made out in gold values and the interest paid in gold. The fixing of prices now turns very much against the farmers, in that they must now pay for the industrial products that are manufactured from raw materials at a much higher advance than before the war.

The classic example for this is furnished by Germany, where at present the agrarian rests upon the peasants with all its weight. The change in the fixing of prices is especially significant. We here cite several figures from the *Borsen Courier* of Berlin for December 9, 1923 :—

	1913	Middle November	Increase
		1923	(1913 = 100)
Production costs for rye :—		Per 50 kg.	(in gold marks)
Rye bread .....	8.22	9.75	119
Retail price of rye :—			
Rye flour .....	15.00	31.50	210
Rye bread .....	14.00	22.50	160

In other words, hand in hand with an increase of 19 per cent. in the cost of producing rye there goes an increase in retail prices of 60 and 110 per cent. respectively :—

	Middle 1913	November 1923 Per 50 kg.	Increase (1913 = 100) (in gold marks)
Production costs for oxen (live weight) .....	52-00	115-00	221
Wholesale price for oxen .....	73-00	325-00	445
Retail price for beef (meat for cooking) .....	87-50	400-00	444

At the same time that there is an increase of 221 per cent. in the costs of production, there is double the increase in the retail price. The difference between the cost of production and the wholesale price has risen from 41 per cent. to 183 per cent., and that between wholesale and retail prices from 20 to 23 per cent.

	Middle 1913	November 1923	Increase (1913 = 100)
Production costs for hides, Munich ( $\frac{1}{2}$ kg.) .....	0-61	0-60	98%
Wholesale price for sole leather (1 kg.) .....	2-25	3-36	149%
Retail price for box calf shoes ..	12-50	24-67	197%

A reduction of the cost of raw hides of 2 per cent. is matched by an increase in the retail prices of 97 per cent.

Conditions have changed but little during the last quarter of a year. German agriculture is in dire need, and this distress is heightened by the fact that credits can nowhere be obtained, inasmuch as all German business suffers from a lack of capital. The big agrarians are looking for a way out through agricultural protective tariffs. This might help agriculture, but through the consequent raising of prices for the necessities of life would make the lot of the German proletariat worse, and would lead to grave wage conflicts. The raising of wages, on the other hand, would lessen the ability of German industry to compete and would cause a still severer crisis in the whole of Germany's economic life.

## VII. AGGRAVATION OF THE CLASS CONFLICT

During recent years there has taken place, objectively, an aggravation of the class antagonisms within capitalism. The distribution of incomes has shifted to the advantage of the very narrow layer of big capitalists. We can here differentiate between the following :—

- (1) *Concentration and the formation of trusts.*
- (2) *The expropriation of the middle classes in the cities through inflation.*
- (3) *The impoverishment of the peasantry through the "scissors."*
- (4) *The reduction of the standard of life of the proletariat, directly through the reduction of wages and the lengthening of working hours, and indirectly through the continuing*

period of unemployment, which reduces the income of the proletariat as a class. Thus the big capitalists enriched themselves at the expense of the non-capitalist strata. The circle of people economically interested in the continuance of capitalism thus constantly decreases; the exploitation of all classes through the big bourgeoisie grows constantly worse. This supplies the economic basis for further revolutionary struggles, even though the working class was driven into the defensive during the period elapsing between the Fourth and Fifth Congresses, and though it had to give up positions it had already captured.

*Concentration and the Formation of Trusts.*—The tendency toward concentration and the formation of trusts was present even before the War, but it has been increased during recent years. It is impossible to determine this *in exact figures*, since capitalistic economy is so tremendously intertwined and interwoven.<sup>1</sup> But nobody can doubt the correctness of this fact, if he observes objectively the manifestations of modern capitalism.

Still more important than the concentration of production in the various branches of production and the centralisation of fortunes in the hands of a small number of capitalists is the formation of trusts and concerns, which give a very small group of big capitalists the possibility of controlling the economic life of a country. Especially characteristic of the last years is the growth of trusts or combinations that include the whole productive process from the raw material to the finished article; that themselves produce the machinery and equipment for their manufactures, and that arrange for transport and distribution, trade and financing, through their own organs. In this way there arise new phenomena, autarchic up to the finished product, which constitute powerful autonomous units within a modern economic system that is still called "*Volks wirtschaft*" (popular economics).

The heads of these mighty organisations are in fact the rulers of the modern capitalistic State. They follow their own domestic policy, their own social policy, their own foreign policy. The trustification process was very much encouraged by the sudden drop of prices and, at the end of the post-war period of apparent boom, by the sudden change from boom to crisis that was accompanied by fluctuations of exchange. The establishments that were less firmly founded were unable to withstand these storms and had to save themselves from destruction by fusing with the big concerns.

The activities of these concerns are not limited to their native countries. They take root everywhere, due to the exportation

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<sup>1</sup> Since the war no statistics concerning business establishments were gathered by any European countries, so that no data are available for the concentration that has taken place. The first census is to be taken in England in 1924.

of capital and through mutual interweaving and interlocking. Thus we see how the two mightiest American concerns, the Morgan and the Rockefeller interests, branch out more and more in almost all European countries; how under the mask of French or Austrian capital they gain control of the oil production of Poland and Roumania; how the whole electrical industry of the world is under their influence.

On the other hand, the formation of such gigantic concerns is not dependent upon wealthy America. In impoverished Germany we see, during the inflation period, the growth of the Stinnes concern, which swallows up in an almost planless manner all sorts of useful undertakings: coal and iron mines, smelters for the smelting of iron ore, machinery factories for turning out manufactured products of iron, forests for securing wood for the mines, paper factories for taking care of the waste wood, newspapers for using the paper, shipping undertakings for transporting the goods, and pure business concerns for securing freight trade for the steamers, &c. The Stinnes concern, too, is not limited to Germany, but extends to Austria, Zecho-Slovakia, Poland, Hungary, South America, South Africa, &c.<sup>1</sup>

Of fundamental importance in this connection is the tendency towards bringing into consonance with each other the various species of capital that previously were often antagonistic to each other: banking capital, industrial capital, trade capital, transportation capital, agricultural capital. These become so closely intertwined by the formation of trusts that one can speak of a unified "*concern capital*" in the most advanced capitalistic Countries. The further events develop, *the more does capital place the proletariats as a unified whole*, and the less hope is there of inner differences of interests between capitalists.

It is further interesting that, while before the war the initiative for the formation of trusts and cartels was usually taken by banking capital, and while the latter usually played a leading role in these trusts, during the post-war period it is industrial capital, especially *in the countries of inflation*, which became the motive power in forming combinations and which controls the trusts, and in a certain degree also the banks. The reasons for this shift are to be found in the mechanism of inflation, as we shall develop later.

The trusts constitute so great an economic force that they make the "*unorganised*" bourgeoisie dependent upon them economically and financially. As a matter of fact, trust capital *dominates* the whole economic life and seeks effectively to enlarge its profits at the expense of the bourgeoisie that is not yet organised in trusts. In this way there is a division within the bourgeoisie

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<sup>1</sup> A concrete description of this development would be interesting, but would demand a whole book. In my consideration of this problem I rely largely upon the collection of material in the hands of Comrade Rolf, which he has placed at my disposal.

which does not, however, separate people as before according to the kinds of capital, but into trustified and unorganised capital.

Two important problems arise in this connection :—

(1) Has the formation of trusts advanced so far that the heads of these combinations control a sufficiently large part of the industrial and business life to be able to prevent crises ? This possibility can be denied with certainty. Trust-forming has advanced furthest in the United States. An attempt was there made to use the credit policy of the central bank of issue to regulate the course of the market. Nevertheless we see that neither could the big crisis of 1920-21 be prevented, nor the present sharp downward movement averted. In other countries there can be even less talk of this. Trust forming can merely bring it about that the burdens of a crisis are shifted from the capital organised in trusts to the unorganised capital and to the non-capitalistic classes.<sup>1</sup> Great though the power of the trusts is, it does not extend to agriculture not the small or middle-sized industries, the economic weight of which is, after all, greater than that of the trustified capital.

(2) Is the fact of international trust-forming and of mutual interlocking of the capitalistic interests of the individual capitalistic countries not liable to overcome the antagonisms of the various national capitalisms and thereby to prevent new armed conflicts in future ?

This possibility, too, can be denied with certainty. The conflicts of interests between the various national capitalisms of "State-capitalistic trusts," as Bucharin calls them, are considerably greater than the community of interests brought about by mutual penetration. If one reads the list of concerns in Europe controlled by the Morgan or Rockefeller trusts, this sounds quite imposing ; but if one attempts to compare their economic weight with that of the entire capitalism of the respective countries, one finds that, after all, theirs is rather small. The sharp competition in armaments on the water, under the sea, in the air, and in chemical factories, engaged in by the imperialistic World Powers, proves sufficiently that there can be no thought of a world peace based upon the mutual community of interests of the capitalists.

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<sup>1</sup> The following news item (*Börsen-Courier* for May 1) is characteristic: "From the American Steel Industry. According to a report in the 'Iron Age' the producers of steel are adopting the same policy as last year, namely, they bring their activity into accord with the demand. There is nothing to indicate that attempts are being made to obtain orders by reducing prices greatly." That is, the crisis is overcome, not at the expense of the capitalists through reduction of prices, but at the expense of the proletariat through restriction of production.

## THE EXPROPRIATION OF THE CITY MIDDLE CLASS THROUGH INFLATION

The petty bourgeoisie, including the smaller capitalists, has been radically expropriated in the countries that have had big inflation, and has been partly reduced to the level of the "riff-raff" proletariat. The mechanism is as follows :—

The fortunes or incomes that were invested in nominal money units were expropriated in proportion to the depreciation that took place. All *rentiers* who had invested their savings in state or communal bonds or industrial shares bearing fixed interest, grew poorer in proportion to the depreciation of the money. Similarly all those who had deposited their savings as savings accounts with financial institutions. Likewise those who had taken out life insurance or had turned over their savings to them in return for a fixed annuity. The expropriation amounts in France to two-thirds in Austria, Germany, Hungary, Poland to more than 99 per cent. of the former fortunes.

Those who gained from this process were : financial institutions, insurance companies, industrial undertakings, and the state as common organ of the capitalists.

The expropriation of tradesmen, little merchants and lesser productive capitalists took place in a different manner : these strata were unable to fit their business practices and methods of calculation to the shrinking exchange in time. Instead of selling at a figure based upon a re-purchasing price plus profit, they sold at the purchasing price (the price at which they bought it) plus profit. Under normal circumstances, where purchasing and re-purchasing price (production price and re-production price) are equal, yes, where the tendency exists that goods may become cheaper due to technical improvements, this method is correct. During the period of money depreciation, however, this led to the ruin of the petty bourgeoisie. For, figured in nominal money units, they made a good profit under this system. But at every turnover of their capital they become poorer, since they were able with the money realised from the sale of their goods to re-purchase only a part of them. Their stock, which constituted their fortune, in this way became smaller and smaller and they themselves became poorer and poorer. Many did not realise their mistake until they had to go out of business because of a dearth of capital. Without going bankrupt (no credits were given during the inflation period) they went to pieces, the victims of the big capitalists.

For a long time, the state itself prevented the little fellows from calculating on a basis corresponding to the rules of capitalist economy, when it determined that, on the basis of the principle, mark equals mark, franc equals franc, everybody must be considered as a profiteer and must be punished who demands a higher price than one based upon the purchasing price plus profit in nominal money units.

In so doing the state protected the interests of the big capitalists, especially of those in the heavy industries. The principle of purchasing price plus profit in paper money units was not applicable to the heavy industries and to the large industries combined in trusts which conduct their own production from the raw material to the finished product. These concerns immediately raised their prices to correspond with and even exceed the depreciation of the money. They profited systematically at the expense of the small capitalists, the dealers and tradesmen, in that as a class these capitalists bought all goods that they needed for production from these strata, as well as all objects of private consumption, always far below the price which the big capitalistic purveyors received from these strata for the same goods. They profited indirectly at the expense of these strata in that the system of selling below the cost of reproduction made it possible for the capitalists to pay very low wages, since the workers received the goods below cost from the petty bourgeoisie. The capitalists sustained the proletariat in part at the expense of the petty bourgeoisie.<sup>1</sup>

In this way it was possible for the big capitalists to *accumulate capital* through the expropriation of the fortunes of the middle class, *at a time when the accumulated wealth was not increasing, yes, when even decreasing*, and at the expense of the petty bourgeoisie. It is no wonder, therefore, that capital in all countries sabotaged the stabilisation of the exchange until the moment that the expropriation of the petty bourgeoisie had been completed or the change over to a calculation based upon the re-purchasing price could no longer be prevented.

This process at the same time meant a shifting in the position of the various kinds of big capital. During the inflation period the path toward getting rich was an easy one: take up credits, invest the money in goods or in production, sell the goods at reproduction prices, but pay back the credits in nominal monetary units. The heavy industries were best able to do this, while the banks, to be sure, as debtors obtained great profits from the inflation, yet at the same time also sustained losses as creditors, so that, as compared with the heavy industries, they issued forth from the inflation period in a weakened condition. The deciding influence therefore passed from the banks over to the heavy industries.

Through the inflation the class antagonism between the petty bourgeoisie and capital was objectively heightened greatly. Unfortunately capital succeeded overwhelmingly in diverting the subjective dissatisfaction from itself to Nationalism and Anti-Semitism. The Fascisti Movement, 'the movement of the expropriated, impoverished petty bourgeoisie is apparently directed

<sup>1</sup> The very fluctuations of exchange furnish the big capitalists, who are in a position not only to foresee but even to cause them the possibility to rob the uninitiated. A classical example for this is the support given to the French franc in the spring of 1924, an action which brought tremendous profits to the initiated, but to the uninitiated—the whole Vienna and Berlin financial world—the greatest possible losses.

against the "unproductive trade and banking capital," but in reality it is a weapon for dividing the proletariat and for averting the revolutionary movement. This movement is in many respects made unnecessary by the existence of the social democracy as a counter-revolutionary factor . . .

- (3) In a previous chapter we have already spoken of the impoverishment of the peasantry by means of the "scissors."
- (4) *The offensive against the working class for the reduction of its standards of life.*

The most important result of the last three years is the offensive of capitalism, successful on the whole, against those points gained by the working class with which during the war capitalism bought the support of the proletariat and at the end of the war quieted the rebellion of the workers: higher wages, eight-hour day, works councils, &c. All throughout Europe there has taken place a reduction in the standards of life of the proletariat. In America alone the proletariat seems to have succeeded in approximately holding its position.

The methods of the offensive were in part those of peaceful economic conflicts, in part also open military or fascist terror.

In connection with the economic conflict capital, profited by the weakened position of the trade unions, besides the subjective treason of the social democratic and trade union leaders (e.g., the open treason of the transport workers at the time of the English miners' strike; the blackleg work of the English miners at the time of the American miners' strike, &c.). The British trade unions had spent their funds on unemployment doles. The unions in the countries of inflation lost their fortunes through the inflation; their incomes were so small that they were not even sufficient for keeping up their apparatus. Under these circumstances the traditional methods of the trade union fight—viz., to stick to peaceful refusal to work until the damage arising to the capitalists from the cessation of production becomes greater than the difference in wages for which the struggle is fought—were utterly inapplicable. The workers were able to hold out in a peaceful fight without support for but a brief time. The capitalists, however, organised in gigantic trusts, concerns, and at the same closely-knit employers' federations, absolutely held the upper hand in a peaceful economic struggle. Thus the economic conflicts usually ended with the defeat of the proletariat and led to the reduction of the standards of living of the working class. The workers lost faith in the trade unions. With but few exceptions (Hungary) the number of workers organised in unions shows a great decrease during the years 1921-24.

In the countries in which the proletariat attempted to resort to political, armed conflicts, these likewise ended with the defeat of the workers. In Italy it was the Fascisti, an organised, armed force of the capitalist class existing outside the state, which

vanquished the proletariat; in Bulgaria and Spain it was a bourgeois dictatorship set up by an officers' revolt; in Germany it was the former "democratic" government which—as in Bulgaria with the aid of the social democracy—step by step became transformed into a real, undiluted, military dictatorship, which compelled the revolutionary proletariat to retreat.

The result is everywhere a sharp decline in the actual standards of living of the proletariat. It would lead us too far afield to produce figures. It is generally known that the real wages of the German, Austrian, Italian, Hungarian proletariat to-day not more than 60 to 70 per cent. of the pre-war period; that the eight-hour day and the rights of the workers in the industrial concerns have for the most part gone by the board.

In England and the states where the conflict was fought with peaceful weapons, the democratic appearance was kept up. There, too, the standard of life of the workers is much lower than before the war. The special crisis of western Europe shows itself here in a very interesting manner. *The wages of the workers in the export industries* (mining, machinery construction, textile industry) *were forced down far more* than those of workers in local industries (building, tailoring, shoemaking). And even within the same branch of production, as for instance coal mining, there are big differences in wages depending upon the districts. In addition the capitalists everywhere try to separate the wage scales, in that they attempt to force the wages of unskilled workers, of women and of children down further in proportion to those of male skilled workers, so as to divide the proletariat and weaken its ability to strike a blow.

Summing up, then, we can assert: the class antagonisms have, objectively, become aggravated during the last years; subjectively, however, the onslaught of the proletarian, revolutionary forces has been weakened. The working class movement has been going through the trough of the revolutionary wave: this is also evident from the successes of the social patriots. Not until 1924 are the first signs of a new revolutionary wave discernible.

## VIII.—THE CRISIS OF ECONOMIC POLICY

When we survey the economic policy of the capitalistic powers during recent years, we find there a reflection of the instability of capitalism during its period of decline. None of the great politico-economic problems could thus far be solved. In most cases bourgeois economic policy was not even able to adopt an attitude, much less offer a solution. We shall try quite briefly to sketch the most important problems.

### AUTARCHY OR WORLD-ECONOMIC INTERLOCKING

We have repeatedly referred to the fact that the economic development of the war period and in part also of the post-war

period tended in the direction of autarchy, *i.e.*, of the greatest possible self-supplying with all necessities on the part of each state. This tendency was especially marked in the development of the colonies, which developed a powerful native industry, while in the capitalistic countries an improvement of agriculture took place (extension of the cultivated areas in England, the raising of beet sugar, the production of hemp in many European countries, &c.).

The bourgeoisie had to face the problem of whether to encourage or hinder this development.

The problem is most intimately connected with a political one—the possibility of new wars coming soon. The experiences of the last war have shown that modern war is not only a conflict between two armies : people fight against people, business against business, technical skill against technical skill. Therefore national economy should be so built up that all the things necessary for a war can be produced at home. This is, of course, an utopia. Only such gigantic countries as the United States or Russia can make their arrangements with the possibility in view of supplying themselves. But the preparation for future wars, the desire to produce as many of the things necessary for waging war upon the home soil as possible, is an important factor in the striving for autarchy !

#### FREE TRADE OR PROTECTIVE TARIFF

Closely connected with the problem of self-supply or economic interlocking is the question ; protective tariff or free trade. We shall deal with both simultaneously.

Bourgeois economic policy has thus far found no unified answer to this question. But in practice there is a strong tendency toward encouraging the decline of division of work in world economy by positive measure.

In the *United States* a policy tending in the direction of autarchy has thus far held the upper hand. The protective tariff (McKinley bill) came into force in the autumn of 1922. In the spring of 1924 the President made use of his right to increase the already high tariffs still further at his own discretion, in that he increased the duty on wheat 40 per cent. That importation was not prevented by the high duty is explained by the fact that there was a big boom and that the dollar was estimated abroad at more than its real value. The “American” tendency has likewise triumphed thus far in the question of taking part in the solution of the Reparations Question.

Almost all European states try to develop their native industries through protective tariffs, embargoes, subventions, &c., and to aim as far as possible at self-sufficiency. Ditto the English colonies and the independent extra-European states.

The situation of the Western European industrial countries is much more complicated. There can be no question of autarchy on their own soil, although there is continued agitation for a “back-to-the-farm” movement. They attempt to achieve

autarchy by including their Colonies in the scheme. In this connection *France* has the advantage that there is no industry developed as yet in her Colonies and that there is no native bourgeoisie. France can therefore attempt without hindrance to build up its "100 million country" on the principle of self-sufficiency, and it attempts to do this by creating a tariff area that includes the colonies, and by adopting special politico-economic measures. From a military point of view this "Greater France" suffers from the dearth of petroleum. It is trying to secure this by political and economic penetration of Poland and Roumania.

The problem of *Great Britain* is a more difficult one. The British Imperial Conference of 1923 was an abortive attempt at creating a British world empire that was sufficient unto itself and that constituted a single customs area. The plan came to naught because the bourgeoisie in the Colonies was unwilling to renounce customs duties against English industry, and to be relegated to the position of merely supplying foodstuffs and raw materials. The plan further came to naught owing to the circumstances that the creation of a customs union would only then have been worth while for the Colonies if foreign articles of food, coming from places other than the Colonies, had been loaded down with tariffs—a thing that nobody dared expect of the English consumers. The defeat of the Conservatives put an end to even the meagre beginnings of a protective tariff policy decided upon by the Imperial Conference. The plan for the creation of a self-sufficient British world empire has failed for the present: England will stick to free trade, while the Colonies are heading more and more in the direction of protective tariffs.

The interests of the bourgeoisie are contradictory in this question. As *purveyor* of industrial products they have an interest in being permitted to import into another country free of duty. As *exporters* of capital, who desire to *produce* in the Colonies or in any foreign country for the market there, they are interested in customs duties. In another respect the interests of the colonial native bourgeoisie are contradictory. As a *native* bourgeoisie they are interested in fighting foreign, exploiting imperialism; as a *bourgeoisie* beset by a native proletariat that is awakening to class consciousness they are dependent upon the aid of the foreign bourgeoisie, who are their natural allies. Hence the contradictions in the "national" movement in India, and in similar colonial states.

#### RUSSIAN RELATIONS

The bourgeoisie was likewise unable to solve the Russian problem. After the attempts to dethrone proletarian rule by force of arms had failed; the united bourgeoisie attempted at Genoa and the Hague to win out by diplomacy. Likewise without success. The united front of the bourgeoisie broke down in due time; although the European bourgeoisie feared connection with

the bolsheviki for inner-political reasons, the Western European commercial crisis compelled it to come to terms individually with Russia and to make economic arrangements. The aggravation of international antagonism compels the capitalistic countries one after the other to recognise Soviet Russian politically also.

But that is not a solution of the problem. The bourgeoisie cannot attain an honest relationship with the workers' state. While for political reasons it proclaims, especially through the mouths of social democrats, that communism is at an end in Russia, that capitalism has been re-established there, it proves the very opposite by its reserve with reference to the investment of capital and credits. It is utterly unable, either by fair means or foul, to make Russia a part of the capitalist system. Russia remains a thorn in the flesh. The growing prosperity of the Russian people, the raising of the standards of life of the Russian working class has stronger influence with the oppressed European proletariat than all agitation. Thus the Russian problem remains unsolved despite recognition until it shall have been solved by the general extension of the dictatorship of the proletariat. In this connection a new attempt at armed intervention on the part of the capitalistic powers is entirely within the realm of possibilities.

#### INFLATION, DEFLATION OR STABILIZATION

The bourgeoisie has not succeeded in solving the problem of exchange. Yes, the view concerning the method of solving it are in sharp contrast to each other.

After the conclusion of the war the opinion prevailed that the exchanges were to be brought back to the gold standard by energetic deflation. England made successful attempts in this direction and had already approached gold parity to within 3 to 4 per cent. But the heavy industries of England opposed this policy more and more, and openly or half-furtively defended inflation. (See the celebrated memorandum of the Federation of British Industries, &c.). In point of fact the British exchange since then evinces a falling tendency. Inflationistic tendencies are also conflicting very much with the efforts at securing a good franc.

In the previous chapter we showed the mechanism of inflation, —how it expropriates the middle classes in favour of the capitalists, and how it compels certain strata that previously lived on their incomes (interest, profit) to go to work. Inflation automatically forced wages down. It practically means freedom from taxation for the ruling classes, in that direct taxes are reduced to a minimum through the delays in fixing and collecting them. This is of special advantage to the industrial bourgeoisie. The industrial bourgeoisie of the countries having inflation are given a great, even though temporary, advantage in the struggle for conquering the foreign markets. It is therefore but natural that there are strong inflationistic tendencies in every country; that even in England there is hardly any talk of regaining the nominal gold standard;

that in the best case stabilisation is attempted only upon a very low basis (Germany, Poland).

### THE REPARATIONS PROBLEM

The most difficult politico-economic problem with which the European bourgeoisie is wrestling is the question of Reparations. It is impossible within the space devoted to this brochure to trace the history of the complicated Reparations negotiations. We must assume that the reader is familiar with them. We shall merely try to show the relation of the Reparations Question to the general crisis of the European industry and to the contradictory methods of solving it.

The original idea was this : Germany was to restore all damage done to the Allies, without taking into consideration whether German industry can bear such burden and whether under capitalist circumstances the transfer of such huge sums was possible without something being given or done in exchange.

The result of this system is well-known, Germany, which was to pay the reparations bills in foreign exchange, had to buy foreign money at every price. As long as there were people outside of Germany who believed in the economic future of Germany, and therefore purchased marks with the hope of seeing them rise later, the plan was somehow kept in operation. When, however, with the continued catastrophic depreciation of the mark the sale of it was made impossible abroad, yes, when the marks already sold abroad began to pour back, the impossibility of this method of paying Reparations became evident. Germany had to plead for a moratorium, which was partly granted in 1922. The correct conclusion was arrived at that Germany could pay reparations directly in foreign exchange only then if she exported more than during the pre-war period (10 milliards of goldmarks per annum). If the attempt were made, however, to compel Germany to conduct such enormous export, this would mean fatal competition upon the world's markets for the industrial countries of Europe—in a market that without this was already unable to absorb the products of Western Europe. In other words, unemployment in England would be aggravated and perpetuated.

The problem became still more complicated through the antagonisms between France and England that were becoming constantly aggravated in their struggle for power. The struggle assumed more and more this form : to the sphere of influence of which of the three imperialistic Great Powers—France, England, or the United States—was the country which had become impotent of itself, viz., Germany, to be attached ? To put it in slogan form : *whose colony was Germany to become ?*<sup>1</sup> It was out of the

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<sup>1</sup> When in this connection we speak of a colony, we naturally do not think of it in the sense in which Marx used the term : not a country that supplies raw materials and bought industrial products. Germany could be made into such a country only then if, as Clemenceau desired, it were to lose twenty millions of

question for France with its limited population and its dearth of capital to rule over all of Germany. The French plan, therefore, was : to occupy the Rhine and Ruhr territories and to unite these with French industry ; to separate southern Germany from northern Germany ; and then to lord it politically over a Germany thus divided up.

England had no real interest in adding Germany to her sphere, for the re-construction of Germany would mean the resurrection of the most dangerous rival of Great Britain upon the world's markets, just as before the war. The victory of the war would thus be nullified for England. On the other hand, the solution attempted by France was politically and economically unacceptable for England. Politically, because the military power of France hereby would have become still greater, her position of hegemony upon the European continent still more confirmed. Economically, because the union of the entire continental heavy industry would have meant an unbearable threat to English heavy industry.

The only country that could digest Germany economically is *the United States*. The United States is the only country in which in times of favourable business there is a dearth of industrial workers. Until the world war the United States made up this dearth by extended immigration. At present, however, American public opinion decidedly favours the prevention of further immigration, partly out of fear of the communistically infested immigrants, partly out of nationalism, out of fear that the English character of the country may be lost through intensive immigration ; socially, in that capitalism by the embargo upon immigration purchases the support of the aristocracy of labour. The "colonisation" of Germany by American capital would therefore mean that the workers who were lacking in times of booms would not have to emigrate to America, but would be put to work in Germany for America ; and that the cheap wages paid to German workers would be used to force down American wages. Meanwhile, however, partly on account of the business boom, the enthusiasm for meddling with European affairs was not yet very great. In fact, in the three countries, France, England and the United States, very different interests are opposed to each other on the Reparations issue and make a solution difficult.

The struggle for power between France and England prevented the success of all Reparations Conferences held until the end of 1922. At the beginning of 1923, there came the occupation of the Ruhr. As one surveys the period historically one can assert that the occupation of the Ruhr was provoked by England in the hope of involving France and Germany in an economic and possibly even in a military conflict, and thereby to tie the hands of France,

its inhabitants. But one can also speak of a colony in another sense : namely, of a country that is economically controlled and exploited by other countries. This will actually be the case with Germany if the recommendations of the Experts are carried out.

which was getting more dangerous all the time, and to weaken it militarily and economically. We therefore note that England withdraws after the occupation of the Ruhr has taken place, and that it contents itself with strengthening the backbone of Germany secretly and openly through utterances in which the legality of occupying the Ruhr is challenged. The English plan was crowned with success. To be sure, Germany could not in the long run withstand a France armed to the teeth. Passive resistance was abandoned and the big industrialists of the Ruhr Valley were compelled to sign the "Micum" agreements and to undertake enormous deliveries to France. But France was weakened very much economically by the struggle and the catastrophical drop of the franc compelled France to accept the help of English-American capital and—at least seemingly—to agree to a solution of the Reparations problem such as is outlined in the Report of the Experts.

Before we deal with the latter, let us point out that there has always been agreement between the French and the English bourgeoisie in one respect: viz., in the belief that German industry, thanks to inflation, by which the state itself and industry were cleared of their debts, is in a much better position than its French and English competitors. Lloyd George said this quite clearly in his speech in parliament on August 3, 1922:—

"Germany is suffering from the world crisis. This is not the right time for estimating her full capacity. Let us suppose that it is estimated too low—at £1,000 or £1,500. What will happen? Germany has actually got rid of her internal debts. The collapse of the mark may really have had dire consequences for Germany's economic life. But there is no doubt but that she got rid of her state debts . . . Germany would then be in this position: She would have no internal debt and only £1,000 to £1,500 foreign debts; not a single factory damaged, some of them newly equipped . . . Germany has a population of 60 millions, of able and highly qualified workers. A time of recovery will come. When this time comes, we shall have a well equipped Germany with a population of 60 millions, without any state debts, with a foreign debt that was fixed when times were exceedingly bad—and an England loaded down with £7,000 million internal and £1,000 million foreign debts, which would have to enter into competition with two great industrial powers, her industrial rivals."—(*The Times*, London, August 4.)

The same train of thought is found in Poincaré's reply to the English proposal at the Paris Reparations Conference at the close of 1922. —

"At present Germany has no foreign debt whatever; as a result of the collapse of the mark she has proportionally reduced her internal debts, so that these would not exceed a few milliards of gold marks and at the next collapse of the German exchange would drop to zero. If Germany were then faced by but a single

debt, its Reparations obligation, and if this were to be reduced to about 20 milliards through the system of discounts outlined in the British plan—a debt that could be amortised in about fifteen years and that amounts to less than one-third of the French national debt—Germany would after a few years be the only country in Europe that had not a foreign debt ; with its increasing population, its industries intact—which industries would not cease to profit by the exceptional situation—with its untouched reservoirs of coal, wood and nitrates, it would become the master of Europe as compared with a France the population of which would be half as large and that would continually have to bear the burden of reconstructing the devastated areas.

“The German hegemony over Europe, which the War was to destroy, would be re-established and strengthened through the Allies.”

This thought is repeated again and again by the English capitalists, who point out that they must figure in the high taxes that above all are necessary for paying the interest on state debts, in calculating their production costs, while their German competitors have to pay very low taxes because the state debts have been wiped out through the inflation. The English and French are agree that the taxes to be paid by German producers must under no circumstances be lower than their own, so that they may not be at a disadvantage over against their competitors.

#### THE REPORT OF THE COMMISSION OF EXPERTS

The above are the economic and world-political circumstances under which the unanimous report of the Commission of Experts was framed. We shall now attempt to bring out the most essential parts of it, whereby we assume that the reader is familiar with the report itself. The following seem to us to be the essential points :—

*Reparations Payments to be made only with stable exchange.*—The Experts' Commission takes the position that Germany can make regular reparations payments only if German exchange is stable, since in the event of a depreciating exchange the income of the state automatically shrinks so much that payments become an impossibility. The stability of the German exchange is therefore to be guaranteed despite the Reparations deliveries.

*Reparations Payments in German Exchange.*—From the above it follows logically that Germany's Reparations payments—excepting those in kind—are to be made in German exchange only. The prescribed payments are to be deposited by Germany in German money to the credit of the Reparations Commission in the new bank of issue that is to be erected, the Reparations bank. After the stipulated sum has been deposited, Germany has fulfilled her obligations ; it is up to the Allies to see to it how they will get the Reparations deliveries made in German money out of the country. This is to be the business of the Entente Commission that is to be

appointed. The old question arises : *in what natural form can Germany make its reparations deliveries, or, what payments in kind can be accepted as reparations payments by the Allies without heavy damage to the industries of France, England and the rest of the capitalistic world ?* The experts' report, of course, does not solve this problem, since this problem is by its very nature unsolvable. Provision has been made that the payments of Germany may be accumulated in money up to two milliards of goldmarks. The sums that exceed two milliards are to be invested in German bonds, the maximum being five milliards of gold marks. In case it should develop that no form can be devised by which the Reparations payments can be taken over, then Germany's payments are to be reduced until such time as the Allies are able to manage the transfer to foreign countries.

*The Experts' Report condemns all plans* by which the Reparations problem was to be solved at one blow *by an international loan* of milliards of marks ; *e.g.*, the proposal of the Cuno government for a loan of 20 milliard gold marks. The whole idea that by America's broadmindedly placing at Germany's disposal the riches heaped up in America, and in part not put to use (the tremendous gold reserves of the Federal Reserve Bank), the Reparations problem could be solved and with it at the same time a prime reason for the crisis be removed, has vanished into thin air. The Experts' Report provides for one single, modest loan of 800 million gold marks, to be used for meeting the payments of the first year.

From a *world-political point of view* the proposed solution means the *defeat of France's policy of might*, and a victory for England. The policy of France which aimed at the final separation of the Rhine and Ruhr regions from Germany, separatism in Bavaria and the secession of southern Germany from northern Germany, the division of Germany in this manner into three or four parts, may be looked upon as having failed. The report demands that Germany form a unified economic whole. The solution at the same time prevents the union of continental iron and coal in the hands of France, a thing that is of the greatest importance for France's economic and political position toward England.

*Germany becomes an International Colony.*—The Experts' Report provides for a strict and systematic control of Germany by the Allies. In carrying out the measures provided for, German industry is put under Entente control. This control will extend to the railways, to the finances of the country, to the whole monetary policy through the control of the central bank of issue that is to be established, with which all existing banks of issue are to be merged, and to the German taxes, the size of which is to be prescribed by the Allies.

*Payments and Germany's Capacity to Pay.*—The Report provides for the following payments :—

1st year	..	..	..	1,000	million	gold	marks.
2nd	„	..	..	1,220	„	„	„
3rd	„	..	..	1,200	„	„	„
4th	„	..	..	1,750	„	„	„
5th	„	..	..	2,500	„	„	„
Total for the first five years .. .. .				7,670	„	„	„

Of this sum, as is known, 800 millions are to be realised<sup>d</sup> by a loan, so that for the first five years payments of less than seven milliard gold marks are provided for. From the fifth year on the payments are to amount annually to 2,500 millions and possibly even more. For, a *prosperity index* has been provided for, made up of different, rather heterogeneous elements (railway traffic, population, export trade, consumption of tobacco, budget expenses, and consumption of coal). If these factors, calculated according to a certain system (the means of percentually changing these six factors), later show a raising beyond the standard of 1926-29, the obligations of Germany are to be raised accordingly.

The Report provides *from which sources the Reparations are to be secured*: in other words, several forms of income are sequestered for the Reparations payments.

(1) *The railways* have ridded themselves through the depreciation of the money of all their debts; they represent a capital account of 26 milliard gold marks. Before the war they had a net income of 600 million gold marks, which sum, figured at to-day's money values, means about 1,000 gold marks, in which connection it is emphasized, however, that during the pre-war period the German railways were not looked upon as profitable enterprises, but above all as means for the economic development of Germany. If the policy governing rates and fares is directed above all toward the realisation of the highest possible income, it is easily possible annually to gain 600 million gold marks out of the railways in the form of interest on bonds and on the amortisation of these bonds; also, to gain 290 millions annually in the form of railway transportation taxes for Reparations purposes.

(2) *German industry* has likewise unburdened itself of its debts through the depreciation of the German money. It can, therefore, take upon itself a Reparations payment of five millions gold marks, which at 5 per cent interest, and 1 per cent. amortisation is to yield 300 million gold marks annually.

(3) In the Versailles Treaty it is stipulated that *taxes in Germany* shall not be lower than in the Entente countries. On this basis it is estimated that until 1928-29 Germany can progressively deliver 1,250 million gold marks from its ordinary budget for Reparations purposes. To secure these deliveries, the income from duties upon tobacco, beer, alcohol and sugar, as well as the customs are to be paid into the reparations account of the new bank of

issue (the Reparations Bank). If these taxes and customs duties yield more than has been estimated, the surplus will be placed at the disposal of the Reich.

Two questions present themselves in this connection :—

(1) *Can the sums here estimated be taken out of the proceeds of German business and industry, out of the annual production of a Germany diminished in size ?*

As far as the first five years are concerned, this question can be answered in the affirmative. In our opinion these sums can be realised because of the disappearance of the state debt and the reduction of military expenses, provided, however, that the political control of the bourgeoisie is a firm one and that the productive processes are not disturbed by heavy social conflicts—a pre-supposition that will hardly obtain. As far as concerns the full payments after five years, however, we must doubt whether German industry can stand the withdrawal of such sums. However, considering the extremely uncertain condition of capitalism very little that is definite can be said about what will happen five years from now !

(2) *Can a form of delivery in kind be found that will make it possible to export out of Germany the payments provided for ?*

For the first five years this question can be answered in the affirmative, for when we subtract the deliveries of coal and coke which France is not only glad to accept, but which she absolutely needs for her economic life, there will remain only a relatively small balance that must be exported either as exchange or in the form of goods. This balance can, it seems, be taken care of through the sale of German goods in the world's markets, unless a heavy and acute economic crisis crosses these plans. A different situation will arise when after five years the payments are to be made in their full sums. Annual payments of 2½ milliard gold marks can be made only if Germany's export of goods exceeds that of pre-war times by many milliards. We say "by many milliards" because Germany cannot merely export goods, the raw and auxiliary materials for which are to be found in Germany, but she must naturally also import raw and auxiliary materials from abroad. So extensive an export of German goods would, however, lead to grave disadvantages for French and English industry, considering the present limited capacity of the world market to absorb goods, and considering the continuous inability, in our opinion, of all of Western Europe to produce at full industrial capacity because of the want of markets. We are therefore of the opinion that the full payments demanded can neither be supplied by Germany nor accepted by the Entente.

#### THE MEANING OF THE EXPERTS' REPORT: HOLDING DOWN GERMAN INDUSTRY

The Report was unanimously adopted by the experts. As we may assume with certainty that the experts acted in agreement

with their governments, this merely means that the Entente governments, *i.e.*, the Entente bourgeoisie, considers the solution of the Reparations Question as submitted to be correct. The difficulties that Pioncaré is causing seem to us to be in part election manœuvres, in part attempts at holding up the others, so as to compel a solution of the inter-allied debt question that shall be favourable for France.

Then what is the economic meaning of the report? In our opinion it is the following:—

The Entente bourgeoisie realises that it is impossible to secure Reparations payments from Germany in such sums as were provided for in the various ultimatums. The Entente bourgeoisie must choose: either to secure Reparations, but at the price of sharp competition by Germany upon the world market, and as a consequence, depreciation of the mark, social unrest, dictatorship of the right or of the proletariat in Germany, continuation of the crisis and unemployment in England and later, after re-construction has been completed, also in France; or else to renounce Reparations in the sums provided for, *but in return to have decisive influence upon the processes of German industry and to exploit it in such a way that Germany shall be held down as an industrial rival.* In other words: fewer Reparations, but no resurrection of Germany as a competitor that is dangerous in the markets of the world. *The Experts' Report means that the Entente bourgeoisie has accepted the latter solution.* When we take this for granted, the provisions of the report, some of which seem queer, become understandable.

The mortgage upon the railways and the control of the German railways means: freight and passenger rates of German railways must be kept high, so that Germany industry may be prevented, from encouraging export, as in peace times, by cheap rates and exceptional export tariffs.

The five-billiard mortgage on German industry means that the costs of production of German industry are increased accordingly. It is significant that the experts have declined to lay claims to German agriculture, as Cuno himself had suggested at one time. For them it was important only to impose burdens upon industry.

The control of the bank of issue means that the discount policy of the central banking institution will be determined by the Entente bourgeoisie and that the size of the credits extended to industry, as well as the rate of interest, will be determined according to the needs of the French and English bourgeois, so as to hamper the development of German industry through limitation of credits and through high interest rates.

The investment of five milliards of gold marks in German securities means that the Entente bourgeoisie, which already possesses considerable quantities of shares in German industrial undertakings, gains direct control over the most important branches

of German industry. This would especially be the case if the Reparations Commission should later undertake to raise the sum provided for.

Altogether this means that Germany is to be placed economically under the control of the Entente bourgeoisie. This control is, above all, to reduce Germany's industrial ability to compete to a degree that is bearable for France and England; on the other hand industry is not to be so weighted down with over-large Reparations burdens as to bring about a new collapse of the mark and the danger of a nationalistic or proletarian dictatorship.

Germany is to be treated like a valuable draught-horse: it is to be permitted to live, but not to become dangerous. The German proletariat is to be enslaved through long hours of work and low wages, so as to furnish a good excuse to the Entente countries for reducing wages and lengthening the hours of work. The German bourgeoisie is to be given the job of exploiting the workers. It is significant that the Entente bourgeoisie emphasises the necessity of raising the taxes on articles of consumption. But of the sums thus realised only so much is to remain as not to raise a dangerous competitor of the Entente bourgeoisie, the position of which continues to be a difficult one on account of the special crisis of western European capitalism. Thus we see, instead of an attempt to overcome the crisis through extension of the market, the endeavour to hold down economically the opponent who has been defeated in the war, to lessen competition, and to hinder the development of capitalism by political means.

*The problem of the inter-allied war debts* was only partially solved by the English-American agreement. But there is evidence that even for England, whose state finances are well founded, it is quite difficult to fulfil obligations of this sort, and American economists are of the opinion that the acceptance of these sums is harmful to the United States.<sup>1</sup>

The essence of the question is this: in what form of product are these debts to be paid or accepted by the creditor? In view of the fact that the market for industrial products has become smaller through the war the acceptance is often more disastrous than their delivery. Hence there is a strong tendency, especially in English trade capital circles, which favours the cancellation of inter-allied debts. But the industrialists fear that thereby the taxes of the competitor may be reduced and his ability to compete heightened. Their interests would be best served if the debts or interest thereon were indeed collected, but if the goods with which they are paid were somehow to disappear from the world market—either burned or “thrown into a hole,” as Rathenau put it concerning deliveries in kind. Thus the bourgeoisie is breaking its head over this problem without arriving at a solution.

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<sup>1</sup> See Varga: *The Period of Decline*, page 52.

## EMIGRATION, IMMIGRATION, MALTHUSIANISM

Just as in economic policy, so also in the policy regarding population there is real chaos. The French bourgeoisie is complaining of the standstill of population without finding a way out. The English bourgeoisie has already abandoned the hope of supporting the gigantic army of unemployed and the young generation of coming workers on industrial labour within their own country. Hence the continuous agitation for regulated emigration into the colonies and for the limitation of population. Malthusianism, which during the ascendancy of capitalism seemed disposed of, is being resurrected in England.<sup>1</sup>

The question is even more complicated in the United States. Immigration was recently limited for every country to 2 per cent. of the number from that country living in the United States in 1890. This means that the possibilities for persons from southern and eastern Europe are restricted to a mere fraction, while northern Europeans—Englishmen, Scandinavians, and Germans—are afforded greater possibilities. This policy seems to be in crass contradiction to the interests of the capitalists as employers. As a matter of fact, this policy is the result of conflicting interests. It means above all that the semi-fascist aristocracy of labour under the leadership of Gompers, the still more fascist American Legion, and the wholly fascist-nationalist Ku-Klux-Klan have agreed with the capitalists to keep away from America the cheap foreign labour that is not interested in American nationalism, but is difficult to assimilate and is imbued with revolutionary theories. Through the bar upon immigration the American bourgeoisie purchases the support of the aristocracy of labour in the fight against a revolutionary movement.

But while this policy seems calculated to retard the revolutionary movement in the United States, it works in the very opposite way in Europe. It compels the energetic and dissatisfied elements, which previously solved the problem of their well-being individually by emigration, to remain in Europe and to solve their problem through collective methods, *i.e.*, through taking part in the revolutionary movement. The restriction of immigration stops up a safety valve that is quite necessary for the European bourgeoisie!

Thus, in the question of population, too, we note the same uncertainty, the same helplessness as in all the other politico-economic problems.

### IX. THE PERSPECTIVE OF DEVELOPMENT

From the argument developed thus far the reader will see that we stick to the opinion held thus far: *the period of decline of*

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<sup>1</sup> See, for instance, *The Problem of Population*, by H. Cox, Editor of the *Edinburgh Review*, 1922. The advantages by which England was thus far able to support a dense and growing population have disappeared, he contends, and will never return (pp. 38-39). Keynes, too, subscribes to this Malthusianism.

*capitalism continues.* This does not mean that *single sections* of the earth, which were only recently encompassed within capitalism, will not pass through a strong economic ascendency on a capitalistic basis. Nor does it mean that there can be no more business booms for Europe.

It does mean, however, that capitalism as a whole is proceeding along a downward curve. Considered in big periods, the total of production is decreasing, the crises last long and are intensive, the periods of boom are of short duration and not big. Unity of capitalistic world economy is not achieved of late: industrial cycles cross each other's paths, the interlocking of world-economic interests becomes less and less. The position of western Europe, especially, remains shaken, the condition of crisis continues almost permanently because of the tendency toward decreasing the division of world work. The end of the reconstruction period in France and the resumption of production in Germany after the stabilisation of the mark and after the solution of the Reparations problem will aggravate this crisis. Heavy internal class struggles for the division of what has been produced and wars to hinder the opponent forcibly from competing, characterise this period.

The *immediate future* is characterised by the ending of the American boom, increased competition of America on the world markets, and a crisis in Europe that may be expected soon.

It cannot be decided purely from an economic standpoint whether the end of the period of decline will mean the collapse of capitalism or the construction of a new world-economic equilibrium, a new intrenchment of capitalism. In our "Crisis" three years ago we pointed out that within capitalism there are "*imminent tendencies*" for regaining the equilibrium and that conscious efforts are under way for overcoming the crisis. Unquestionably the last three years have witnessed the social intrenchment of capitalism. We recall the words of Lenin which we cited in the first chapter: "*There is no situation for which there is absolutely no way out for the bourgeoisie.*" Whether capitalism will work its way out of the period of decline or whether it will collapse depends decisively upon upon the attitude and actions of the proletariat.

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It goes without saying that the question of the future of capitalist economy is much discussed to-day. The general opinion is a more optimistic one than we hold. The capitalists are always inclined to look upon the present course of business as a permanent thing. It would lead too far to disprove all opposing theories. We shall cull a few representative opinions.

*Hilferding's Optimism.*—That the Social-Democrats look optimistically upon the future of capitalism is the logical consequence of their whole political attitude, their treaty with the bourgeoisie and their enmity toward a proletarian revolution. For, they can temporarily keep the workers away from the revolu-

tionary movement only then, if they promise them a *betterment of their condition for the future within the capitalist system*. That is possible, however, only if they assume that in the near future there will be a new upward trend of capitalism.

As an example we cite the opinion of Hilferding, the recognised economic theoretician of the Second International :<sup>1</sup>

“ Even now it is quite evident that the economic crisis has in the main been overcome. One can also discern that the re-establishment of world production will not, as there was reason to fear for a time, take place on a narrower scale, but on a wider. As soon as the problem of the reconstitution of political security in central Europe, in Russia, and in China is solved, a big boom is to be expected as extremely likely, which boom will fully employ all the productive forces that have meanwhile been developed.”

Hilferding furnishes no real proof for his interpretation, unless we take the following sentences as proof :<sup>2</sup>

“ During and after the war the productive forces have grown tremendously. This expansion was not uniform—above all those branches of industry were increased that were necessary for the conduct of the war : the raising of raw materials in the widest extent possible, the production and workmanship on metals, the chemical industry, shipping ; while the industries having to do with the means of consumption, in so far as they were not necessary for the armies, lagged behind. This disproportionality is one of the reasons for the world crisis. But in the last analysis the extension of productive capacity means, after the crisis has been overcome, increased production and a new boom. The agrarian revolution at the same time means the extension of the market for industrial products. Thus capitalist economy seems as a result of the war period to have been materially expanded and qualitatively changed on the way to organised economy.”

This theory which, by the way, coincides with that of Comrade Ollivier mentioned above, suffers from the error that it takes for granted something that must be proven, namely, that we are concerned in the present period with an “ equilibrium of world production and circulation that has been temporarily disturbed,” which is to be followed by an era of democracy, of peace, of “ *realistic pacifism*,” during which “ the sovereignty of individual states is to be curtailed in favour of a super-state organisation.” Hilferding himself puts a question mark after this sentence, which has been entirely adapted to the foolish and lying homage paid by the Second International to the Entente League of Nations. But the whole trend of his thought is : ascending capitalism, agreement with the bourgeoisie, democracy, world peace.

For the present, however, we see a business depression not only

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<sup>1</sup> *Die Gesellschaft*, No. 2, page 118.

<sup>2</sup> *Die Gesellschaft*, No. 1, page 9.

in the United States, but also in Germany.<sup>1</sup> Not a trace of the boom prophesied. And instead of "realistic pacifism" we see armaments on sea and land and under the sea, in the air, in the chemical works, in the bacteriological institutes . . .

We see as one of the most important reasons for the present crisis the industrialisation of overseas countries, through which Western Europe, with its over-developed apparatus for production and the necessity of exchanging articles of food and raw materials for industrial products, is losing its economic basis as heretofore held. The American statistician, Miller, expresses this idea as follows :<sup>2</sup>

While the nineteenth century brought the conquest of the world through technical and mechanical inventions, and thereby a division of work between the primitive countries that supply raw materials and the more developed industrial countries, the twentieth century signifies a new and opposite phase of development : the turning aside of the countries with raw materials from the principle of division of work and their striving to get back to economic autarchy. This, he holds, is an economic problem of the most fundamental importance, whereby the industrial countries are themselves advancing this process by supplying machinery and equipment.

The editor of the German financial periodical, *Die Bank*, Lansburgh, offers the following objection to this trend of thought :

The present "agrarian countries" were industrial countries during the period of manual trades, and supplied fine industrial goods for Europe.

"The concentrated production and applied science of the so-called cultured nations forced primitive overseas production out, brought about the gradual limitation to the production of raw materials, and thus branded them as agrarian countries. This process is to-day revised backwards ; the industrial countries supply the agrarian countries with technical means again to industrialise themselves, and that, too, in modern form. Not, however, in order to renounce their supplying the world market with manufactured goods and to turn their population, trained industrially, over to starvation, but rather to specialise anew and to transform their works so as to manufacture articles that correspond to the tremendous technical developments. Instead of exporting cotton thread, the manufacture of which is now left to the countries that were formerly agrarian, one now begins to export artificial silk ; instead of oil and petroleum lamps, one exports electric bulbs and apparatus ; instead of old-fashioned guns, modern machine guns ; instead of hardware made of iron,

<sup>1</sup> See "Die Wirtschaftskonjunktur Anfang Mai", *Berliner Börsencourier*, May 2 ; "Einer neuen Inflation Entgegen." *Berliner Börsencourier*, May 3 : "German business and industry during the last six weeks shows all the signs not of recovery but of a relapse into the sickness from which it has barely recovered."

<sup>2</sup> The *Bank*, 1924, second number, page 63.

articles made of aluminium ; instead of a number of articles that one can now do without, chemicals, especially dyes and medicinal articles. And if the accumulation of capital, which follows this advantageous export for the countries supplying these goods, in due time leads to a new phase of the industrial penetration of countries overwhelmingly agrarian, and trains these to produce electrical equipment, chemical preparations, and perhaps even dirigible airships, then progress will again even up the decrease of export of the industrial countries ; and other articles, thus far only dreamed of (radio apparatus ? accumulators from the energy of the sea ?) will be supplied in exchange for the raw materials that may still be needed. Without envy technical inventions and the experience of yesterday are turned over to the agrarian States, and just as unenvyingly the achievements of to-day will be turned over to them to-morrow, since one is in possession of data that mean progress to-morrow. Thus the transition from one stage in the division of work to another is accomplished without pain, without a shock, and without any possibility of proclaiming a catastrophe."

This trend of thought has much more content than that of Hilferding. Only we do not believe that this transfer will take place "without pain and without a shock." We recall the famous report of the Indian Viceroy at the time when the English textile industry conquered India, "The bones of weavers cover the plains of India."<sup>1</sup> It is open to question whether the European proletariat will take such a fate upon itself. Of course, if the proletariat is eliminated as a revolutionary force, then every crisis can be overcome by the bourgeoisie.

We shall now briefly quote the opinions of several English economic authorities as reflected in a series of articles in the *Nation*.<sup>2</sup>

In an introductory article Lloyd George points out that the population of England has increased by 2,000,000 since before the war. Hence production ought to be 5 per cent. higher than then. Actually, however, it was only 87 per cent. of the pre-war period during 1923 (the best of the last three years) according to the estimates of the celebrated Professor Bowley, or 98 per cent. according to the estimates of the *Economist*. In any case there is a discrepancy of 10 to 18 per cent. ! Lloyd George looks to the re-establishment of pre-war conditions in a pretty remote future. He has no better advice to give than to prepare for a later boom by improving the productive apparatus.

W. Beveridge, the celebrated expert on the problem of English unemployment, figures on unemployment on a large scale for ten years. "The modest state of comfortable riches of the Victorian period will never return. We had great prosperity and became a great people during the reign of Queen Victoria simply

<sup>1</sup> Cited in *Capital*.

<sup>2</sup> The *Nation* : April 12, April 19, April 26, 1924.

because we were the first to be able to exploit our coal and iron fully. But we have lost this passing advantage of a first exploitation of our natural resources. Prosperity can in future be vouchsafed only through harder collective labour that will at least be more effective, more scientific, and more harmonious than that of others. . . . It will not fall into our laps as of yore. . . .”

Professor Bowley estimates that from 1930 on the decline of the birth-rate during the war will ease the labour market. At present, he says, unemployment is not greater than in 1909. It will gradually diminish.

Lord Weir emphasises the necessity of advancing English industry, &c.

In general we see in the case of the leading English economists that there is helplessness and pessimism. Not a trace of Hilferding's optimism of gladly affirming a better future for capitalism! Only, the Social Democrats *must* see the future of capitalism in a rosy light, for their whole policy is built upon the continuance of capitalism.

The crisis of capitalism continues. No optimistic theories can deceive us. Whether it will lead to the recovery of capitalism or its collapse, depends upon the revolutionary proletariat and its party, the Communist World Party. Capitalism has intrenched itself during the last years. But likewise the Communist Movement. In Russia through the economic reconstruction, through the final winning over of the majority of the working class, which is now accepted into the party organisation; in the bourgeois countries through the rearing and development of a determined advance guard and great mass parties. The power of capitalism has grown, but we, too, have gained strength. The struggle continues on a higher plane.

TABLE I

The table shows that production has scarcely reached the level of the pre-war period. Coal, iron and steel lag especially behind pre-war times.

FIGURES FOR WORLD PRODUCTION (without Russia)<sup>1</sup>.  
Plant products in millions of double hundredweights.

	Average 1909-13	Average 1914-18	Average 1921-22	1923
Wheat .. .. .	799	791	800	942
Barley .. .. .	265	251	253	247
Rye .. .. .	214	167	191	234
Oats .. .. .	494	487	479	555
Corn .. .. .	971	974	1,057	900
Rice .. .. .	693	764	—	695
Potatoes .. .. .	1,134	982	993	1,161
Beet sugar .. .. .	63	46	43	47
Cane sugar .. .. .	96	120	129	127
Coffee .. .. .	12	12	10	—
Cocoa .. .. .	2	3	4	—
Tea .. .. .	3	3	3	—
Cotton .. .. .	41	39	37	34
Jute .. .. .	15	15	11	—

## MINING PRODUCTS

(in million tons)

	1913	1916	1917	1918	1919	1920	1921	1922	1923
Anthracite	1,344	1,390	1,345	1,331	1,158	1,300	1,100	1,207	1,360 <sup>2</sup>
Petroleum	52	62	67	67	80	90	109	122	145
Pig iron ..	78	71	67	—	—	61	40	51	65
Steel ..	75	—	—	—	—	68	41	62	73

(in 1,000 tons)

	1913	1916	1917	1918	1919	1920	1921	1922	1923
Copper ore .. .. .	103	144	147	147	96	98	53	—	—
Tin .. .. .	133	125	130	114	124	122	—	—	—
Zinc .. .. .	1,000	965	990	822	645	719	458	—	—
Lead .. .. .	1,187	1,169	1,190	1,196	864	849	888	—	—

(in 1,000 kilograms)

	1913	1916	1917	1918	1919	1920	1921	1922	1923
Gold .. .. .	692	683	637	568	549	542	468	457	—
Silver .. .. .	6,960	5,000	5,100	5,600	5,500	5,020	4,850	7,141	—

(in 1,000 tons)

	1913	1916	1917	1918	1919	1920	1921	1922	1923
Ship buildg.	3,330	1,690	2,940	5,440	7,140	5,860	4,340	2,467	1,643

<sup>1</sup> Plant products aus *Annuaire Statistique Agricole* 1909-21, S. 261 f.

<sup>2</sup> Preliminary estimate.

World supply of live stock (including Russia), millions of heads, according to the census of live stock closest to the years 1911 and 1921<sup>3</sup> :—

	1911	1921
Horses .. ..	111	100
Cattle .. ..	483	511
Sheep .. ..	618	532
Pigs .. ..	260	210

<sup>3</sup> Figures concerning live stock aus *Annuaire Statistique Agricole 1909-21*, S. 234 f.

TABLE II<sup>1</sup>

SHIFT IN MINE PRODUCTION

The table shows the shift in mine production in favour of the United States

	year	BEFORE THE WAR			AFTER THE WAR			
		World U.S.A.		% of world prod.	World U.S.A.		% of world prod.	
		mill. tons	mill. tons		year	mill. tons		
Anthracite ..	1913	1,344	517	38.4	1922	1,207	418	34.6
Petroleum ..	1913	52	34	65.3	1923	145	105	72.4
Pig iron ..	1913	78	31	39.7	1923	65	40	61.6
Steel ..	1913	76	32	42.1	1923	73	45	61.6

	year	North Europe America		Percent. of world production	North Europe America		Percent. of world production
		1912-14 <sup>2</sup>	1919-20 <sup>2</sup>		1921		
Copper .. ..	1912-14 <sup>2</sup>	11	67	1919-20 <sup>2</sup>	7	64	
Lead .. ..	"	46	43	"	30	57	
Zinc .. ..	"	65	34	"	36	61	
Aluminium ..	1913	58	42	1921	48	52	

<sup>1</sup> M.G.C., W.u.St. Economist. <sup>2</sup> Average.

TABLE III<sup>1</sup>

DEVELOPMENT OF COAL AND IRON PRODUCTION IN THE MOST IMPORTANT COUNTRIES

Year	U.S.A.		England		Germany		France	
	Coal	Cast Iron	Coal	Cast Iron	Coal	Cast Iron	Coal	Cast Iron
1870 ..	17.3	1.6	112.0	6.0	33.9	1.4	13.3	1.1
1880 ..	42.8	3.8	146.9	7.7	59.1	2.7	19.3	1.7
1890 ..	111.3	9.2	181.6	7.9	89.2	4.6	26.0	1.9
1900 ..	212.3	13.7	225.1	8.9	149.4	8.5	33.4	2.7
1913 ..	478.4	30.9	287.4	10.2	190.0	9.2 <sup>2</sup>	40.8	5.2
1923 ..	591.2	40.6	281.4	7.6	80.0 <sup>3</sup>	5.0	47.8	5.3

<sup>1</sup> M. Brelet, *La Crise de la Métallurgie*, S. 25.

<sup>2</sup> Including Luxembourg.

<sup>3</sup> Estimated.

**TABLE IVA**  
**ECONOMIC STATISTICS OF THE UNITED STATES (1913 =100)<sup>1</sup>**

	Monthly Average									
	1919	1920	1921	1922	1923	1923				1924
						Jan.	Apr.	July	Oct.	
Production of—										
Pig iron .. ..	100	119	54	87	130	126	139	144	123	118
Steel .. ..	111	135	64	114	143	151	156	139	141	143
Copper .. ..	105	99	39	81	121	110	116	123	130	130
Soft coal .. ..	96	116	87	85	114	126	107	113	123	127
Anthracite .. ..	96	97	99	58	104	114	106	109	114	104
Crude oil .. ..	154	178	189	224	292	251	283	315	323	272
Consump. of wool <sup>2</sup> ..	—	—	—	124	121	144	128	105	117	122
.. of cotton ..	108	105	97	109	117	131	124	99	116	124
Foreign trade										
(according to value)										
Import .. ..	218	294	140	177	211	220	244	192	206	198
Export .. ..	319	331	181	154	201	162	157	146	194	191
Wholesale trade										
Index for all goods..	212	226	147	149	154	156	159	151	153	151
Automobiles in										
1,000's per month <sup>3</sup>	164	183	139	214	334	243	382	327	365	316
General Index										
(F.R.B. 1919=100)..	—	105	80	98	120	121	124	121	118	120

<sup>1</sup> Survey of Curr. Bus.

<sup>2</sup> 1921=100.

<sup>3</sup> 1913 Monthly Average =40,000.

TABLE IV B

THE MOST IMPORTANT DATA CONCERNING ENGLISH BUSINESS<sup>1</sup>

	1913	Monthly average				1923				1924
		1920	1921	1922	1923	Jan.	April	July	Oct.	Jan.
Coal, million tons .. .. .	24·3	19·4	3·81	21·1	23·4	22·4	22·4	22·1	25·7	23·8
Pig iron, 1,000 tons .. .. .	869	680	222	415	630	577	663	666	605	642
Steel, 1,000 tons .. .. .	649	768	314	494	719	644	761	634	713	701
Percentage of unemployed among trade union members .. .. .	—	—	—	—	—	13·7	11·3	11·1	10·9	8·9
Ditto, among all insured .. .. .	—	—	—	—	—	13·1	11·4	11·5	11·7	11·9
Wholesale trade index, <i>Economist</i> ..	100	283	181	160	162	161	165	155	160	172
£ in dollars .. .. .	4·87	3·66	3·85	4·43	4·57	4·65	4·66	4·58	4·52	4·26
Exports in million £ .. .. .	43·8	111·3	58·6	60·0	63·9	66·8	62·9	59·5	71·3	77·5
Imports in million £ .. .. .	55·0	142·9	81·5	75·0	81·6	89·9	74·0	68·0	88·8	87·9

<sup>1</sup> *Economist* Monthly Supplement.

TABLE IV C  
THE MOST IMPORTANT DATA CONCERNING FRENCH BUSINESS<sup>1</sup>

	1913	Monthly average				1923				1924
		1920	1921	1922	1923	Jan.	April	July	Oct.	Jan.
Coal production, 1,000 tons .. ..	3,404	2,890	3,213	3,596	3,986	4,199	3,063	4,312	4,862	3,762 <sup>2</sup>
Coal importation, 1,000 tons .. ..	1,558	2,005	1,472	1,861	—	1,888	1,927	2,473	2,272	2,247
Iron production, 1,000 tons .. ..	434 <sup>3</sup>	276	280	427	443	486	350	436	514	586
Steel production, 1,000 tons .. ..	396 <sup>3</sup>	246	255	373	415	408	355	400	477	541
Unemployed per 1,000 .. ..	—	—	64·0 <sup>4</sup>	9·7 <sup>4</sup>	2·4 <sup>4</sup>	2·4	1·4	1·6	0·5	1·2
Exports, 1,000 tons .. ..	1,840	1,071	1,333	1,885	—	1,896	1,513	1,921	2,170	1,170
Imports, 1,000 tons .. ..	3,685	4,211	3,165	4,281	—	4,111	4,175	4,864	4,360	3,933
Exports, million francs .. ..	573	2,241	1,648	1,720	2,536	1,696	2,508	2,424	2,814	2,361
Imports, million francs .. ..	702	4,159	1,839	1,992	2,718	2,144	2,560	2,616	3,069	2,644
Wholesale trade index .. ..	100	509	345	327	419	387	415	407	421	495
Exchange rate of franc in New York ..	19·3	7·0	7·5	8·2	6·1	6·7	7·0	5·9	6·0	4·67
Banknote circulation, milliard francs ..	5·7	37·9	36·4	36·4	39·1	37·1	36·9	37·3	37·8	38·8

<sup>1</sup> *Economist* Monthly Supplement, Federal Reserve Bulletin.

<sup>2</sup> Excluding the Saar territory.

<sup>3</sup> Excluding Lorraine.

<sup>4</sup> January.

( 19 )

TABLE IV D  
THE MOST IMPORTANT DATA CONCERNING GERMAN BUSINESS

	Monthly average					1923				1924		
	1913	1920	1921	1922	1923	Jan.	April	July	Oct.	Jan.	Feb.	Mar.
Anthracite production, 1,000 tons ..	11,729	10,945	11,351	10,830	5,200	—	—	—	—	8,785	9,726	—
Soft coal production, 1,000 tons ..	7,269	9,323	10,250	11,423	9,833	—	—	—	—	9,553	8,327	—
Coke production, 1,000 tons .. ..	2,639	2,074	2,394	2,426	—	—	—	—	—	1,474	1,742	—
Iron production, 1,000 tons .. ..	909	463	625	730	333	—	—	—	—	—	—	—
Steel production, 1,000 tons .. ..	1,412	643	750	762	417	—	—	—	—	—	—	—
(62) Percentage of unemployed trade union members .. .. .		Jan. 3·3	Jan. 4·7	Jan. 3·8	Jan. 3·9	3·9	6·6	3·1	19·3	29·4	28·6	—
Wholesale trade index (St. R.) ..	1·0	14·9	19·1	341·8	—	2,785	5,212	74,787	7·1 mllrd.	1·17 billn.	1·16 billn.	—
Wholesale trade index in gold ..	100	—	—	—	—	—	—	—	117·9	117·3	116·2	120
Value of imports in gold marks ..	934	329	479	526	507	—	—	—	436	568	719	—
Value of exports in gold marks ..	850	300	351	517	507	—	—	—	565	431	466	—
Exchange rate of mark in dollars..	23·8	1·8	—	—	0·02 <sup>1</sup>	0·0073 <sup>2</sup>	0·0042 <sup>2</sup>	0·0035 <sup>1</sup>	0·37 <sup>3</sup>	0·23 <sup>3</sup>	0·23 <sup>3</sup>	—

<sup>1</sup> For 1,000 marks.

<sup>2</sup> For 100 marks.

<sup>3</sup> For 1 billion marks.

TABLE VA

The table shows that the exportation of capital decreased greatly in 1923, especially the capital loaned to Europe.

## EMISSION OF CAPITAL IN THE UNITED STATES

	1913	1920	1921	1922	1923
	( <i>Millions of Dollars</i> )				
UNITED STATES—					
Joint businesses .. ..	408.0	774.0	1,420.8	1,279.2	1,112.4
Corporate undertakings ..	1,645.2	3,106.8	2,635.2	3,424.8	3,640.8
Total <sup>1</sup> .. ..	2,053.2	3,880.8	4,056.0	4,704.0	4,753.2
FOREIGN COUNTRIES—					
To Governments .. ..	—	261.7	414.4	495.7	312.8
of these : Europe .. ..	—	177.3	138.3	131.7	70.0
Far East .. ..	—	—	12.0	110.7	50.0
Latin America .. ..	—	—	188.2	148.3	67.5
North America .. ..	—	84.4	75.9	105.0	26.3
To Undertakings .. ..	—	170.7	161.6	203.9	89.8
of these : Europe .. ..	—	15.7	3.3	97.3	18.5
Far East .. ..	—	5.9	—	1.3	19.9
Latin America .. ..	—	52.7	53.4	57.3	17.3
North America .. ..	—	96.4	104.9	48.0	34.1
Foreign Countries Total <sup>2</sup> ..	—	432.4	576.0	699.0	303.8
GRAND TOTAL .. ..	—	4,313.2	4,632.0	5,403.0	5,056.8

<sup>1</sup> *Journal of Commerce.* <sup>2</sup> Fed. Res. Bul. from Survey of Curr. Bus.

TABLE VB

The table shows that, if we except the government loans, which signify no real accumulation of capital, accumulation is demonstrated to have been much less than before the war.

EMISSION OF CAPITAL IN ENGLAND<sup>1</sup>

	1912	1913	1920	1921	1922	1923
	( <i>In Million £</i> )					
GREAT BRITAIN—						
Government .. ..	nothing	nothing	37.5	202.9	369.6	77.5
Others .. ..	45.3	35.9	290.5	73.2	73.9	56.4
Total .. ..	45.3	35.9	328.0	276.1	443.5	133.9
BRITISH EMPIRE— (Exclusive of Great Britain)						
Governments .. ..	14.7	26.3	11.9	73.7	58.6	69.4
Others .. ..	57.9	49.8	19.7	16.9	16.3	23.3
Total .. ..	72.6	76.1	31.6	90.6	74.9	92.7
FOREIGN COUNTRIES—						
Governments .. ..	9.6	26.1	nothing	5.9	14.3	26.5
Others .. ..	83.2	58.3	7.8	16.3	40.9	18.2
Total .. ..	92.8	84.4	7.8	22.2	55.2	44.7
GRAND TOTAL .. ..	210.7	196.4	367.4	388.9	573.6	271.3

<sup>1</sup> The *Economist*, No. 4192 (29, XII., 1923).

TABLE VI.<sup>1</sup>*(Direction in which the Foreign Trade of the United States moves)*

The Table shows how the Foreign Trade of the United States has been diverted from Europe, and how trade with Asia is growing in importance. It also shows the tremendous excess of exports to Europe. This was covered in part through the exportation of gold, in part through credits.

	Average	EXPORT					Average	IMPORT				
		1910-14	1920	1921	1922	1923		1910-14	1920	1921	1922	1923
				<i>Million</i>	<i>Dollars</i>					<i>Million</i>	<i>Dollars</i>	
EUROPE .. .. .	1,350	4,466	2,364	2,083	2,276	837	1,228	765	991	1,240		
France .. .. .	139	676	225	267	280	130	166	142	143	172		
Germany .. .. .	304	311	372	316	313	177	89	80	118	166		
Italy .. .. .	66	372	216	151	186	51	75	62	64	103		
England .. .. .	568	1,825	942	856	1,003	279	514	239	257	403		
NORTH AMERICA .. .. .	501	1,929	1,130	916	940	347	1,663	755	822	864		
Canada .. .. .	315	972	594	577	577	117	612	335	364	367		
SOUTH AMERICA .. .. .	121	624	273	226	255	207	761	296	359	496		
Argentina .. .. .	47	214	111	96	110	33	208	60	86	140		
ASIA AND OCEANIA .. .. .	165	1,044	646	541	500	276	1,397	653	875	1,140		
Japan <sup>2</sup> .. .. .	45	381	238	222	161	85	415	251	354	372		
China .. .. .	31	179	132	127	—	39	250	113	152	—		
AFRICA .. .. .	25	166	73	56	54	22	150	40	65	210		
Total .. .. .	2,166	8,228	4,485	3,832	4,025	1,689	5,278	2,509	3,113	—		

## PERCENTAGE

	Of the Total Export					Of the Total Import				
Europe .. .. .	62.3	54.3	52.7	54.4	—	49.6	23.3	30.5	31.8	—
North America .. .. .	23.1	23.4	25.2	23.9	—	20.5	31.5	30.1	26.4	—
South America .. .. .	5.6	7.6	6.1	5.9	—	12.3	14.3	11.8	11.5	—
Asia and Oceania .. .. .	7.8	12.7	14.4	14.4	—	16.3	28.0	26.0	28.1	—
Africa .. .. .	1.2	2.0	1.6	1.5	—	1.3	2.8	1.6	2.1	—

<sup>1</sup> Commerce Year Book ; for 1923 Federal Reserve Bulletin.<sup>2</sup> Including Korea.

TABLE VII

## UNEMPLOYMENT

	England (all who are insured) in per cent.	Belgium in per cent.	Nether- lands Trade in per cent.	Denmark Union in per cent.	Sweden Members. in per cent.	Norway in per cent.	Canada in per cent.	Germany in per cent.	Switzer- land in thousands	France in thousands.	Italy in thousands	United States in millions
1921												
January ..	8.2	19.3	16.5	19.7	20.1	11.7	13.1	4.5	35	64	112	—
April ..	15.0	31.2	11.9	21.7	24.2	17.7	16.3	3.9	49	85	250	—
July .....	14.8	21.4	7.6	16.7	27.9	17.9	9.1	2.6	56	34	435	6.5 <sup>2</sup>
October ..	12.8	13.6	7.0	18.3	27.1	17.1	7.4	1.2	74	14	492	3.5 <sup>4</sup>
1922												
January ..	17.2	11.2	20.3	28.9	34.3	23.9	13.9	3.3	97	10	607	3.0 <sup>2</sup>
April ....	15.4	8.9	11.6	24.0	28.3	23.4	10.4	0.9	81	7	432	—
July .....	12.3	5.3	9.5	12.5	18.2	12.5	4.1	0.6	52	4	304	1.5 <sup>2</sup>
October ..	12.3	3.9	9.6	11.3	15.5	11.3	3.9	1.4	48	1	321	—
1923												
January ..	13.1	3.9	19.3	21.5	20.5	16.1	7.8	4.2	56	2	392	—
April ....	11.4	2.4	10.4	11.5	14.9	11.2	4.5	7.0	36	1	270	1.0 <sup>2</sup>
July .....	11.5	2.2	10.6	7.4	9.1	6.9	2.2	3.5	23	.2	183	—
	(11.1) <sup>3</sup>											
October ..	11.7	1.9	11.0	7.6	8.2	8.6	6.2	19.1	24	—	200	—
	(10.9) <sup>3</sup>											
1924												
January ..	11.9	3.7	22.7	21.0	13.6	—	7.5	26.5	28	1	281	1.5 <sup>2</sup>
	(8.9) <sup>3</sup>											
February..	10.7	3.6	17.3	21.3	12.8	—	7.8	25.1	27	1	259	—
	(8.1) <sup>3</sup>											
March ...	9.9	—	15.1	—	—	—	—	16.6	21	1	—	—
	(7.8) <sup>3</sup>											
April ....	—	—	—	—	—	—	—	—	—	—	—	—

TABLE VIII

## DOLLAR-CENTS PER UNIT OF EXCHANGE

The Table shows how many American cents were paid per hundred, thousand, million and billion respectively, of a given unit of exchange. The countries are grouped approximately according to the order of their depreciation. Note especially the depreciation of certain exchanges that were then far stable: Japan, Denmark, Brazil, Spain.

	Par.	Annual Average					1923				1924			
		1919	1920	1921	1922	1923	Jan.	April	July	October	Jan.	Feb.	14-4	18-4
Sweden ....	26.8	25.5	20.5	22.5	26.2	26.6	26.9	26.7	26.5	26.3	26.2	26.2	26.3	26.4
Holland ....	40.2	39.1	34.4	33.6	38.5	39.1	39.5	39.2	39.2	38.0	37.4	37.4	37.1	37.2
Switzerland ..	19.3	19.0	16.9	17.4	19.1	18.1	18.8	18.2	17.6	17.5	17.3	17.4	17.3	17.6
England ....	486	43	366	385	443	457	466	466	458	44	426	43	428	436
Japan .....	49.8	51.2	50.4	48.2	47.8	48.6	48.7	48.7	48.8	—	—	—	—	41.8
Argentina .....	96.5	99.0	90.7	73.0	81.8	78.6	84.7	83.1	77.7	73.7	—	—	—	—
Spain .....	19.3	—	—	13.3 <sup>5</sup>	14.5 <sup>5</sup>	12.8	15.7	15.3	14.9	13.1	12.8	12.7	12.9	13.8
Denmark ....	26.8	—	—	16.2 <sup>5</sup>	19.9 <sup>5</sup>	18.4	19.8	18.9	18.0	17.2	16.9	16.0	15.3	16.6
Norway ....	26.8	—	—	16.1 <sup>5</sup>	15.5 <sup>5</sup>	16.7	18.7	17.8	16.7	14.7	14.1	13.3	13.5	13.8
Brazil .....	32.42	26.7	22.5	13.1	—	10.2	11.4	10.5	10.4	9.5	—	—	—	11.3
France .....	19.3	13.7	7.0	7.5	8.2	6.1	6.7	6.7	5.9	5.5	4.7	4.4	4.5	6.3
Belgium .....	19.3	12.8	7.4	7.4	7.4	5.2	6.1	5.8	5.4	4.7	4.2	3.82	3.9	5.4
Italy .....	19.3	11.4	5.0	4.3	4.3	4.6	4.9	5.0	4.3	4.4	4.3	4.3	4.3	4.4
Czecho-														
Slovakia ...	20.26	—	—	1.3 <sup>5</sup>	1.73 <sup>5</sup>	2.96	2.85	2.98	3.0	2.9	2.9	2.9	2.9	2.94
Austria .....	—	—	—	0.25 <sup>5</sup>	0.03 <sup>5</sup>	0.0014 <sup>4</sup>	0.0014 <sup>4</sup>	0.0014 <sup>4</sup>	0.0014 <sup>4</sup>	0.0014 <sup>4</sup>				
Hungary .....	20.26	—	—	—	—	0.00017	0.0004	0.0002	0.014 <sup>4</sup>	0.0054 <sup>4</sup>	0.0040 <sup>4</sup>	0.0034 <sup>4</sup>	0.0015 <sup>4</sup>	0.0015 <sup>4</sup>
Poland .....	23.8	—	—	—	—	0.014 <sup>1</sup>	0.0042 <sup>4</sup>	0.0023 <sup>4</sup>	0.007 <sup>1</sup>	0.00053 <sup>1</sup>	0.00012 <sup>1</sup>	0.00011 <sup>1</sup>	0.00012 <sup>1</sup>	0.00012
Germany .....	23.8	3.0	1.8	—	—	0.02 <sup>1</sup>	0.0073 <sup>4</sup>	0.0042 <sup>4</sup>	0.0035 <sup>1</sup>	0.37 <sup>3</sup>	0.23 <sup>3</sup>	0.23 <sup>3</sup>	0.23 <sup>3</sup>	0.23 <sup>3</sup>

<sup>1</sup> For 1,000 marks.<sup>4</sup> For 100 kronen or marks.<sup>2</sup> For 1 million marks.<sup>5</sup> January.<sup>3</sup> For 1 billion marks.

TABLE IX<sup>1</sup>

## THE FOREIGN TRADE OF IMPORTANT COUNTRIES

(The Table shows that, if we compare the figures for exports and imports with the index figure for wholesale trade for the respective years, the foreign trade is much less than before the war.)

		Import					Export					Wholesale trade index <sup>2</sup>				
		1913	1920	1921	1922	1923	1913	1920	1921	1922	1923	1913	1920	1921	1922	1923
Great Britain	Millions of Pounds . . . .	768	1,932	1,087	1,004	1,098	634	1,557	810	824	886	100	283	181	160	162
Germany . . . .	Gold marks	10,770	3,947	5,751	6,312	6,081	10,097	3,724	—	6,199	6,079	100	—	—	—	—
France . . . . .	Francs . . . .	8,421	49,905	22,068	23,901	32,600	6,880	26,894	19,773	30,642	30,400	100	509	345	327	419
Italy . . . . .	Lire . . . . .	3,645	26,821	17,266	15,727	17,225	2,312	11,774	8,275	9,297	11,059	100	624	578	562	575
Switzerland ..	Francs . . . .	1,919	4,200	2,248	1,915	2,245	1,376	3,277	2,140	1,690	1,760	100 <sup>3</sup>	—	191	168	181
Belgium . . . .	Francs . . . .	5,050	12,942	10,055	9,377	12,538	3,716	8,862	7,147	6,110	8,998	100 <sup>3</sup>	—	366	367	497
Denmark . . . .	Crowns . . . .	855	2,943	1,635	1,467	1,975	721	1,962	1,505	1,242	1,243	100	341	178	181	204
United States	Dollars . . . .	1,749	5,279	2,587	3,116	3,792	2,446	8,228	4,485	3,832	4,168	100	226	147	149	154
Canada . . . . .	Dollars . . . .	670	1,337	800	762	908	377	1,303	803	898	1,002	100	241	170	150	154
Argentina . . .	Gold pesos . .	496	881	635	686	—	519	1,031	672	673	—	100	—	—	—	—
British India .	Pounds . . . .	122	336	178	155	—	166	262	164	210	—	100 <sup>3</sup>	204	181	180	176
China . . . . .	Amer. dollars	416	—	599	775	—	294	—	457	537	—	100	152	150	146	156
Japan . . . . .	Yen . . . . .	729	2,335	1,614	1,859	1,984	632	1,947	1,253	1,595	1,447	100	260	201	196	—

<sup>1</sup> Stat. Jahrbuch f.d. Deutsche Reich, Commerce Yearbook for 1923, Business and Statistics.

<sup>2</sup> Economist Monthly Supplement, March 22, 1924.

<sup>3</sup> 1914.

TABLE X

PRICE OF WHEAT PER QUARTER IN GOLD FRANCS (at the beginning of each month or the end of the preceding month).

According to the Bulletin of the International Institute of Agriculture, Rome, figures for 1921 are in round numbers and transposed into gold francs.

The Table shows the movement of wheat prices during the post-war period in gold francs, and the index figures for wholesale trade of the Federal Reserve Board, brought to a gold basis. The statistics show that prices in gold francs have risen far less than the wholesale trade index for all commodities. Prices in Germany, France, and Italy are absolutely lower than those obtaining before the war, since high protection tariffs obtained then.

Wheat prices of the exporting countries	Average 1913	1919		1921		1922		1923		1924	
		XI	V	II	VIII	II	VIII	II	VIII	II	IV
Canada :											
Winnipeg (Manitoba 1) ...	16.76	15.91	17.44	30	31	22.12	25.00	20.34	19.93	18.30	18.08
United States :											
Chicago (Winter 2) ,.....	17.19	16.85	17.73	32	23	23.21	21.30	22.28	18.66	21.52	20.37
Minneapolis (Northern 1)..	16.90	16.39	17.32	31	28	26.85	24.75	23.04	21.33	22.66	21.52
New York (Winter 2) ....	18.52	23.59	20.02	37	27	26.04	24.66	24.61	21.39	24.47	22.80
India : Karachi (White) ....	17.26	16.74	—	—	—	—	24.14	22.09	18.19	19.65	19.16
Argentina :											
Buenos Aires (Barletta) ..	19.03	20.47	18.47	30	30	21.70	23.37	22.88	19.21	18.51	18.60
Grain imported to London :											
Manitoba 1 .....	20.90	—	—	—	—	28.28	29.52	24.96	23.24	24.75	23.05
Winter 2 .....	20.71	—	—	—	—	26.88	26.21	25.10	21.48	—	—
Plata .....	20.61	—	—	—	—	26.88	27.14	24.96	21.88	23.21	21.77
Karachi .....	20.90	—	—	—	—	—	—	26.62	22.16	—	22.54
Home-grown wheat :											
Germany, Berlin (from the mk.)	24.56	21.00	24.00	18	14	21.39	21.13	15.67	22.17	18.33	21.24
Belgium, Antwerp .....	19.89	18.75	—	31	34	25.26	27.86	21.89	22.19	22.50	22.44
France, Paris .....	27.82	25.50	27.25	36	40	29.36	31.33	27.46	25.55	23.93	—
England, London .....	19.86	—	—	—	—	24.68	27.81	22.58	28.55	23.27	22.68
Italy, Milan (Soft) .....	28.10	25.75	26.12	20	26	30.43	29.08	26.94	20.58	22.76	25.07
Holland, Rotterdam .....	20.60	—	—	—	—	23.47	28.25	22.97	29.04	23.61	24.83
(All prices are final quotations for goods that can be disposed of)											
Wholesale trade index of the Federal Reserve Board figured on a gold basis :		Annual average		Annual average		Annual average		Annual average			
Canada .....	100	198		150		147		147			
United States .....	100	211		149		158		164			
England .....	100	214		156		150		159			
France .....	100	—		133		136		124			
Germany (Fed. Stat. Office)	100	—		—		—		139 (November)			

TABLE XI<sup>1</sup>

(The Table shows the shift in the production of grain in the various parts of the world during the post-war period)  
 FIGURES FOR WHEAT PRODUCTION (exclusive of Russia)  
 1909-13 (1909-10<sup>2</sup>—1913-14<sup>2</sup>)=100

	Wheat				Rye				Barley				Oats			
	1919	1920	1921	1922	1912	1920	1921	1922	1919	1920	1921	1922	1919	1920	1921	1922
Europe .....	69.1	69.6	89.2	75.7	61.8	54.0	76.9	71.3	68.8	78.0	79.7	84.5	70.6	76.8	77.4	79.2
North America ....	128.2	123.6	125.7	141.2	225.7	188.0	217.7	334.8	77.5	109.8	93.3	112.1	97.2	135.8	100.9	114.5
South America ....	138.6	108.9	129.5	124.9	} 66.3	} 75.1	} 110.4	} 129.9	} 101.0 <sup>3</sup>	} 109.6 <sup>3</sup>	} 96.5 <sup>3</sup>	} 106.9 <sup>3</sup>	} 72.1	} 90.3	} 76.8	} 89.0
Asia .....	83.9	109.6	76.0	106.5												
Africa .....	79.3	70.7	114.1	77.9												
Oceania .....	51.9	156.8	143.4	118.8												
Total .....	92.5	95.9	103.4	103.5	67.9	59.1	82.2	81.3	77.3	88.8	87.7	92.3	81.9	102.2	97.3	94.5

## PERCENTAGE OF THE VARIOUS CONTINENTS IN THE TOTAL PRODUCTION

	Wheat					Rye					Barley					Oats				
	1909-1913	1919	1920	1921	1922	1909-1913	1919	1920	1921	1922	1909-1913	1919	1920	1921	1922	1909-1913	1919	1920	1921	1922
Europe .....	45.1	33.7	32.7	38.9	33.0	96.1	87.4	87.9	89.9	84.3	54.0	48.1	47.4	49.1	49.5	54.2	46.7	40.7	48.0	45.4
N. America..	29.8	41.3	38.4	36.2	40.6	3.7	12.4	11.8	9.8	15.3	17.6	17.6	21.7	18.7	21.3	42.2	50.1	56.1	48.8	51.2
S. America..	5.9	8.9	6.7	7.4	7.2	} 0.2	} 0.2	} 0.3	} 0.3	} 0.4	} 20.9	} 27.4 <sup>3</sup>	} 25.8 <sup>3</sup>	} 23.1 <sup>3</sup>	} 24.2 <sup>3</sup>	} 3.6	} 3.2	} 3.2	} 3.2	} 3.4
Asia .....	12.7	11.5	14.5	9.3	13.0															
Africa .....	3.3	2.8	2.4	3.7	2.5															
Oceania .....	3.2	1.8	5.3	4.5	3.7															
Total ..	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1</sup> *Annuaire Int. de Stat. Agricole*, 1922.<sup>2</sup> For the Southern Hemisphere.<sup>3</sup> Oceania included.





L O N D O N



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