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# Speech to the Third Congress of the Labour and Socialist International, August 6, 1928.

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Of all the subjects which this International Congress will be called upon to consider, one of the most important, if not the most important, is the new economic situation created by the events of the war and after the war. We are faced with an entirely new situation. The world of 1928 is not the world of 1914. The prewar economic conditions have passed into history. We are facing a new situation and new problems which await new solutions from us. The characteristic feature of this new and revolutionary development may be summed up in three words: *centralization, internationalization, and Americanization.*

There have been two different lines of development in this new economic situation. One represents the intensification of tendencies already existing before the war, such as the development of financial capital to an extent never before known in history, to an extent that it begins to dominate every important industry in the world, to an extent where the personal factor in industry is replaced by the impersonal factor. That is demonstrated by the growth of the power of international finance. There is, for instance, the tremendous growth of trusts and monopolies which are beginning to break down national barriers and to put themselves forward as an international economic power of the first magnitude.

Side by side with this intensification of existing tendencies, new factors have developed, if not exclusively as a result of it. It is in the first instance the breaking up of the old economic units, the breaking up of countries in Europe, and the multiplication of economic values between the countries. Then there is the

shifting of the economic gravity from Europe to the United States of America. I believe that this latter tendency is not sufficiently appreciated by the working classes of the world at the present time. It is revolutionary in character. You will easily see it if you consider the change in the situation.

In 1914 Europe, and particularly Great Britain, Germany, France, Belgium, Italy, and Austria represented the workshop of the world. It was not an arbi-



trary arrangement, but it was a sort of division which had gradually grown up in economic development. Those countries did not have enough food for their needs or enough raw material for their industries; they could only maintain their existence by manufacturing for other peoples. In 1914 those 6 countries, with a total population of 215 millions or thereabouts — 11% of the total population of the world — represented the greatest part of the world's wealth and did the greater part of the world's work. Today the United States, with 120 millions of population — barely 6% of the total population of the world — represents 40% of the world's work.

The national wealth of the United States has doubled since the war and the foreign trade of the United States has trebled. Before the war the United States of America did not have enough capital for its own industrial requirements; it had to borrow from Europe and it was indebted to Europe to the extent of 4 or 5 million dollars. Today the United States, or the capitalists of the United States, have become partners in every important industrial enterprise throughout the world. It owns 78% of the mines of Mexico and it owns over 58% of its oil. It has invested in various enterprises no less than \$15 billion.

In addition to that, the United States has become the banker of the world. Beginning with comparatively insignificant foreign loans, it has within the last 5 or 6 years reached the total of \$15 billion in loans to foreign countries and foreign corporations. This is of tremendous significance. Remember that the greatest of the European governments are all indebted to private American capitalists. Now this is something significant and something that the Labour and Socialist International should take note of, on account of its consequences for the industrial and social development of the world generally and the working classes in particular. Remember also they are only at the beginning, and if it continues at the same rate, within 15 or 20 years the world will owe to the United States something like \$50 billion, which it will never be able to pay except by renewing the debt and increasing it and going deeper and deeper into debt. The interest charges on such a sum alone may amount to about \$3 billion a year. Now I know that since the discussion on reparations and since inflation took place the world has become used to big figures. Billions mean nothing to

us, but I ask you to remember that the interest — \$3 billion a year — represents the annual wage of 5 million workers and they will have to pay it.

Then, in addition to this burden, there is another new feature which has developed, the beginning of which we could perceive even before the war. That is the gradual industrialization of the agrarian countries. It is significant because it may mean a change in the whole economic situation. It began by the necessity of paying for the raw material and food which the industrial nations received from the backward countries in order to meet the requirements of European manufacturers. The people of the backward countries had to be civilized and missionaries were sent out for their conversion, and educational facilities were provided. This created within the agricultural nations themselves and their peoples the germ of a new development. The native who had learned to use the articles of civilization eventually began to learn how to produce them, so that the system upon which the free competition of Europe was based, the division of labor which made Europe the workshop of the world, was gradually undermined, and capitalist enterprises soon perceived the possibility of their availing themselves of the cheap labor in the agrarian countries. They commenced to produce on the spot the articles which up to that time they had manufactured in their own country, and gradually cheap Asiatic labor and cheap labor from the backward races was brought into competition with European labor. There is a great need for the working class to realize that danger, the danger which is already expressed in the growing number of unemployed workers in the industrial countries and particularly in Great Britain and the United States.

These factors are accentuated by a new tendency, the tendency of so-called rationalization of industry. I come from America, the most industrial country in the world and one in which the system of rationalization is most developed, and I want to say a word of warning to you and to the working classes of Europe. When we speak of industrialization or rationalization in the sense of organizing an industry to eliminate waste it is all to the good and no doubt for the benefit of the working classes in the long run — but there is another meaning for that word. We in America call it “scientific management,” but you in Europe call it “rationalization.” That is the problem of intensified labor: the

process of driving labor to a point physically intolerable. I know that there are many in the Labor Movement in Europe who support, or at any rate look with approval upon that idea, but, my friends, they have not seen this phase of rationalization at work. I invite you to go to our automobile works to see rationalization and its effect on the driving of labor to a point which is devoid of expression, devoid of the joy of life, where men are reduced to mere machines and when useless they are thrown on the scrap-heap. When in the United States today we have unemployment mounting into millions, perhaps as large as 3 or 4 millions and still growing, it is due to a large extent to the driving of labor so that a smaller number of men can produce all the products which the larger number formerly produced, and that is at the cost of the health and the life of the workers.

There is also another danger in this economic development, and that is particularly in the heavy foreign investments and loans. There is in that an imminent danger of international discord and war. We in the United States have only just avoided war with Mexico recently on account of the oil interests of the American capitalists. But we have conducted and are conducting a number of unsanctioned, unofficial wars on account of our capitalists' investments in Central and South American countries. In order to meet these problems some definite and concrete measures will have to be taken, and this Congress will have to make a pronouncement about those measures. The artificial customs barriers will have to be broken down, Asiatic labor and labor in the backward countries will have to be protected and gradually equalized with the conditions of labor in Europe, and above all international industry, international profits, international monopolies, and international loans will have to be placed under some international supervision, with the active cooperation of the working classes of the whole world. Now it is vain to look for this performance from the capitalist class, not only because it is not in the nature

of an individual competing capitalist to take into account ultimate conditions, ultimate results, or human interests, because the capitalist class of the whole world has proved itself absolutely incapable of ruling the world with reason, as the last war demonstrated.

If these new threatening dangers are to be met and overcome they must be met and overcome by the organized working class of the world, and her, my comrades, is our particular task. In order to meet this world problem we must have a unified, powerful, world-wide labor movement. It is true, as Vandervelde and Henderson have said, that our movement has made tremendous progress. Since the first launching of the modern movement just 80 years ago (in 1848), the socialist and organized labor movements have become a world power of the first magnitude. But let us not forget there are a great many parts of the world which we have not been able to reach or touch. Europe on the whole, and Western Europe in particular, is well organized, but there is another country, the United States, with a comparatively weak labor movement and a still weaker socialist movement. There is also South America which is very little organized and there are the countries of Asia which are coming into world economics which are practically unorganized. It is the task of our International to build up the labor movement of the world in order to make it as powerful and more powerful than modern capitalism. If ever there was a time of vital need for world-wide labor cooperation, that time is now. The world was never so interdependent as it is now, and if ever the working class required on unified, powerful world organization, it is now.

My friends, when our great leaders of the past and the founders of our movement 80 years ago gave us the watchword and slogan, "Workers of the world unite!" it was then no more than an indication of a tendency, the expression of an ideal. Today for the first time it has become the very foundation of the practical international socialist program. (*Cheers.*)

*Edited by Tim Davenport.*

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