

STABILISATION in PRACTICE

VIENNA, with its church spires, its baroque art, its gardens, and its "blue Danube," is a city rich in beauty and in the charm of historical associations. As the historic seat of the Hapsburgs, it has always felt itself to be the outpost of Western civilisation holding the marches against the spirit of the East which meets one before one has travelled many miles down the Danube beyond the city. Commercially it has been the centre where most of the financial threads of the trade of that great highway, the Danube, have crossed. It has been called the City of Banks; politically it has been the seat of an imperial power ruling over numerous subject races; culturally it has been the home of some of Europe's finest art and music, gathered where wealth, historic tradition and aristocratic patronage attracted them. It was this city which three years ago was in the grip of famine—ruined by war, deprived of coal and minerals by the Peace Treaty, shut out from former markets up and down the Danube. It was here that the anger of the masses was expected at any moment to break bounds in a Soviet Revolution. Now, however, this has passed, and Vienna is quiet again, striving in its unmethodical way to pick up the threads of its pre-war traditions and way of life. Vienna has been "stabilised" by the Powers; and for us who witness a new plan of stabilisation on a larger scale—the Dawes Plan for Germany—this preliminary experiment of Austria can provide us with some valuable lessons.

Already in 1921, Sir William Goode, more far-sighted than his countrymen, saw what a danger to capitalist Europe a starving Austria was. Communism had come and gone in Hungary. Communist refugees had now transferred their energies to Vienna. To save Austria from Bolshevism he pleaded for relief measures and for a loan to help the Austrian Government on its feet again. The Social-Democrats when in office had proved themselves powerless to deal with the situation. Their scheme of nationalisation of the banks had met with fierce resistance from the bankers, and so had not been insisted upon. Their heavy expenditure on unemployment relief and in bread subsidies, and their failure to increase taxation sufficiently to meet this had necessitated resort to inflation, which by 1922 had set up a "vicious circle" from which there seemed no escape. The catastrophic "slump" of the kronen continued. When the crisis was at its height the former Cabinet resigned, and a new Government of the Clerical Party, under Dr.

Seipel, a priest, drawing most of his electoral support from the peasantry, came into power. This new Chancellor "united all non-socialistic parties on a common programme," and proceeded to "protect state and society against revolutionary movements" by "introducing the 'index' as an automatic regulator of wages and salaries."* He immediately summoned to his aid the leading bankers of Vienna, and prepared a final desperate effort to balance the State Budget and to stabilise the kronen by the reestablishment of a new Bank of Issue.

But these attempts were not likely to have any permanent success unless the Austrian Government could secure a loan from outside, and it was not till October, 1922, that Dr. Seipel persuaded the League of Nations to guarantee a loan to the Austrian Government—a loan of 650 million gold kronen which was to carry interest at 8 per cent. But in return for this loan, the creditors of Austria imposed certain *controls*, and as instrument of this control a special financial committee of the League of Nations was appointed. The conditions which the financial committee laid down are significant. First, it provided that by 1924 (now extended to 1926) the Government should completely balance the expenditure and revenue of its Budget. Second, inflation was to be stopped and a new currency issued under the control of a new Bank of Issue—the Austrian National Bank. Third, strict Government economy was exacted, which in practice meant the dismissal of large numbers of railwaymen and civil servants, the leasing of State properties to private capitalists, the curtailment of measures of social reform, and the abandonment of the eight-hour day on the State railways. No provision was made for raising increased revenue by taxation of the rich. On the contrary, a considerable part of the tax-revenue continued to come from indirect taxes, bearing heavily on the workers. To supervise the enforcement of these conditions, Dr. Zimmermann, of Rotterdam, was appointed as Commissioner, and he has never disguised the fact that he really acts as the representative of the big financial houses which have advanced the loan to Austria, and are Austria's creditors. His job is to supervise the economic life of Austria in strict accordance with her creditors' interest.

What, then, is the effect of this stabilisation? What is the present position after two years of it? The first thing one notices is that the main burden of the scheme has fallen on the workers and the lower middle class. Most of the social reforms which the workers were able to secure during the post-war period when the capitalist class were in confusion have been sacrificed. No scheme of social reform to benefit the masses is "practical politics"

* *The Economic Reconstruction of Austria*, by Prof. Karl Rausch.

because Dr. Zimmermann will immediately say "No," declaring it an uneconomical increase of expenditure. Even this year there has been some conflict between the Austrian Government and Dr. Zimmermann, the latter declaring that State expenditure is still too great, the former pleading that they are being pressed to raise the salaries of civil servants—which are surprisingly low in the lower and middle ranks—and that they dare not abandon the scheme of pensions for railwaymen, which the previous Government had incurred. On a rough computation wages are about 65 per cent. of the level of wages in Britain, and the salaries of fairly high secondary school teachers and civil servants are equivalent (after allowing for the fact that rents are lower in Vienna) to less than £3 a week. As a result one witnesses the general impoverishment of the workers and the proletarianisation of large sections of the middle class. The creditors of Austria measure the "worth" of a loan in terms of money profits, not of the welfare of the masses.

What of the political effect of this stabilisation? Quite without question it has in all directions stabilised reaction. Economic power is concentrated, to an extent unknown even in Germany, in the hands of a small circle of banks, in whose debt are most of the industrialists. They are the masters of the economic life of Austria, and in turn seem to be closely affiliated with, if not actually dependent on, financial houses in Paris or London. On the other hand, the workers, though in fighting mood, are weak and in confusion. The Social-Democrats, who under pressure from the workers have been made to fight for certain working-class reforms, such as rent restrictions and requisitioning of houses, still maintain the allegiance of the majority of the workers. Being now in opposition, they can make a show of "extremism" by criticising severely the Seipel Party and the effects of the Zimmermann rule. Actually, however, they have no alternative policy with which to rally the workers in an attempt to seize power. On the contrary, they discourage every manifestation of working-class militancy. In September there was a metal workers' strike for the eight-hour day and higher wages. The Communists and the R.I.L.U. wanted to make it a general strike to rally the workers' resistance. But the Social-Democrats opposed this and arranged a compromise. They have dropped any proposals for nationalisation in their programme, and are nothing more than a Liberal Party, which spends most of its energy attacking such things as clerical control of education. It has no policy towards the peasants—does not seek to exploit the differences between the poor and rich peasants—and accordingly, while winning the support of large sections of the middle class of the towns, it leaves the villages to be strongholds of clerical reaction.

The political situation in Austria shows very plainly the road on which one starts to travel if one *accepts* a capitalist proposal because it is the best of two evils and there is no other practical alternative. There *is* an alternative—to put up some programme which will rally the opposition of the workers. To *accept*—even if one does it under protest—is to give up the struggle for power and to hand the sceptre to the enemy. Those who say in Austria that the Zimmermann regime must be accepted because the revolutionary wave has passed misread the problem. Their acceptance and surrender is itself the chief reason for the passing of the revolutionary wave.

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