

The New German Imperialism

By Max Shachtman

THE successful entry of Germany into the League of Nations, the development of a Franco-German entente, and the initiation of the European steel trust bring to a sharp focus the developments that have taken place in Germany in the last two or three years.

The Germany of 1926 presents an entirely different picture from the Germany of 1923. The dismemberment of the empire begun by the Versailles treaty, which reached its culmination with the occupation of the Ruhr by Poincare in 1923, the French-subsidized Rhine "independence" movement which threatened to tear away the industrial heart of Germany, the terrible inflation period and the virtual collapse of industry, the Hitlerite movement in Bavaria, the revolutionary movement which collapsed so pitifully in Saxony and Thuringia are today, with the exception of the latter, things of the past. Germany, for the present period, has ended the movement which tended to make it a colony, and is beginning to resume its position as a world power, equal among other European powers, with a strong imperialistic policy.

The occupation of the Ruhr by France in 1923, for alleged failure to make reparations payments, contained the menace of French hegemony over Europe on the basis of a powerful economic unity between France and Germany, on the former's terms. England and the United States stepped in just in time to prevent this, and to save Germany from the inflation which was driving it towards bankruptcy and revolution. The Dawes' loan of 800,000,000 marks followed.

Since the Dawes loan, Germany has succeeded to a great degree in re-establishing its industry, and even securing a favorable balance of trade, but at a great cost. It is interesting to trace the methods used in the progress of German capitalism towards a new lease on life.

Rationalization of Industry.

The respite gained by the Dawes loan and the even greater private loans was utilized by the Germans for an intensified program of rationalization of industry. Rationalization was accomplished by a period of rapid trustification in every industry in the form of the horizontal trust rather than the vertical (1).

In the coal, steel, potash, dyes, photographic, electrical, and numerous other industries an impressive series of virtual monopolies were organized. Side by side with this went a rigid economy in production and the firm shutting down of all non-profitable plants. Organized, systematic speed-up and efficiency schemes, a la Ford,

(1) The news that the Linke-Hofmann-Lauchhammer Steel and Engineering Company is to be dissolved and its works be made the nucleus of a new central German steel trust is taken to mean, by German observers, the final disappearance of the once popular vertical trust and the triumph of the horizontal trust.

were introduced everywhere so that German workers today are driven like coolies at a high pitch with the endless chain belt system and piece work, lengthening of hours of labor and decreases in wages.

A faint inkling of the effect of this rationalization upon the German workers is given in a Berlin dispatch which says that:

"Weekly earnings in twelve highly organized groups, which are among the best paid, show an average increase of 37 per cent over the 1913 average. The official index of cost of living, however, shows an increase of 41 per cent over 1913."

And these are the conditions of the highly organized workers who are "among the best paid." Conditions of others, and of the millions of unemployed and part time workers are far worse.

The cheapening of the costs of production through the increased productivity of German labor resulted in a higher composition of capital invested in industry, and, therefore, a fall in the rate of profit.

To check this tendency towards a falling rate of profit by increasing their total profits, the German capitalists again went through the cycle of increasing the relative surplus value and the absolute surplus value by increasing the intensity of labor and the hours of the working day, and, by monopolistic price-maintenance through Cartels, to keep at a peak the sales price of their products.

The home market is, however, extremely limited. Low wages make it difficult for the workers to buy the high-priced commodities; the peasants are burdened by heavy taxes and high rates of interest on loans. To live and expand it is more and more vitally essential that German capitalism secure a foreign market which can fully consume the possibilities of German production. And in such a market Germany must be able to compete successfully, for which a constant lowering of production costs is a primary prerequisite.

There can be no doubt that Germany has already succeeded in a measure in re-establishing its foreign market and securing a favorable balance of trade, as compared with 1924. Where the first nine months of 1924 showed an import balance (exclusive of import and export of gold and silver) of 3,424,000,000 marks, the first nine months of 1926 show an export balance of 359,000,000 marks. This is indicative of the progress that has been made, even though a good portion of the export balance was secured by the export of coal and iron to Great Britain during the process of the miners' strike.

In addition, Germany has exported capital in the following countries:

For an enterprise in Dalmatia for the extraction of bauxite.

DECEMBER, 1926

Colonial credits amounting to 8,500,000 marks to the firm of Mannesmann Brothers.

The purchase of iron ore beds in Spanish Galicia by the United Steel Works.

The securing of a foothold once more in the Balkans by the acquisition of the Societe Delta in Jugo-Slavia whose strongest client is the Jugo-Slavian government itself.

Securing of ore and timber concessions in Albania and Persia.

Formation of a company having the exclusive rights to the exploitation of mines in Afghanistan.

The installation in Mexico of metallurgical enterprises by the Siemens-Schuckert electrical company.

And so forth and so on.

The Revival of Bank Capital.

It is also obvious that Germany is developing a home loan market. In the first five months of 1926, loans amounting to 1,000,000,000 marks were made in Germany, among them being mortgage bonds, debentures of numerous agrarian loans, etc., etc. Sharp struggles are occurring over German banks' share of loans made by industry. A case in point was the 250,000,000 marks loan of the Ruhr mining trust, of which German banks finally managed to secure 90,000,000 marks, the United States getting only 125,000,000 marks out of the total. The banks of Germany are recovering almost up to the powerful position they held in 1913 so far as the amount of capital controlled is concerned; the big banks now control a greater proportion of Germany's bank capital than ever before. This development, as expressed in the growth of the seven most powerful banks in Berlin (which means in Germany) is as follows (in millions of marks):

Bank	Capital		Reserves	
	1924	1913	1924	1913
Deutsche Bank	150	200	50	112.5
Diskonto-Gesellschaft	100	200	47	81.3
Dresdener Bank	78	200	22	61.8
Darmstädter u Nationalbank..	60	250	40	48.5
Commerz-und Privatbank ..	42	145	21	22.5
Berliner Handelsgesellschaft..	22	110	5	3.5
Mitteldeutsche Kreditbank	22	60	2.2	9.1

This picture is not complete, for since 1913 these big banks have taken control of numerous provincial banks; some have increased their capital since 1924 (Dresdener Bank to 100,000,000 marks).

These banks, which in the heyday of German imperialism were the organizers and financiers of the great Empire, are striving to establish their hegemony over industry and regain the dominant place they formerly held. Although German finance capital still rests to a large degree upon the American dollar, it has secured a measure of independence which it is fighting to maintain. The Deutsche Bank, for instance, has withdrawn from America 40,000,000 marks of its capital. The growth of these banks forms one of the bases for the growth of the new German imperialism, for colonial mandates, and the investment opportunities which accompany them.

It is especially upon the basis of its steel industry that Germany has been able to rehabilitate itself, and

the growth of its steel and iron exports form one of the strongest bases for its recent development of a demand for colonies and colonial mandates. Two years ago, Germany stood seventh among the steel exporting countries. Last year it had risen to the position of fourth. In the first six months of 1926 it already occupied the status of first. Her exports of this product to the United States have reached the highest total since the beginning of the century. In 1924 some 28,000 tons were exported from Germany; while during the first half of 1926 she shipped to the United States alone some 128,000 tons. And it should be remembered that this exporting of steel to the United States was made possible chiefly through the tremendous loans which have been floated in this country for numerous steel companies of Germany, so that American loans are actually instrumental in helping to organize an active competition against the American steel corporations.

A German-American commission has confirmed the report that Krupps, who borrowed \$10,000,000 here last year, had sold to the Boston and Maine Railroad some 20,000 tons of steel rails at a price said to be about \$32 a ton, or \$10 under the American market price, a form of unexpected competition which caused considerable uneasiness among American steel men. It is additionally significant that, taking transportation costs and duty into consideration, the American sales price made by Krupps is about 30 per cent less than the German domestic price. The "dumping" of German steel products is indicative of the anxiety of Germany to secure a favorable balance of trade and to spread out into hitherto forbidden or prohibitive markets.

Not alone that. Germany, now far more certain of her ground than she has been at any time since the end of the war, was instrumental in organizing the now famous European steel cartel which includes the steel industry of Germany, France, Belgium, the Saar and Luxembourg. England which exported 44,000,000 tons of steel between 1905-15 and only 30,000,000 tons between 1915-24 (a decrease of more than 14,000,000 tons) unable to stand the competition which will press upon it from Europe and the United States will be forced to join it as soon as the miners' strike is over; negotiations for Britain's entry are already under way. In addition, Germany through its control of the Austrian industry, also holds a dominating position in the recently formed Southern-European steel combine.

Only a few weeks after the organization of the European steel combine, one of the features of which is a provision for the payment of four dollars per ton for every ton produced over the allotted quota, the German industry announced that it had already exceeded its quota and would pay into the Cartel the required amount.

With a growing export of steel; with a growing need for raw materials and, more, of export markets; with a growing export of capital to colonial countries and less developed industrial lands, it is to be expected that the sentiment and demand for colonies is increasing tremendously in Germany.

Colonialism—and the Social Democrats.

Scores of organizations, journals, pamphlets and books have recently cropped up which conduct a fervid cam-

paign for colonies. In 1925, the Deutsche Kolonialgesellschaft, founded in 1887, by the notorious Karl Peters, whose shameless treatment of natives caused such an international scandal that even Wilhelm II was obliged to recall him, was amalgamated into the Kolonialen Reichsarbeitsgemeinschaft (Korag). In the same year there was founded the Jugendausschuss der Kolonialen Reichsarbeitsgemeinschaft. Then an Akademischer Kolonialbund, followed by a Kolonialkriegerdank, composed of former colonial troops and officers. At the head of the Korag stand former imperial colonial governors and imperial officials of the foreign and colonial office.

The patriotic gentlemen of the Social Democratic Party of Germany are by no means opposed to the resumption of Germany's imperialist suppression of colonial peoples, for as Stresemann said to an Italian newspaper correspondent, on the colonial problem "there is a unified opinion in Germany and . . . on this matter the most bitter injustice has been done to the German people." The social democratic member of the Reichstag, Quessel, is also a member of the Interfraktionelle Koloniale Vereinigung of the Reichstag and favors "a revival of Germany's colonial activity." Noske, before his death, in 1924, wrote: "The Social Democratic Party was no friend of colonial policy . . . But looking back at the forty years that have passed interest has risen with the improvement of colonial methods . . . The position of the party experienced a basic transformation."(2) When one bears in mind the history of German colonialism, the frightful persecution of the Hottentots, the cruel and systematic annihilation of the Hereros (1904-5), without counting the terrible regimes of individuals like Dr. Karl Peters, Wehlan and others, it can be seen that this tender solicitude of Noske and his comrades of the S. D. P. D. cannot be aptly characterized except at the risk of losing the mailing privileges for this magazine. (3)

Some success has been accomplished with the problem of securing a colonial basis again for the new German imperialism. In Togo and Kamerun, which were divided between England and France by the Versailles treaty, the huge plantations of the Moliwe-Pflanzungs-Gesellschaft have been won back and Togo is today once more practically under German influence. In German East Africa, the Deutsche-Ostafrika Gesellschaft has practically recovered its former plantations again. In New Guinea, in Kamerun, and elsewhere in Africa the policy of "peaceful investment penetration" is being systematically followed. But the success that has attended the colonial policy of Germany is by far insufficient.

Today, however, Germany is no longer the dog that was so deliberately kicked around a few years ago. The need for a more united debtor Europe against Wall Street, and of a capitalist Europe against the Soviet Union; and the realignments in European politics which have forced France to seek a new ally in its former enemy, have placed Germany upon an equal plane with

2. Kolonialen Rundschau, April, 1924.

3. The German comrades are not alone. In the New York Nation Philip Snowden, of the British I. L. P. makes an eloquent appeal for the return of the colonies stripped from Germany.

the other European nations. She has been admitted as a civilized nation to the League of Nations. Stresemann speaks at Geneva with the same attention that is granted Briand or Chamberlain. Wall Street is the only one that can even pretend to call the tune to which Germany must dance.

So we find Stresemann after the sessions of the League of Nations saying at the meeting arranged for him by the German colony in Geneva:

"The fidelity with which the native peoples have guarded their faith in the Empire is a new proof that Germany is perfectly capable of administrating the colonial territories. One can say today with all tranquillity that Germany has the same rights to colonies as the other powers."

And he added the further challenge of declaring that the question of the responsibility for the war had been dropped at the Geneva sessions of the league, that the re-establishment of the sovereignty of the Reich over its former territories was a prerequisite to the establishment of the principle of absolute equality of rights of nations grouped in the League of Nations.

What German statesman has dared to speak out so frankly and confidently defiant since the end of the war.

And what French statesman has in that period dared to conduct himself with such touching amity towards Germany as did Briand in his post-Geneva negotiations with Stresemann at Thoiry.

After Thoiry.

At Thoiry was laid the political basis for the Franco-German entente which had already appeared in the European Steel Cartel. Briand bowed suavely and said to the German foreign minister, "Between us the war is finished." Stresemann reminded his new ally: "The occupation must be wiped out." And they proceeded to draw up the now famous six points of Thoiry: The progressive reduction of troops of occupation on the left bank of the Rhine. The evacuation, in the course of 1927, of the second and third Rhine zones. The return to Germany of the Saar territory, in its entirety, without preliminary plebiscite, within the next year. The liquidation of the military control commission, its function to be exercised by the League of Nations. Negotiation of a portion of the German Railways (Dawes' loan) bonds as a loan to France. Non-interference by France in Germany's attempt to secure the return of its territories, Eupen and Malmedy, annexed by Belgium after the war.

The astounding nature of these points can be realized only when it is remembered that only three years have passed since the occupation of the Ruhr by the French, and less than that since the British evacuated Coblenz. Only the sad condition of French finances could lead them to propose that part of the Dawes' railway bonds be floated so that a loan might be secured from Germany to rehabilitate the franc. And the desire to secure the loan from Germany was all the more ardent when it was found that no loan might be made in the United States, for at the head of France was pointed the pistol of Coolidge who made it clear through

Mr. Mellon that unless the Mellon-Berenger debt agreement was ratified by the French chamber of deputies and senate no loan could be raised in the United States to bolster up the sagging franc.

The Thoiry conversations aroused almost delirious dreams of grandeur in Germany. Memories of a once mighty Germany, its power reaching from Hamburg and Alsace-Lorraine to the Gulf of Persia, its fingers as far to the east as China and south to southern Africa began to stir again the breasts of Teuton imperialists. With its former solid basis of a powerful steel industry, regained, and ranking first among steel-exporting countries, the mineral wealth of Lorraine again at its command, supported by its strongest enemy, France, installed safely in the League of Nations, who could ignore the possibilities of such former allies as Austria, Hungary, Bulgaria (all of them ravished, deprived of their riches, industries, independence and their road to the sea), or of such possible friends as the Scandinavian countries, which are constantly dissatisfied with one thing or another.

But one factor was omitted from these calculations: the United States. American imperialism had no objections to the shy and modest demands of Germany for a colonial mandate or two, since that would aid in the splitting up of the strength of the European powers. But to find Germany organizing a debtor Europe, to have it replace Wall Street as the financial savior of nations was a bit too much.

Wall Street Steps In.

Germany intended to mobilize sufficient of the Dawes' railway bonds for France to bring in 780,000,000 marks, to which was to be added 300,000,000 marks to be deposited by Germany for the redemption of its economic rights in the Saar. Further, Germany was to give 1,500,000,000 gold francs to Belgium for the return of Eupen and Malmedy. The plan was swiftly and firmly squelched. Wall Street made it plain that the railway bonds would never be floated in the United States. Great Britain too, seeing the menace of a Franco-German accord, made its position quite clear. In a London dispatch to the New York Times we read:

"The British government has notified the French government that it strongly doubts the wisdom of trying to market at this time or in the near future any large part of the German railway bonds provided in the Dawes' plan. . . . With the squabble in France over debt ratification and with that squabble due to prolong itself, it would have been doubly unfortunate if the news that the Thoiry plan could not be put through had to come from Washington—or from New York. Wittingly or not, London has saved the United States a disagreeable job."

Decisive steps were also taken immediately to forestall any attempts to permit Belgium to move away from under Anglo-Saxon financial control and towards Germany. A loan for \$100,000,000 was forthwith floated as an International Stabilization Loan, of which J. P. Morgan and Co., the Guaranty Company of New York, and a syndicate of American bankers offered \$50,000,000 for purchase. Pressure was exerted upon Poincare who

began to make public speeches in which his opposition to Thoiry was but thinly veiled.

The failure to consummate the plan to market the railway bonds revealed the fact that despite all of its progress, Germany is still to a large extent under the yoke of foreign capitalists, and that her stabilization structure is not based upon any too firm a foundation. The real test of the Dawes' Plan has not yet been made. It is true that the first two Dawes' years have seen prompt payments from Germany. But Germany has borrowed far more in that period than the initial Dawes' Loan. Besides the 800,000,000 marks of the Dawes' Loan, Germany has borrowed, according to the Berliner Tageblatts, 2,358,000,000 marks between January 1, 1925 and June 30, 1926, as follows (in millions of marks):

First six months		
Loaned by	1925	Total
United States	1,090	1,740
Holland	127	232
Great Britain	142	210
Switzerland	84	127
Sweden	23	49

From this it can be seen that not only has Germany borrowed more than the entire Dawes' Loan in the first six months of 1926 alone, but that at the rate it is going now, it will have borrowed much more in 1926 than in 1925.

The British bourgeois economist, John Maynard Keynes, estimates that Germany has borrowed on the international loan market, between September 1, 1924, and June 30, 1926, a total of \$844,500,000, including the \$200,000,000 of the Dawes' Loan. During the same period, the Transfer Committee has transferred in one way or another some \$458,000,000. If one takes the discount, the expenses of issue, the repayments of foreign indebtednesses of previous periods from the total of \$844,000,000 borrowed, it will be found that the loans have about equalled the payments in the period mentioned. That is, no real money has been transferred, only book-keeping figures have been shifted from one column to another, and there remains the interest on foreign loans, averaging 7½ per cent which must be paid. The interest alone on debts incurred in the last two years comes annually to about \$50,000,000. And more loans are being constantly made.

The Dilemma of the Bankers.

How long this "stabilization" structure can be maintained cannot be foretold, since its life is not separable from the development of world capitalism. It is certain, however, that it cannot have a very long existence on the present basis. German industry has achieved a measure of independence from American financial control, and is even challenging American industry at certain points; but this independence is a very tenuous one, and its strength is to a certain degree illusory.

The seriousness of the situation has been recognized by the bankers of the world, headed by Morgan. They realize that without a large favorable export balance of trade for Germany—the stabilization of Germany is in large measure the key to stabilization in Europe—the topheavy structure built by foreign loans will collapse. A favorable export balance can be secured for this per-

iod only by the battering down of the prohibitive tariff walls, in America as well as in Europe. It is for this that the bankers' manifesto called.

Germania, the organ of Chancellor Marx and the Catholic Centrum correctly observes:

"J. P. Morgan's interest in lowering customs, particularly in America, is illuminating. He can collect interest on the loans he has made all over the world only if the American markets are opened far wider than hitherto to foreign goods."

Wall Street is, however, in the dilemma of seeking to break down tariff walls so that German industry may be put to work at full blast and its foreign market enlarged to meet its productive possibilities, and at the same time preventing, for example, the formation of the Franco-German bloc which contains so much dynamite for Wall Street control. Germany cannot any longer be hemmed in and isolated so easily. Germany, to be able to honor its debts, must be rehabilitated to a much greater degree. To be re-established to the point of

ability to pay her billions in debts, Germany wants Eupen and Malmedy, the Saar, the return of the Polish corridor and the port of Danzig; Germany wants permission to cement German-Austrian unity, and the return from Italy of South Tyrol; Germany demands participation in the international imperialist division and looting of the world; Germany demands the return of her status that can come with the liquidation of the Versailles treaty; Germany wants the revision of the burdensome Dawes' Plan. German imperialism wants its place in the sun again. Here is the great problem of international capitalism, and of Wall Street in particular. If she is to pay her debts she must be given such privileges and concessions as must finally make her a power than can challenge, if not America, then at least the other nations of Europe, none of which is in much better—if at all better—condition than Germany. For in the kingdom of the blind, the one-eyed man is, if not king, at least possessed of the same strength as the sightless.