

ECONOMIC POWER SHIFTS TO TRANSPORT

By J. T. WALTON NEWBOLD

DURING the war and, particularly, after the terrific bombardments around Verdun and elsewhere on the Western Front had made the maximum output of shells and artillery of the greatest importance, we became conscious in this country, as in the United States and France, of the enormous influence which the heavy industries had come to exert within the capitalist system of production.

Gradually, it dawned upon us how the engineering, shipbuilding, and iron and steel trades had encroached upon the domination of the industries making consumption commodities, and how the magnates in these trades were displacing the merchants, the bankers and the manufacturers of classic capitalism in the control of economic and political power.

The study of armament rivalry in the whole of Europe during the generation preceding the war, the struggle for railway constructional concessions, which had occasioned the trouble in the Balkans, and the all importance of the Lorraine-Luxemburg ore-fields, which the holocaust of Verdun brought so vividly home to us, showed what a tremendous part the production of iron and steel, and articles fabricated therefrom, had in the development of imperialism, the last phase of capitalism.

Since the railways consonant with the needs of the more technically advanced countries had been built, the great plants, in which had been permanently embodied a very large volume of constant capital mainly to provide the material for these railways, had need of new outlets for their production and commenced a bitter rivalry for an ever less and less profitable market, a rivalry which led to the railway and armament expansion characteristic of modern imperialism.

The exhaustion or absence of ores indispensable to the production of the best steel and the strictly limited supplies of oil fuel

known to exist led to a fierce contest between the great States to monopolise iron-fields and petroleum deposits.

The technical organisation of mining, metallurgical and heavy machine industry favoured the use of vast capital and the growth of the combine. The mining and metallurgical branches of industry were particularly closely allied in many cases with the older governing class that had got into banking and from banking into railways and land. The landed magnate developed his mineral properties, erecting blast furnaces and, like the Duke of Devonshire in Furness and the Marquis de Wendel in Lorraine, came half way to meet the engineering employer who was making his own steel and putting down his own iron-works. A whole series of factors, social, political and economic, favoured the alliance of the State and the mining and metallurgical industries and helped to stimulate their growth in economic power disproportionately to other branches of industry.

In the United States the great development of railways, necessitated by the vast area of the country and made possible by the rapid inflow of West European capital, led to the gigantic production of iron and steel which Morgan syndicated and came to share with Standard Oil.

In Great Britain, the maintenance of naval power and the immense expansion of the merchant marine made the heavy engineering and shipbuilding industries very influential, just as, within them, the South Wales monopoly of best steam coal and the huge export of coal and coke from and import of timber to the coalfields of the North East Coast and South Yorkshire made the coal exporters a very strong force.

The pioneer producers of railway material, especially in Durham, Sheffield, Manchester and Glasgow, linked coal and textile capitalist re-investment with iron and steel, with shipbuilding, marine engineering and naval construction in an historic sequence that, between 1890 and 1910, conquered economic power for the coal, iron and steel interests.

The history of Lloyd George is the history of the conquest of real political power by these elements within British industrialism.

Millerand and, to some extent, Viviani and Poincaré are the political creatures of a somewhat similar development in France.

But, just as the politicians of the phase of capitalism are suffer-

ing eclipse, so are the economic forces which thrust them into the places of their Liberal predecessors being' dissipated by other tendencies.

Particularly have the engineering and shipbuilding interests suffered since the stoppage of demand for munitions, since the replacement of tonnage sunk by submarines, and now that the reconstruction and repair of war damage and wear-and-tear have proved inadequate to employ the stupendous increase in productive capacity of the war-bloated machine-shops.

Those who have sunk their capital and their capitalised profits in big installations of machine tools, in dozens and scores of "bays" of new engineering shops, in new berths and cranes and dockyard equipments, find themselves in possession of unrealisable assets which must be written down and down and down. They might, had it not been that by the transfer of stocks and shares they have been able to hand their properties over to guileless shareholders, as well have paid over in Excess Profits Duty the gains of prosperity as expended them in what is now "scrap."

In France, Schneider-Creusôt ; in America, the Bethlehem Company ; in this country, Vickers & Armstrong Whitworth, except for the relief drawn from enormous hidden reserves, would have been in desperate straits. Some of these firms are mere shadows of their former selves.

If so few big shipbuilding and engineering concerns have collapsed it is only because they are braced together, owned or controlled by and supported by shipping combines, banks, investment houses, international financial groups, and that they have forfeited almost every title to independence except the names under which they are registered.

The disadvantage under which the finishing branches of heavy industry labour is that not only is the demand for their specialities now reduced to a minimum, but that they cannot turn their equipment to other uses or realise it except at a fearful sacrifice.

The producers of coal, iron and steel are more favourably placed. They can turn out the raw material of many finishing trades. Their equipment is more adaptable. Much of it can be realised more easily or, if put on stop, does not have to bear such heavy standing charges.

The capitalists in the engineering and shipbuilding industries had, when skilled labour was scarce, to increase out of all proportion the ratio of their constant to their variable capital. Not so the capitalists in the coal, iron and steel industries. They could achieve a greater output without permanently immobilising so large a ratio of capital.

For all these reasons, the owners of mines, coke-ovens, blast furnaces and steel works have not only continued, if on a reduced scale, to make profits, but have strengthened their position relative to other interests within the heavy industries.

Baldwin and Stinnes have fared better than the Pirries and Krupps. In France, the Laurents and the Aciéries de la Marine have not suffered so much as the Schneiders of Le Creusôt.

But with the prolongation of the industrial crisis even these interests have found the strain too severe. They, too, have been driven to rely upon credits from the banks and so to forfeit their independence. Their capacity to produce has gone ahead of the market's capacity to absorb their output. There are said to be 100 blast furnaces too many in Europe.

Not only has the armaments demand fallen off and the requirements of the shipbuilders dropped lower and lower, but the railways have not made the calls upon the iron and steel interests that were confidently expected.

Where the railway companies have placed heavy contracts they have waited long enough, as in the United States and this country, to do so at very low prices. In both countries, the railway interest has regained in large measure the influence which, during a decade, it had been losing to the heavy industry.

It is interesting to observe alike in Britain, France and the United States, where private ownership of the railways has been the rule, that either the railway companies as such or else big railway capitalists have built up in their earlier stages many of the great iron and steel companies. In America, the Pennsylvania Railway ; in France, the P.L.M. and the railways of the Nord and Est; and, in this country, the interests in the North Eastern, Midland, Great Western and Great Northern companies played a very considerable part in opening up coal fields and developing the steel industry. In the course of time, the creations came to grips

with their creators. They emancipated themselves from financial tutelage. Native industrial capital in America aspired to financial mastery. In France, the Comité des Forges loomed more impressive than the railways and their central organisation. In this country, the colliery and steel magnates established themselves on the railway boards as in the banks.

This tendency has now been reversed. Tertile and mercantile interests are not resuming their old pre-eminence. Power has passed to the transport interests and, allied with them and supporting and controlling them, the banks and the insurance companies.

In these days of continued depression economic power and, in the sequence, political power are passing to those financiers whose capital is in the most negotiable forms, in assets that are liquid, in materials in general and continuous demand. Such, of course, are transport services. There may be, there has been, a big falling-off in traffic, but as long as capitalist economy or modern highly organised social relations continue the railways and the steamships, the docks and the warehouses, the gas and power plants and the road transport services cannot be dispensed with.

Capitalism, whose basis is the circulation of commodities, is dependent more and more—and, at present, relatively more than ever—on one industry, that of transport.

Transport ought to be over-hauled, its branches co-ordinated technically as well as financially—a process which has gone far; the internal combustion engine should replace the coal; and oil-burning heat-raising furnaces of merchant shipping; electrification of railways should be put in hand forthwith. Technically, the hour has come for these improvements. The organisation of industry has reached that stage when the whole transport systems of one country or of one continent could be co-ordinated. The world waits, however, for two things. It waits for political stability within and between States and it waits for a recovery of commercial intercourse that will recoup the expenditure of tens and hundreds of millions of pounds on extensions and improvements of land and sea traffic facilities.

The great armament and other engineering firms have got ready, in some measure, here and in France to undertake vast projects of electrification. The iron and steel interests have had

hopes of contracts for the material. But nothing comes of their dreams.

The railway and shipping interests and, behind them, the credit houses, not too happy themselves, continue, however, to increase their relative strength.

The next phase in the struggle for the domination of Central Europe will witness transport take the place of coal and steel as the main factor in the problem.

The iron of Lorraine and the coal of the Ruhr will not be permitted to enter into an alliance that will make them supreme on the Continent of Europe. The industry which carries one to the other and brings the product to the market is the industry with which they must now contend.

The Reparations Settlement will not be based on a deal between the Comité des Forges and the Ruhr industrialists with or without the adherence in some way of British and other coal and steel interests. No more than Schneider and the Union Bank of Paris were permitted to foreclose on the succession States and Poland through the European Industrial and Financial Union will the larger French and German combine be permitted to syndicate the industrial resources of the North of France, Belgium and the Lower Rhine. The transport octopus will thrust its tentacles amidst and part their undertakings on the Rhine just as it did on the Danube.

The Commission of Experts have been duly impressed with two aspects of German capital. First, the "impossibility" of locating its foreign hiding-places. Second, the great expenditure of the Germans on railways, canals and telephones. They have discovered a part of the assets, viz., the means of transport.

These assets will now have to be pledged as security for a loan to be made to the German State in order to enable it to pay a reasonable sum in settlement of the Reparations account. The German railways and navigable waterways, telegraphs and telephones will be transferred to private enterprise in the guise of a syndicate dominated by the traffic trusts.

We shall see the group, in the centre of which is the Cie International des Wagons-Lits et des Grandes Expresses Européennes, and in which the Canadian Pacific Railway, the Pullman

Company, Furness, Withy & Co., the Peninsular and Oriental S.S. Co., the London & North Eastern and Southern Railways and the great French railways all have a finger (or a fist) taking over not merely the through *services de luxe*, and dock and warehouse accommodation at certain big ports, but the whole railway, river, canal and communication systems of Europe.

Furness Withy are already on the Rhine and the Danube. Their financial allies, the allies of their subsidiary steel interests, the Kleinworts, are working with Krupps who are working against Stinnes. Furness Withy and Vickers are, generally, together, and Vickers are in Holland and Baden and Switzerland and Poland.

Lloyd's Bank, the Westminster Bank, Lazards and others are all fluttering down quite openly to partake of the pickings of Germany. Barclay's Bank is already there. In Austria and Czecho-Slovakia, the Bank of England and Glyn, Mills, Currie and Holt are established in two banks wherein Sir Henry Strakosch, of the League of Nations, also participates. The Marconi house is deeply dug into the finance of Hungary. The banks, the steamship houses and the railway companies are all gathering around. Here and there, in the Cie des Wagons Lits and in the shipping world, there are raucous cries and obscure scuffles as the French vultures fall out with the British or the British with the Americans.

But what is to be noted is that it is another group of interests, or a group wherein the incidence of economic power is quite different, that has now to be watched. We have looked quite long enough at the steel kings and the coal magnates. Let us watch now the railway magnates, the shipping lords and the bank directors.

THE BLACK LANDS

BY SCOTT NEARING

STRETCHING away endlessly, their silt-beds darkening the landscape, lie the black lands of Southern Illinois. Rich and fertile are these lands, for they will produce abundant crops of wheat and corn, but richer still because at three or four hundred feet beneath the surface there are veins of bituminous coal that, in places, are more than twenty feet in thickness. Where these veins are at their best, the farmer gives place to the miner, and the ploughed fields to the shacks and rambling streets of a mining village.

We wind into the village on a slow moving train that makes two trips each day to the neighbouring junction point, carrying some passengers but more coal. It is raining, and the brick station is awash with mist. We step from the cars directly into sticky, inky mud, and from that moment until we board the train again our feet are never free from it. There are sidewalks, but the unpaved streets are quagmires.

Our business takes us across the tracks, past rows of one-story houses to a company house, built in one solid block, with rows of doors opening off a common porch. There are twelve of these doors on the first story, and another twelve on the second story, where there is another porch, reached by a steep staircase.

We climb the stairs, approach a door, and knock. A dog, lying across the threshold, barks, and the other dogs on the porch answer. A woman comes to the door—a Bohemian. Her hair is combed tight down. Her calico dress is clean. She speaks no English, but with a wave of her hand, she bids us enter her dwelling.

There is a stove in the main room, a bureau, a sewing machine, a table, and two wooden chairs. There are curtains at the windows, and the place seems well kept. The apartment contains a kitchen and four bedrooms. The whole, unfurnished, rents for \$15 per month.

Four-fifths of the people in this town were born in Europe—in Lithuania, Jugo-Slavia, or Czecho-Slovakia. The old folks speak very little English, but the children all learn it on the street or in school.