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## The World Economic Crisis and the Tasks of the Communist Parties

**T**HERE can no longer be any doubt that the severe reverse, which was revealed in the economy of the United States in October and November of last year, cannot by any means be reduced to the dimensions of a mere "exchange crisis," but that it manifests the genuine features of a real economic crisis. The majority of the bourgeois economists are themselves disposed to recognise this fact; the extollers of American "prosperity" are now being forced to admit that this exchange crisis was in itself an expression of enormous subterranean disturbances in American economy, which had been making themselves felt even in the summer of 1929. Thus the smash on Wall Street only manifested what had previously lurked in the profound basic factors of the dynamics of American capitalism, in its basic contradictions of the continually growing production on the one hand, and the continually contracting dimensions of the internal market on the other. But the smash of exchange speculation not only brought to the surface the crisis tendencies in the United States economy; it simultaneously accelerated, and to a certain extent intensified, the transformation of these tendencies into a severe economic crisis.

There can be no doubt of this when one recalls a few basic economic indicators of the economic movements in the U.S.A. during the past year. According to "Annalist," the aggregate November index of production is ten points lower than in October. The total production of cast iron in December last was the lowest since December, 1927. Steel production in December amounted to only 2,896,269 tons; i.e., it was lower than it had been at any time since October, 1924. During the first half of December the production dimensions of the steel enterprises fell from 69 to 64 per cent. On the railways the load mileage fell to its lowest since 1923, with the exception of 1927. The flow of gold from the U.S.A. to Europe, and to France first and foremost, is continuing at the same strong rate, and already amounts to the imposing figure of approximately 200 million dollars. The most optimistic bourgeois economists of America are forced to admit that a further decline in the economic curve will be observed throughout the winter, and their only hopes are that "the change from the depression to a new development will arrive in the spring."

So far as we know, the only persons to hold a contrary view on the severity and the nature of the American crisis are the "Marxist" economists of the Second International, who affirm positively that Hoover's enlightened policy has been successful not only in swiftly liquidating the consequences of the exchange smash, but in giving a powerful impulse to the further development of American "prosperity." They emphasise with especial zeal that the discount policy of the Federal reserve banks—the lowering of the bank rate, the purchase of shares on the open market, etc.—has been successful in pouring a new vital stream into "American industry." It has to be said with regret that similar remarks exaggerating the "might of American capital" have been seen even in the pages of the Communist journals. It is quite obvious that these are a hidden reflection of the Social-Fascist conception of the peculiar nature and the "exceptional" nature of the United States imperialism, and in the last resort they must lead to an admission of the "organising intervention of the State in capitalist anarchy" and to the theory of "organised capital." Such assertions, which amount to declaring

that the American crisis has already passed, that its highest point is already behind without having developed to its fullest strength, must be combated with the utmost resolution. If we now deny that we stand merely at the incipient stage of the developing American crisis, that its "fruits" are ahead of us and that they will be revealed with all their complexity and profundity during the coming year, we simultaneously deny the existence of a crisis in North America itself and its transference to all the rest of the capitalist world. But meantime all the data to hand go to show that although the American crisis was evoked and conditioned first and foremost by the internal contradictions of the capitalist economy of the U.S.A., it was also to a certain extent prepared by the innumerable crisis phenomena observed during the past year in various highly important links of the world capitalist market, and especially in those countries which are chiefly subjected to the expansion of American capitalism. We have in mind first and foremost the countries of Southern America, Canada, China, and certain lands of Europe and Asia of secondary importance to American export and import, as well as Australia. But this connection between the maturing of a severe economic crisis in America and the crisis phenomena, or even partial crisis, in various capitalist countries, has to be pointed out, if only for the simple reason that we must clearly realise the connection between the general crisis of post-war imperialism and these new specific features which it is acquiring as the result of the severe industrial crisis in the United States.

Undoubtedly, even before the arrival of the American crisis there were, independently of it, quite clear and definitely formulated manifestations of partial crises in all the chief lands of South America: in the Argentine, Brazil, Colombia, and Equador, for instance, which are in especially close economic and political dependence on American imperialism. These crises, conditioned by an enormous fall in the price of coffee, sugar, cotton, rubber, wheat, and other commodities exported from these semi-colonial lands, evoked a strong contraction of their purchasing power in relation to the import of finished manufactures, machinery, tractors, motors, etc., from the U.S.A., and led to a disturbance of the

gold currency in Brazil and the Argentine, which was bound to be reflected in even greater measure on American and British export into these countries. Canada, the U.S.A.'s chief client in regard to exports and imports, is in a similar position, for as a result of the catastrophic fall in the price of wheat and the temporary suspension of wheat export the Canadian Government has been obliged already to enforce a secret prohibition of gold export, which none the less cannot avert the further development of the crisis in the Canadian motor and electro-technical industries.

All these factors are, like a number of other crisis phenomena, in closest inter-connection with the American crisis, and are just as indubitably accelerating the transference of the American crisis to other capitalist and colonial countries. Among these most important crisis phenomena are to be noted the following: the world agrarian crisis, which finds expression in a general fall in prices of wheat, rye, and other agricultural produce both for individual consumption and for raw materials (in this connection it is particularly worth while considering the fall of prices of wool and rubber, with the crisis processes in Australia and the Dutch East Indies conditioned by this fall); the fall in prices of light metals on the world market—first and foremost the fall in price of copper and lead, despite a continued overproduction—and the increase in world reserves. By way of illustration, during 1929 the cash price for an English ton of copper fell from £74 12s. in December, 1928, to £69 17s. in January, 1930. The corresponding figures for lead are £225 17s. and £175 11s. The world prices for zinc have now reached their lowest point since 1908. All the attempts to “regulate” the production of light metals on the part of international monopolistic cartels have proved to be as unsuccessful as the attempts to reduce the production of rubber, to maintain the price of wheat, wool, and so on. In the last resort the fall in the prices of these most “sensitive” commodities of the world capitalist market reflects the process of the uninterrupted putrefaction of post-war imperialism in conditions of a ruthless war for a new division of the globe, in conditions of an irreconcilable antagonism between the continually increas-

ing productivity of “rationalised” labour, of continually increasing overproduction on the one hand and the continually contracting consumption possibilities of the markets on the other. On this basis of a general crisis in capitalism, which has been observed throughout the whole period of its post-war development, the law of an unequal modification of the whole structure of world capitalism, as also of its individual sections, separate countries and particular spheres of production, is manifested in various forms and conditions. Thus, for instance, after the first post-war crisis of 1920-21, which together with its specific features revealed the general nature of the post-war break-up of capitalism, during 1924 to 1927 we had in capitalist Europe a series of very brief and swiftly passing economic fluctuations presenting the picture of the so-called partial stabilisation of capitalism. Needless to say, this “partial stabilisation” in no way modified and could not modify the basic character peculiar to the epoch of the break-up of post-war capitalism and of world revolution, and constituted merely a definite historic stage of their development. That the “partial stabilisation” of capitalism, both in Europe and throughout the world, was essentially merely a “phase between two waves of revolution” was very clearly revealed during the first half of 1928, and was correspondingly evaluated in the resolutions of the Comintern sixth congress, and in a developed form in the political resolution of the tenth enlarged Plenum. Contrary to the assertions of the right wing preachers of a “firmly stabilised capitalism,” the tenth Plenum emphasised that the third post-war period is a “period of growth of its general crisis,” that it is a period of a declining curve of capitalist stabilisation inevitably leading to a period of proletarian revolution. In July, 1929, the tenth Plenum noted the “bankruptcy of the slogan of glorious prosperity proclaimed by the American bourgeoisie.”

In reality, the whole picture of development of American economy since 1928, despite the fact that it displayed different features from the economic development of European countries, was deeply impressed, and could not but be deeply impressed with the stamp of all the contradictions of world capitalism generally

and of its post-war epoch of break-up in particular. All the right wingers' imaginings as to the exceptional situation of American imperialism have been refuted by the very course of events, by the actual development of the economy of the U.S.A. and its economic dynamics both before and after 1927. That American imperialism is choking in its own contradictions, that despite all the indisputable advantages in relation to the rotting capitalism of Britain and the radically shaken economy of the imperialist countries of continental Europe it must struggle cruelly against their continually increasing competition, was revealed to some extent even at the beginning of 1927. The following period of American capitalism's economic dynamics, all the so-called period of prosperity from 1927-1929, was in no sense a process of actual overcoming of these internal and external antagonisms and of victory to the so-called "financial hegemony" of America, but the accumulation of those antagonisms and overproduction on a higher basis. The actual process of "elimination" of these contradictions could, of course, prove merely to be a further development of those contradictions into an inevitable crisis. From this it results obviously that the crisis which broke out at the end of 1929 in America, with all its specific features of "normal periodic crises of capitalism," is fundamentally just as much a result of the "internal" development of American capitalism as of the general world crisis. To oppose the one to the other is not only theoretically unsound and thoroughly pedantic, but it must lead to doubly opportunist errors in practice. The industrial crisis in the United States is supplementary to the world crisis in capitalism, and in its turn deepens that crisis. The action of the new economic crisis in the U.S.A. on the economic position of other imperialist countries and the whole capitalist world, including the colonial countries, is already being quite clearly revealed, and undoubtedly it will strengthen more and more. Even the more intelligent bourgeois economists do not deny this, although by their profession they are obliged to bring to the forefront the aspects of the American crisis "favourable" to capitalist Europe, as, for instance, the fall of the banking discount rate in all capitalist coun-

tries as the result of the "liberation" of speculative credits in America, an expected new influx of American credits to Europe, and so on. Simultaneously they are nevertheless forced to emphasise that the American crisis will evoke an enormous extension of American dumping, a contraction of the possibility of disposal of European commodities in all the trans-oceanic countries of South America, in the Far East, especially in China and India, in Australia, in Canada and so on. They cannot keep this out of their new year prognostications, for, as the British "Statist" writes, the situation in China is just as hopeless as it was a year ago, the situation in Egypt is extremely indefinite, Canada is under the double blow of a fall in wheat prices and a decline in trade with the U.S.A., whilst a stagnation in the price of raw cotton is equally to be felt in Egypt and the U.S.A.; a fall in the rate of the Argentine peso and the Brazilian milrei must weaken export to these countries, and the prohibition of gold export from the Argentine is directly explained by the catastrophic fall in the price of wheat, and so on. To this gloomy list compiled by a bourgeois organ we could add a whole series of other indicative factors, clearly witnessing to the fact that the U.S.A. industrial crisis is finding very favourable ground in all capitalist countries. We specify merely the decline in the price of silver, which during the past year has fallen from 26½ pence per ounce to 21 5-16ths, and must weaken European trade with China and India to an extraordinary extent. We recall a number of European capitalist countries in which all the phenomena of a severe crisis are already present: as, for instance, Poland, Roumania, Spain; we recall those countries which are already passing through a very deep depression, as Italy and Czechoslovakia, for instance; we recall that highly important link in European "stabilisation": Germany, concerning which the bourgeois economists themselves cannot definitely say whether it is in a state of profound depression or whether it has passed into a state of severe crisis, and we must be convinced that the reverberations of the American crisis will be very powerful in Europe and throughout the world.

Taking the developing new crisis as a

basis, the whole problem now consists in uniting to the objective pre-requisites of the revolutionary situation the subjective conditions of unfettering and organising the revolutionary forces of the proletariat and all oppressed peoples struggling against world imperialism.

In this connection the extensive dimensions of the national emancipation movement now observable, not only in the most important and powerful links of the colonial world, but even in its most remote regions, acquire extraordinary importance. It is by no means accidental that the enormous revolutionary ferment, which has captured such colonial countries as hitherto have been completely unaffected by the revolutionary movement, is arising during the development of a new economic crisis. It is by no accident that it is just now, on the basis of that crisis that the MacDonald "Labour" Government is being given an opportunity to demonstrate its love of humanity and its liberal humanism in practice . . . by the suppression of the risings of native workers in South Africa, in Nigeria, in Kenya, in Samoa. It is quite in the order of things that immediately after the Stimson note on the Soviet-Chinese conflict American imperialism should have an opportunity of demonstrating the Kellogg pact in operation . . . by the suppression of the rising in Haiti. From India—where the new wave of the revolutionary movement among the worker and peasant masses is forcing even the treacherous bourgeois national-reformists to make miserable "revolutionary" gestures to the Social-Fascist MacDonald Government; from China—where the proletariat, the leader of the revolution, has now recovered from its defeat and is again emerging at the head of the many millions of peasant masses, at the head of tens of thousands of peasant partisans fighting for the Soviet régime; from Indonesia—where the revolutionary peasant masses are moving steadily more passionately towards a rising against the Dutch imperialists; to Syria and Egypt, to the Sudan and the French Congo, to Cape Town and Nigeria, to all the countries of Central and South America exploited by British and American imperialism, the anti-imperialist wave is flowing. And everywhere at the head of this wave, more than ever before, the revolutionary proletariat is rising as

the sole authoritative leader, unshakable by any sectional defeats, and as organiser of this national revolutionary struggle against imperialism. That constitutes the chief specific feature of the newly developing revolutionary movement in the colonies. The circumstance that in all the recent risings and revolutionary demonstrations of even the most backward of the African countries and the islands of Polynesia the native workers have entered the scene in the capacity of the directing motive force of the revolution, witnesses not only to the fact that from its very beginning the new revolutionary wave is developing under the sign of a new economic crisis, but that it simultaneously guarantees an extraordinary fusion and superiority of this revolutionary movement, which must sooner or later flow into a single alliance with the revolutionary movement of the workers of imperialist countries. And in this regard all the predictions of the Comintern sixth congress and the analysis of the tenth enlarged Plenum in even greater measure have had complete confirmation.

One of the most important tasks of the world revolutionary movement at the present stage thus becomes the most active and devotedly bold support of the revolutionary movement of the colonial peoples on the part of the proletariat of the imperialist countries. Undoubtedly this constitutes the specific task of the international strategy of the Communist International: to establish a single revolutionary front of the working class of capitalistic monopolies and the oppressed colonial peoples. All the necessary pre-requisites to the accomplishment of this task are present: among them the most important is the development of a new economic crisis on a world scale. The consequence of this crisis for all countries drawn in some way or other into the orbit of a "single" world capitalist market are one and the same: they find their expression in a new frenzied attack of capital on the vital standards of the working class and the toiling peasant masses, both of capitalist and of colonial countries. They find their manifestation in the unprecedented frenzy of political reaction and in the Fascistic development of all bourgeois states, in the transformation of "international social-democracy" into a social-Fascist hang-

man agent of finance capital, in the intensification of all the antagonisms between the imperialist countries, and in the extreme intensification of their antagonism to the U.S.S.R. first and foremost. They lead finally to a continually swifter, a continually more strongly developing revolutionary rise of the proletariat, which demonstrates under the leadership of the Communist parties and puts up a resolute resistance to the demonic Fascist and social-Fascist reaction, and which in the force of the most objective conditions is compelled to transform the struggle for sectional slogans into a struggle for power, for the overthrow of the capitalist system.

But of all the social-political and economic consequences of the new economic crisis, irrespective of the rate and the road by which it will develop into a world scale, unemployment and the revolutionary movement of the unemployed occupies first place. It can be said without exaggeration that the "key" to the whole tactic of the governing classes and also of the proletarian class is the unemployed problem.

By unemployment, by means of an unprecedented diminution and dismissal of the workers from the factories, the bourgeoisie are trying to transfer all the burden of the new economic crisis to the shoulders of the proletariat. By means of an extension of the reserve industrial army—an extension going on by enormous leaps and bounds—the capitalists are endeavouring not merely to paralyse the opposition of the worker masses from the very beginning, but even more to worsen their situation, to lower wages, to cut off their social insurance, to introduce a short time week and so on. With this are closely connected all the measures of the trust bourgeoisie and its social-Fascist agents to effect the Fascist "savings policy," to increase the taxes on articles of consumption to dimensions unprecedented, and to establish a literally mass taxation, to raise rents, to reduce all social insurances to a minimum, both for workers still engaged in production and for the unemployed, such as those supplied by municipal authorities, etc. And to the extent that the growing new severe crisis is increasing the monstrous growth of unemployment, the capitalists of all countries are making unemployment the chief weapon of

their struggle against the working class, so as not merely to avert the inevitable disturbance to the entire capitalist system, but even to create simultaneously the prerequisites to introducing a new monstrous rationalisation at the cost of a still greater exploitation of the worker masses.

This mass increase is now being used by the capitalists as an important means of struggle against the proletariat. Undoubtedly the capitalists will, in a circumstance of economic crisis, artificially strive to effect a further increase of unemployment, both by stopping their factories and by further dismissals and reductions of staffs, as well as by enormous lockouts. But, on the other hand, in the very conditions and as the result of the latest crisis, unemployment is the most sensitive and most affected "Achilles heel" of capitalist economy—its weakest link, which we must seize upon at the present time.

The figures for unemployment have now reached fabulous dimensions: about five millions in the U.S.A., more than three millions in Germany (in Berlin alone there are more than half a million), four hundred thousand in Poland, two to three hundred thousand in Austria, approximately the same figure in Czecho-Slovakia, and so on. Unemployment is extending everywhere: in the Balkans, in Italy, in Spain, and in the Scandinavian countries; it is not confined to the frontiers of Europe, it is moving in waves from the Dollar Republic into Canada, into Central and South America; it is embracing Australia and the Dutch East Indies. Everywhere it is accompanied by the emergence and swift growth of a revolutionary movement of the unemployed, at the head of which are our Communist Parties.

But unemployment is now beating not only on the masses of unemployed, for whom in the conditions of capitalist rationalisation and a new crisis there is no more room in capitalist production. It is in the most direct sense of the word beating on the workers at the factories, who are still at the moment occupied by the capitalist machine of production of surplus value and in the production of the reserve industrial army itself, which in the conditions of the third period is becoming a structural part of the system. There is hardly a worker's family which has

not got to carry the costs of capitalist over-production, the costs of unemployment, on its back. There is not a worker in any capitalist country who can have any confidence that to-morrow, or even to-day, he will not be numbered among the unemployed, and (which is the equivalent to this), under the threat of an unprecedented misery, hunger, demoralisation, etc. In reality, the flowers of the rationalisation which the social-Fascists have extolled so zealously as the sole possible way out of the post-war capitalist devastation, as the road to the restoration of "normal" capitalist economy, as a direct approach to Socialism and growth into it through "organised capitalism," have splendidly blossomed in all their beauty. The fruits of rationalisation are already beginning to rain down—but not with the rain of any benefits for the working class, but with the leaden rain of machine gun bullets and a hail of blows of india-rubber truncheons on the workers' bodies.

Thus unemployment is now becoming the cause of the whole working class in its entirety, and the revolutionary movement of the unemployed is the chief lever of revolutionising the proletariat and mobilising its revolutionary forces for the struggle against Fascism and social-Fascism. The millions of masses of unemployed have no desire to die, despite all the exhortations of the machine-gun and gas attacks of Messrs. Muller and Zoergiebel, MacDonald and Cook, Dashinsky and Bauer. Millions of unemployed are taking to the street, taking to the barricades. Millions of workers still for the time being engaged in the factories and works, know that sooner or later the same fate inevitably awaits them. They no longer believe in the social-Fascist legends that "economic democracy" and "peace in industry" are a genuine road to the improvement of the position of the working class and of development into socialism. Even among the social-Democratic workers we have of recent times observed an enormous increase of indignation against their own social-Fascist leaders; they must and will in larger and larger masses abandon the camp of social-Fascism, to pass over to Communism. Thus the Communist parties are obliged immediately to set about the achievement of a genuine united front from below,

and a struggle against the triple alliance of finance capital, the Fascist bourgeois State and its social-Fascist helpers.

Just as the achievement of a single revolutionary front of the proletariat in imperialist countries and the oppressed colonial peoples is now the basic strategic task of the Comintern, so the achievement of a single revolutionary front from below of the workers in the factories and the unemployed is, on the basis of the developing economic crisis, the most important tactical task of the Communist Parties of the various countries, the main link upon which they must seize. This gives us first and foremost the possibility of carrying the struggle for isolated sectional demands on to the plane of a general revolutionary advance of the proletariat. This establishes all the prerequisites to transforming the objectively matured revolutionary situation into mass revolutionary battles, to revolutionising the economic strikes, uniting them with revolutionary demonstrations, developing the economic struggle and the struggle for the street into a number of mass political strikes. The organisation and concentration of the developing pressure of the swiftly revolutionising masses in this direction, the direction of the closest association of the unemployed's struggle and the struggle in the factories, constitute the basic tactical problem of the day, the tactical centre of all our revolutionary work in the phase of the new severe crisis of world capitalist economy and of the unsettlement of its "partial stabilisation."

But this important tactical task is simultaneously a doubly political and organisational task. Its accomplishment is indissolubly bound up with winning the majority of the working class for Communism, with the confirmation of the guiding rôle of the Communist Parties in the now arriving revolutionary conflicts, and with a radical organisational transposition of our parties. In this connection the revolutionary struggle for the street, which is beginning to grow into mass clashes in the street with the attacking bands of the Fascist State, with the armed divisions of Fascism and social-Fascism, is acquiring enormous significance. The question of proletarian self-defence, of the establishment of revolutionary workers' militia in the works and among the unemployed, confronts us in

all its magnitude. The provocations of the armed forces of the bourgeoisie must be met with a resolute mass resistance, a resistance of the masses themselves under the leadership of the Communist Parties and the revolutionary opposition.

From this aspect, the unification of the workers' struggle in the factories with the revolutionary movement of the unemployed, must all our work be carried on during the immediately forthcoming period, so as to bring the whole of the working class into indissoluble alliance with its advanceguard, into the decisive battles for the proletarian dictatorship and for the Soviet régime. This aspect must be the uniting factor in all our revolutionary slogans of the day—the slogan of struggle for the seven-hour day, against the reduction and for the raising of wages,

against dismissals and reductions of staffs, for assistance to the unemployed at the cost of the capitalists and their State, the slogans of struggle for the street, for the achievement of proletarian self-defence, for defence of the U.S.S.R., for preparation for the decisive battles, for the proletarian dictatorship and the Soviets.

All the present sectional campaigns, the conduct of economic and political strikes, the preparation of all national campaigns must be carried on under these slogans. We must develop our struggle on a general class basis against unemployment and against all the consequences of the economic crisis of capitalism, so as to transform it into a struggle for the complete overthrow of the capitalist system, for the establishment of a proletarian dictatorship throughout the world.

## The Imperialist Struggle for Markets

**T**HE Second Conference "for the regulation of the Reparations Problem" at the Hague was the first of a series of conferences on the most important questions of international politics. On January 13th a session was held of the League of Nations, while the Naval Disarmament Conference commenced work towards the end of January. Although the holding of the Hague and London Conferences is connected with the struggle among the imperialists and their mutual intrigues during the whole of 1929, one cannot help viewing these conferences in the light of the most significant event of the end of 1929—the American industrial crisis.

There can be no doubt that even if the fierce struggle among the imperialists and the mutual antagonisms had not caused the reparations question and the "disarmament" problem to be brought up earlier, these problems would have arisen inevitably directly following the American crisis. Whatever evaluation one makes of the extent and significance of the American crisis, it is an indisputable fact that the downfall of the famous American prosperity, the depression on the American market, the catastrophe on the New York Exchange,

and the difficulties involving the most important branches of American industry, were bound to have, and are already having, most serious consequences for world economy as a whole. The events in America—irrespective as to whether they will spread to Europe in the form of an accentuation of the crisis—have already reflected unfavourably on the economic situation in the biggest capitalist countries and given a further serious impetus to imperialist rivalry on the world market. In such circumstances each of the imperialist powers becomes increasingly interested in conquering new positions in the two main spheres of international antagonisms: the financial market (reparations) and world trade routes (naval armament). While even prior to the American crisis and its consequences, the fight in these two fields was undoubtedly becoming more intense, the crisis gives an added impulse to this struggle. It is only in this light that one can view the Hague Conference and the Disarmament Conference.

For the working class, of course, it is of no great importance what may be the outcome of the disputes on the various items of the Conference agenda, about

which the bourgeois press is making such a to-do. Each of the capitalist Governments will compensate for any setback at the Conference by making working class interests pay, just as they will use any success on the international arena for increasing the profits of the bourgeoisie. In the present period of increased international antagonisms every conference is a new trial of strength in the struggle of the imperialists for special positions on the world market, in a struggle for existence under conditions wherein each step of economic expansion can only be achieved as a result of a fierce conflict with rivals.

The Hague Conference has to ratify conclusively the Young Plan, i.e., fix the new method of payment and utilisation of German reparations instalments and to bring into existence the Bank of International Settlements. The main elements in the solution of these problems were agreed upon between the Powers during the work of the Commission of Experts in Paris and the recent Hague Conference in the autumn of 1929. The deliberators at the present Conference are not out to obtain any new decisions but are trying to bargain for themselves certain new advantages for the future struggle. What are to be the chief prerequisites for the participants of this Conference? The answer is that the determining factor is the international economic situation prevailing at the beginning of 1930. Indeed, this situation determines the general nature of the Hague Conference, and the whole co-relation of forces.

The American crisis, as we have said, has seriously affected the presentation of all important questions of the present day. In order to get a clearer idea of the basic motive forces in the politics of the various participants at the Conference we will briefly survey the economic position of the most important countries represented at the Hague.

Great Britain ended 1929 without having in any way improved her very unsatisfactory economic position. Stepping into the arena at the Hague for new bouts on behalf of City interests, Snowden has very insecure lines of communication behind him. There will be a serious deficit in the Budget. Unemployment, after a slight decrease, is now again on the upgrade. The inverse trade balance has become

worse. And, what is perhaps most important of all, the rationalisation of British industry is progressing very slowly. The Labour Party is not succeeding in carrying out the task with which it was entrusted by the bourgeoisie. The fundamental problem confronting England at the time of the Hague Conference is certainly that of stimulating exports in every way possible.

At the time the Conference opened, Italy, as before, was experiencing a depression on the financial market, and is confronted with an increasingly profound crisis on a definitely lowered economic level. It is quite evident that for Italy with her depression on the home market and her weak purchasing power, the fight for foreign markets and exports is an important factor.

Belgium, according to bourgeois economists, is faced with a new fall in the market situation. Reduced production is to be observed in a number of branches of industry. For Belgium also, the question of exports is of decisive importance.

France cannot yet complain of reduced industrial production, but a number of symptoms go to show that the slump in the world market is already having some effect on the activities of certain branches of French industry, notably textiles, automobiles and the luxury trades. As the international market conditions become worse, so the problem of exports will become more and more acute for France.

One need not cite many facts to illustrate the serious economic plight of Germany. Everything written by the German bourgeois press, everything uttered by the German politicians and financiers fairly howls that a serious crisis is advancing. Some organs of the German press have been compelled to appeal for calmness and optimism. But despite all these appeals, one cannot get away from the fact that, as the Bremen Chamber of Commerce states in its report, "the graph of the market-situation is no longer a picture of rises and falls but merely represents sharper or weaker falls in an ever-descending curve." The problem of German exports, which has many times been reviewed, has now actually become a problem of Germany's future economic existence.

Thus all the participants at the Hague Con-

ference, without exception, have come there with identical convictions : in every way and at all costs to assure the possibilities for increasing their exports, to facilitate opportunities for realising their products on the world market. In itself this problem represents nothing new. But this elementary and direct interest in exports, in consolidating old and winning new markets, has never before influenced to such an extent the whole policy of every one of the big imperialist States. It thus follows that at the Hague Conference also there is no basis for compromises, that here in substance (irrespective of any paper agreements) we are witnessing yet a further extension of imperialist antagonisms than has occurred hitherto.

Before touching on the problems that are to be discussed at the Hague, it is as well to indicate the direction in which these problems will be solved. Strange though it may seem, one can say in advance, without any analysis of the essentials of the various questions, that they will be solved above all and almost exclusively at the expense of German interests.

The history of the formulation of the Young Plan is a history of continual concessions on the part of Germany. In Paris, Schacht, who now assumes the rôle of defender of the German State, surrendered a whole number of positions, and, above all, he more than doubled the sum of reparations payments that Germany was agreeable to pay. At the first Hague Conference the German bourgeoisie made a number of new concessions, which led, in particular, to an increase in the dimensions of German payments (at the expense, of course, of the working masses) and to a decrease in the dimensions of Germany's payments in kind. In the interval between the first and second Hague Conferences, Germany made further concessions ; she did not obtain a solution of the Saar question ; she concluded an unfavourable agreement on German property in England and signed a very indifferent agreement with Poland ; she obtained nothing on the question of sanctions, which is again coming up at the Hague Conference. She also yielded on questions connected with the organisation of the International Bank. The only success Germany had was in the agreement with the U.S.A. as to the means of redeeming reparations indebtedness to America. But this

agreement only proved advantageous to Germany in so far as it could represent a substantial interest for the United States.

As a matter of fact the German bourgeoisie was bound to yield. The reason for this surrender is to be found in two factors. In the first place, in the conditions outlined above, where the problem of exports is particularly urgent for all the big Powers without exception, German imperialism cannot realise even her minimum possibilities on the world market other than at the cost of serious financial and political concessions. Secondly, the German bourgeoisie, which has commenced an exceptionally persistent and vicious attack on the interests of the proletariat, reckons on transferring a number of these financial concessions completely on to the shoulders of the working class. The characteristics of the internal political struggle in Germany and the method resorted to by German finance-capital to strengthen its dictatorship are outside the scope of this article. Suffice it to say that the system of economic and financial measures carried out by the Social-Fascist cabinet ministers under the direct and open dictatorship of the banks and heavy industry will greatly increase the burden of taxes on the working class, will lower real wages, and considerably decrease the tax payments of the owners. Meanwhile the political measures undertaken by the German Government, as the Social-Fascist Minister for the Interior, Severing, and the leaders of the German Reichswehr have openly declared, are aimed at preparing for the revolutionary demonstrations of the German working class, which are inevitably looming near.

The German bourgeoisie thus appears at the Hague with a quite definite programme. It is a programme of final concessions to the creditors reinforced by an internal programme of increased onslaughts on the working class.

Turning to the camp of the creditors, it is not likely that any very serious differences among them will arise. In this respect the second Hague Conference differs from the first. Preliminary consultations have taken place in Paris between the French, English, Italian, and Belgian financial experts and later between the representatives of the emission banks of those States. It would thus appear that they have succeeded in assuring pre-

liminary agreement among the creditors. Consequently the Hague Conference is symbolised by the domination of the creditors, who are acting, as the French paper "Ere Nouvelle" expresses it, in a united front against Germany and against Hungary.

The main questions coming up at the Hague Conference—apart from the formation of the International Bank—are: the question of sanctions, Eastern reparations and commercialisation of the reparations payments. The question of the Eastern reparations has been settled as between the chief creditors, but its solution encounters serious resistance on the part of Hungary and Bulgaria and is also causing profound disagreement among the small creditors—Yugo-Slavia, Czecho-Slovakia and Roumania.

It is doubtful whether the question of Eastern reparations will even outwardly be settled conclusively. The commercialisation of reparations payments is proposed, and its realisation is closely connected with the organisation of the International Bank.

A most important question, which in the main will be the object of a fight behind the scenes at the Hague, is that of the sanctions against Germany. As is known, practically the only trump in the hands of the German supporters of the Young Plan is the forthcoming evacuation of the third Rhineland zone. It is just on this question, however, that France intends getting her viewpoint carried. This viewpoint is that France should reserve herself the right to utilise articles 429 and 430 of the Versailles Treaty, which covers the possibility of military pressure on Germany in the event of non-fulfilment of her reparations obligations. In reply to the bragging of the German bourgeoisie and Social-Fascists about the possible evacuation of the Rhineland, the French bourgeoisie declare that they by no means intend giving up such a substantial weapon of French political hegemony on the European continent. To an extent Germany already gave way on this question when she concluded with France the recently exposed secret agreement for the demolition of certain railway lines in the Palatinate region and indirectly to the control by the Entente Powers over German railway construction in the frontier area. The question of sanctions is a component part of the Versailles system whereby

France is trying to strengthen her hegemony in capitalist Europe. Considering the importance of exports, which we referred to above, it can hardly be expected that France will finally renounce the right to the sanctions.

The question of sanctions, however, is closely linked up with certain basic contradictions among the imperialists. In this connection attention must be paid to the nature of the German-American agreement as to reparations payments, mentioned above. In principle, the important aspect of this agreement is that the U.S.A. has declined to accept any definite guarantees that Germany will pay promptly the sums due from her. In this respect the U.S.A. has agreed to place Germany in the same position that the other debtors to America are in. The reason for such a "generous" attitude on the part of America towards Germany is that German industry, having become financially dependent upon American banks, Germany could not be expected to risk spoiling her credit in America by stopping reparations payments. Furthermore, it is explained by the fact that the U.S.A., which has invested considerable capital in German national economy, fears that if the sanctions are left in force a political indefiniteness will be created which will reflect harmfully on financial and commercial operations.

On that point there is contradiction between France and the United States. The interests of imperialist France demand preservation of the sanctions, the interests of American commercial and financial expansion demand their abolition. The deliberations at the Hague Conference will show whether the U.S.A., while formally not participating in the Conference, will go so far in defence of her economic interests as to interfere in the solution of so specifically and sharply inner-European a problem as France's right to carry out military sanctions against Germany. One can at any rate say in advance with certainty that the famous "defence" of Germany by the United States, in which the German bourgeoisie places so much hope, will be very very limited and illusory. In any case, what we said at the beginning regarding the problem of exports being of decisive importance in the solution of the problems facing the Hague Conference, can be applied with equal weight to such a pro-

found political problem as that of the sanctions.

Whatever may be the outcome of the dispute on the sanctions, a characteristic feature of the present situation is undoubtedly the fact that the interests of American expansion are displaying more and more a direct influence on European problems. The American crisis will give a new impetus to this process also.

This was already to be seen a month after the beginning of the crash on Wall Street and was reflected in the outcome of the inner political struggle in Germany. We have in view the question of the German financial reform and German State loan.

How can we explain the fact that Morgan has placed his hands in such an abrupt and definite form on the "regulation" of Germany's finances? The reason is that after the acceptance of the Young Plan there is to follow a very big financial operation having first-rate significance for American capital. This operation is commercialisation, i.e., the placing of a portion of Germany's reparations obligations on the world market. Morgan counts on taking the lead in the carrying out of this operation.

As we have said, the formation of the International Bank is one of the main tasks of the present Hague Conference. The question as to what forms and functions it will be given is of primary significance. The way this question is solved will be a decisive factor in evaluating the Hague Conference.

The International Bank was conceived and advertised as a super-bank. The Paris Conference of Experts proposed that the bank should fulfil two functions of a very different calibre: carry out reparations-payment operations and at the same time finance international trade. According to the expert's report: the Bank is to "assist in stabilising international finances and the expansion of world trade. . . the Bank . . . will prove to be a useful institution for the opening up of new regions of trade. . ." If this idea could be carried out, and if the Hague Conference were really capable of realising this function of the International Bank, we would have to amend our argument that the interest in the maximum development of exports, imperative to all participants at the Conference, would inevitably doom to failure all attempts of the imperialists

to reach agreement at the Hague. If the participants at the Hague did succeed in agreeing as to the joint financing of international trade and export, their mutual antagonisms would become somewhat less keen. But the point is that nothing of the sort can happen.

The question of the statutes and powers of the International Bank was the object of prolonged haggling at the meeting of the Special Commission in Baden-Baden. The main result of the work of this Commission was to limit the functions of the Bank as much as possible and deprive it to the maximum degree of the possibility of engaging in politics—whether they be State or "super-bank" politics. As distinct from the Experts' plan, the statutes drawn up in Baden-Baden define the object of the Bank as being to cash German reparations annuities, to distribute them among the creditors and partially mobilise and commercialise German reparations obligations. As to the rights of the Bank to finance international trade, there is practically no mention of this. The International Bank is deprived of the right: to issue banknotes, to accept bills, to grant loans to Governments, to obtain dominating influence in big enterprises, to open current accounts for Governments. Besides this, the chiefs of the big emission banks participating in the International Bank have the right to contest various actions of the directors of the Bank. The European press asserted, after the Baden-Baden Conference, that the International Bank could not fulfil the rôle of an "international financial regulator," the rôle of a "super-bank." It remains an implement of the national emission banks, and what is more, a very serious and significant implement. Inside the governing body of the Bank there will inevitably be formed groupings hostile to one another, just as the various imperialist groups are constantly clashing in the work of the League of Nations.

There can be no doubt that the Hague Conference will introduce no substantial changes in the conditions of inauguration of the International Bank. The European States will not yet allow American capital, in the form of the International Bank, to obtain an instrument of exceptional financial pressure on European capitalist governments. On the other hand they are by no means in a posi-

tion, nor do they desire, to cut their own imperialist appetites. Then the Americans have no intention of allowing the International Bank to be a serious competitor for the financial activity of the big American banks. *The International Bank is not a super-bank lessening the contradictions among the various groups of finance-capital, but, on the contrary, is a new point of application of the forces of the contending imperialist groupings.*

In one respect only can the International Bank be used for a common object interesting the various capitalist groupings—for the object of a *financial blockade of the Soviet Union*. The Bank will yet have to give serious consideration to this rôle, specially taking into account that monopolistic capital uses all kinds of forces in its struggle against the U.S.S.R. There is no doubt, however, that the decisive and determining factor in its activity is not the community of interests of separate capitalist groups but the contradictions among them. And it is just this that distinguishes the entire work of the Hague Conference. Its conclusion will be a new signal for fierce struggles for markets, for financial and economic expansion, for a new sub-division of the world. Its decisions will serve as a new pretext for an attack of the bourgeoisie on the working class and for justifying further crimes against the workers on the part of the Social-Fascists of all brands. From this standpoint the results of the Hague Conference should be seriously studied by the Communist Parties, for in preparing the counter-offensive of the working class, the correlation of forces in the camp of imperialism should be understood and duly reckoned with.

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P.S.—The work of the Hague Conference, which opened at the time this article was written was marked by an accentuation of the contradictions and differences indicated in the article. On the questions of sanctions the dispute was particularly sharp and ended in a decision which holds up the application of military sanctions during the time the Young Plan is in effect, but in principle, leaves in full force this instrument of French imperialism created by the Versailles Treaty.

The contradictions we pointed out between

French imperialism and American expansion not only were seen in the question of sanctions but were exceptionally sharply displayed in connection with the International Bank. American capital (the Morgan group) tried to extend the functions of the Bank to the maximum so as to make it an implement of the strongest pressure on European capitalist States. When this failed, when the Baden-Baden Conference did not agree to it, the interest of American capital in the International Bank considerably cooled. Simultaneously with this an attempt was made by the President of the Reichsbank, Schacht, to interrupt the Hague negotiations and retard the immediate formation of the International Bank. This attempt arose also from inner-political considerations. In order to strengthen his position in the struggle for dictatorship, Schacht wanted to relieve himself of all responsibility for the Hague decisions. The facts testifying to the increased activity of American capitalism (its Morgan group) in Germany are highly evident and significant. One need only enumerate them: the failure to raise a German loan, pressure on German financiers through Schacht, the separate Reparations Agreement with Germany, the attempt to place a veto on a Swedish loan to Germany, and, finally, the persistent interference in the work of the Hague Conference. Subsequently Schacht withdrew formally from his position. But it is a decisive fact that through the intermediary of Schacht (who at the same time carried through the plans of a definite group of the German bourgeoisie) the leading banking-capital of the U.S.A. counterposed its financial power not only to the German Government, but to all the European Governments represented at the Hague.

The most important conclusion from everything that has transpired is that the whole ensemble of decisions taken at the two Hague conferences is undoubtedly destined to be very short-lived. The Young Plan in itself has not removed the imperialist contradictions. But the fact of its short existence will increase and sharpen them. Thus the features corresponding with the third period of post-war capitalism are shown irascibly day by day on all questions of international politics and economics.

The proletariat must prepare actively for

the approaching phase of still sharper imperialist struggle. Rivalry among the imperialists, the fierce struggle for markets and the internal policy of each capitalist country are leading to a new bourgeois offensive against the interests of the working class and new and

ever more serious class struggles. It is just because the increased imperialist antagonisms on the world market mean a sharpening of class contradictions in the separate countries that the results of the Hague Conference are so important.

## The Extension of the Crisis and the Fall in Prices

E. Varga

**T**HERE can no longer be any doubt of the fact that there is a "real" crisis in the United States. Only apologists of the enduring prosperity of American capitalism, such as Lovestone, or comrades who have fallen completely under the influence of the American capitalist press, such as Pavlov (vide his article in the *Moscow Trade and Industry Gazette* for December 29, 1929), can deny the existence of a real crisis. Since the volume of production has fallen by 15 per cent. in a few months, since in the month of November alone production, according to the *Annalist* index, fell by 8 per cent.—the greatest decrease in a single month since the 1920 crisis—only those who do not want to see the crisis can deny the fact of its existence.

For us, the question is no longer: Is there an economic crisis in the U.S.A.? but: What effect will this crisis have upon the rest of the capitalist world?

In discussing this question we must first of all emphasise that the capitalist order of society is at present living through the period of decline, of general crisis in the entire system itself, not, as was the case before the war, a period of "normal development."

These two facts: the general crisis of capitalism, which can only cease with the breakdown of the capitalist social order, and the economic crisis, which is a certain phase of the industrial cycle resulting in depression, must be sharply differentiated the one from the other. When Marx said: "There are no permanent crises," he made it clear that a crisis in "normal" capitalism is but

a phase of the cyclical movement and cannot therefore be permanent. The general crisis of capitalism itself, however, is a permanent phenomenon, the final period in the historical life of capitalism. Within this period of crisis the cyclical course of development—from depression to boom and prosperity—continues, although modified by the general crisis in the whole system. We have therefore to deal with a phase of crisis within the period of the general crisis of capitalism.

But although we differentiate sharply between the general crisis of capitalism and the economic crisis as a phase of the industrial cycle, this does not mean that the two things are not connected with each other. Every economic crisis is a stage in the life of capitalism, which does not pass away, leaving no trace behind, but brings capitalism another step nearer towards its end; while, on the other hand, the fact of the general crisis of capitalism modifies the course of the cyclical movement, and the more deeply the capitalist national economy is affected by the crisis of the whole system, the greater is the modification exercised.

The cyclical movement is most similar to that of pre-war times in the U.S.A., which, relatively, is least affected by the general crisis. In England, on the other hand, there has been no real boom in the post-war period, far less has there been a time of prosperity. Comrade Eventov, of the U.S.S.R. State Planning Commission, holds an opinion which entirely leaves out of consideration the character of the present period as one of de-

cline, and maintains that in a country where there has been no boom there can be no crisis, since a crisis is the temporary and violent solution of the contradictions which arose during the boom, particularly the disproportion between the limited powers of consumption in a society with antagonistic relations of distribution, and the forces of production developed without regard to that limitation. This view is incorrect: with the existence of a general crisis of capitalism, a powerful external blow can give rise to a phase of crisis even where there was no preceding period of boom, because the contradictions which bring about a violent solution of the crisis are almost continuously present, and not merely during prosperity.

The chief difference between the dynamics of industrial cycles and of "normal" capitalism is just this: that in the period of general capitalist crisis large decreases in production, i.e., crises, even if they do not correspond in every respect to the "classic" type, are possible even without a preceding boom, because the contradictions which bring production during the phase of crisis may be as high as during the boom period of the preceding industrial cycle, at the present time production in a good period is scarcely higher, and may be lower, than at the highest point of the preceding cycle. This peculiarity of declining capitalism must be taken into account, and we should not mechanically transfer to the present period all the recognised elements of "normal" capitalism.

Although the dynamics of crisis are at the present time modified by the general crisis of the system, the dynamics of the spreading of the crisis phase from one country to another have in essentials remained unchanged. The crisis spreads from one country to another by means of foreign trade (in this respect events on the international capital market play a not insignificant part, but we shall not deal with this matter here).

In foreign trade the transplantation of the crisis is brought about by a decrease in imports, as well as by an increase in exports. The effect of the crisis on other countries will vary according to the extent of the economic power wielded by the country in which the crisis first appears. The nearer a country is,

because of its internal contradictions, to the phase of crisis in its industrial cycle, the more powerfully will an external blow accelerate the beginning of the crisis.

Since the U.S.A., according to its economic importance, represents almost one-half of capitalist world economy; since, in a number of countries—Poland, Czecho-Slovakia, Austria, Hungary, the Balkans—a crisis exists independently of America; since, in a number of other countries—France, Belgium, Scandinavia, Switzerland—there has been a period of boom during which the factors making for economic crisis were necessarily developed; and since, in the present period of decline, crises are almost always present in a latent form of existence, it is clear that we are approaching an economic crisis which will embrace all the countries of the world.

This does not mean, of course, that within a few weeks all the countries of the world will be affected by an economic crisis. This is possible, but not inevitable. Even before the war an international phase of crisis extended for one year, or even two; and sometimes various countries wholly avoided the crisis, or experienced it only to a small degree. We can expect something similar at the present time, and we should not distrust our general conclusion if a few countries show no sign of the crisis even after some months.

The extent to which the American crisis will affect England and Germany, which have not experienced a preceding period of prosperity and whose economic life is suffering principally from the general decline of capitalism, depends firstly upon the extent to which prices will fall during the crisis.

This will give us an opportunity of deciding whether the world price level which resulted from the great fall in prices in the crisis of 1920-21, is to be considered as the "normal" price level, as Comrade Eventov maintains, or whether that level still contains elements of inflation from the war period, which will be swept away on the present occasion.\* If the first point of view

\* It is no accident that Comrade Eventov, who denies the possibility of Europe being drawn into the economic crisis should be of the opinion that the present price level is "normal" and that no great fall in prices is to be expected.

is correct, the fall in prices during the crisis will not be particularly great, since even during the good period no rise in prices occurred. If the second point of view—which we support—is correct, the fall in prices will exceed that which was usual in pre-war crises.

Theoretically the question can be stated in the following terms:—

(1) Let us assume that the cost of production of gold, of the measure of value, remains constant throughout a certain period, while the value of all other commodities, in accordance with an increase in the productivity of labour, characteristic of capitalism, falls; then this state of affairs will be expressed by a fall in the general price level. The decreased labour-time contained in the commodity unit, i.e., the decreased value, will be expressed by a decreased quantity of gold, whose value has remained constant.

(2) Now let us assume that the increase in the productivity of labour had, on the average, proceeded equally for all commodities and in the production of gold: then it is still true that the amount of labour-time embodied in the unit of the various commodities, that is, their value, had decreased, but as at the same time the value of gold had fallen to a corresponding extent, the price level would remain unchanged.

(3) The amount of labour-time contained in the unit of gold, i.e., the value of the gold, may have fallen more than that of the other commodities, because of a greater increase in the productivity of gold-mining than was the case, on the average, with the production of commodities. In this case the price level would rise.

It is a generally recognised fact that the price level is, on the average, about 40 to 50 per cent. above that of the pre-war period. This fact cannot be explained, either by the supposition that the value of commodities has, on the average, increased by about one-third, as against the pre-war period (this explanation is refuted by the great increase in the productivity of labour) or by a sharp fall in the value of gold, since the technique of gold-mining has remained unchanged since the pre-war period.

We arrive, therefore, at the result that the

change in the exchange relations between gold and commodities is not based upon a change in the value-relations. We must consequently seek for an explanation of the rise in prices in those factors which make themselves felt independently of changes in the value-basis. We are of the opinion that the fall in prices in 1920 did not completely abolish the elements of inflation which went to build up prices during the war, that is, the rise in prices which proceeded, independently of changes in value, during the war, when the demand for goods continually exceeded the supply. Certain elements in the costs of production, such as rents, freights, taxes, etc., were fixed for some years ahead, on the basis of the price relations of the war period, and could not therefore be reduced. Consequently the new price level which was formed after the crisis of 1920, was based upon the costs of production, which included these fixed elements, and the new price level therefore contained certain elements of inflation.

Besides the relics of inflation, a rise in prices resulting from powerful monopolist development is partly responsible for the height of the price level, more so now than in the pre-war period. The additional rise in prices, over and above the production price, in the Marxian sense (cost price, plus average profit) due to monopoly, enters, in so far as they relate to raw materials or to semi-manufactured goods, into the production costs of the subsequent process of production. Accepting the general premise of the Marxist theory of value, that the total sum of prices must coincide with the total sum of values, monopoly profits can only bring about a change in the prices of monopoly commodities but cannot bring about a general increase in prices; the monopoly capitalists' higher rate of profit must be compensated for by a lower rate of profit in those branches of industry where no monopoly exists. This is only valid, however, if labour power is paid up to its full value. If this condition is not fulfilled, and in the period of capitalist decline it occurs even less frequently than in earlier periods of capitalism, it can be easily understood that the rise in prices, resulting from monopoly profits, of

raw materials and semi-manufactured goods is carried over into the finished commodities and is thrust on to at least a part of the working class in the form of higher prices. This means a reduction in the price of labour power below its value. This is a very complicated process, and it would be most incorrect to describe the present high price level as the result of the formation of monopolies, a statement which has frequently been made in Marxist literature. We are not dealing with a simple matter, and this is shown by the fact that the prices of finished manufactured goods, which in general are not subjected to as powerful monopoly as raw materials and semi-manufactured goods, show on the average a much higher price level than the latter.

The following index was issued by the German National Bureau of Statistics in the middle of December :—

Raw materials and semi-manufactured goods .....	129.2
Industrial means of production ...	139.6
Industrial goods for consumption	168.7

We can see from this that the prices of consumable goods, where the formation of monopolies has made the least progress on the whole, have risen most as compared with 1913, and the prices of raw materials and semi-manufactured goods, which are strongly monopolised, have risen least. Obviously, therefore, the increased prices due to monopoly are transferred to the further stages of production and the high price level cannot be simply attributed to the effects of cartels.

These mutually antagonistic tendencies—an increase in the productivity of labour and a continual decrease in the elements of inflation, which tend to bring about a fall in the price level; and monopolies, protective tariffs, and (in America) the period of prosperity, which tend towards bringing about a rise in the price level—resulted on the whole in a single tendency towards a fall in prices, as the following table shows :—

	U.S.A. <i>Bureau of Labour</i>	England <i>Economist</i>	Germany <i>National Bureau of Statistics</i>
	1913 = 100		
1925 .....	158.7	160.9	141.8
1926 .....	151.0	140.4	134.4
1927 .....	146.8	143.7	137.6
1928 .....	147.1*	140.9	140.0
1929 .....	148*(Sept.)	126.9 (Dec.)	135.5

On the basis of the preceding considerations we are of the opinion that the general crisis which has now begun will bring about a greater fall in prices than is usual in "normal" crises, for the remains of the inflationist factors in prices will be cut down. Actually, at the present time the prices on the world market of a number of important commodities are falling. The fall would be still sharper, particularly in agricultural products, if it were not for artificial supports keeping the prices up; (the Canadian wheat pool, State action to maintain wheat and cotton prices in America, coffee valorisation in Brazil, the rye export agreement between Poland and Germany, the wheat export agreement between Hungary and Yugo-Slavia).

It is certain that the extent to which the American crisis will affect the rest of the world will be incomparably greater if prices in America decrease by 10 to 20 per cent., than if the price level remains more or less stable. A sharp fall in the prices of raw materials in America would give rise to serious economic disturbances in a number of countries which produce raw materials mainly for America—Indo-China and rubber, Brazil and coffee, Cuba and Java sugar, Japan and silk. A fall in the prices of the agricultural products which America produces for export, wheat and cotton, would bring about a general agrarian crisis and would shake the textile industry of the whole world; and the stocks of cotton and cotton goods would have to be sold at prices far lower than the actual cost of production. A fall in the prices of the finished goods which America exports would deal a heavy blow at the great industrial countries of Europe, with whom America competes on the world market. It is obvious that a sharp fall of prices, with the consequent depreciation of the commodities already entered upon the sphere of circulation, would bring about a wave of bankruptcies among the merchants and tradesmen in all countries, and a general shock to the credit system would result, particularly in countries poor in capital and not well developed from the monopoly standpoint.

The greater the fall in prices the more pro-

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\* Recalculated on 1913 basis, since recently this index No. is published on basis of 1926.

nounced will be the effects of the crisis in the sphere of production and of circulation, as well as in the credit system. Consequently the question of the extent of the fall in prices in America, resulting from the crisis, is the decisive question to be considered in any attempt to estimate the effects of the American crisis on the rest of the capitalist world. We repeat that we are of the opinion that the price level in America in recent years was partly determined by inflation factors arising in the war period, and that consequently we may expect a greater fall in prices than would otherwise be the case. The following figures show that the fall in prices is already taking place:

“Annalist” Price Index.

1913 = 100

	Farm Pro- ducts	Textile	Fuel	Metals	Build- ing Mat- erials	Chem- icals	Total
1929 July (Maximum)	147.1	147.	162.8	128.3	134.6	134.6	149.1
Sept.	145.5	147.5	160.1	127.6	153.	134.	141.8
Dec. 24th	139.6	140.4	159.8	125.4	151.5	134.	141.8

We can see that the fall in prices amounts already to about 5 per cent. Two things must be remembered: (1) That often the old cartel prices are taken, whereas in actual fact the commodities are sold below those prices; (2) that American capital has certainly decreased export prices more than home prices.

The following table, taken from the “Economic Magazine” of January 1, 1930, shows the following course of development for the separate commodities of world trade:—

	Highest price in January 1929	Price in the middle of December
Wheat (cents per bushel) ...	153.9	136.6
Rye (mark per ton) .....	208.5	166.0
Maize (cents per bushel) ...	107.1	93.1
Rice (shillings per 50.8 kg.) ...	15.9	14.0
Coffee (cents per pound) .....	18.5	9.9
Sugar (mark per 50 kg.) .....	28.0	26.2
Cotton (dollars per bale) .....	11.1	9.1
Jute (£ per ton) .....	34.5	26.2
Hemp .....	39.8	37.5
Gum (shillings per lb.) .....	1.1	0.8
Copper .....	94.2	69.1
Lead .....	26.4	21.4
Tin .....	227.6	189.1
Zinc .....	27.5	20.1
Silver (dollars per lb.) .....	26.5	22.5
Petroleum (cents per gall.) ...	3.98	2.87

The extent of the fall in prices which will be brought about by the American crisis will determine not only the extent to which the American crisis will affect the rest of the

capitalist world; it will also influence considerably the relations of international indebtedness. Germany's reparation payments under the Young Plan, and inter-allied debts, are fixed for decades ahead in nominal monetary units. Their amount is independent of the exchange relations between gold and goods, that is, of the price level. If, then, there is a fall of 10 to 20 per cent. in the price level, this means that Germany's reparation obligations, i.e., the quantity of goods or values which Germany has to set aside for the payment of its obligations to its creditors, will be automatically raised by 10 to 20 per cent. The same is true with the debts of the Entente countries to each other, and, above all, to America. Judging by their real value, they rise in accordance with the fall in the price level. This also applies, of course, to international debt obligations incurred privately. If Germany, for example, has at the present time to pay about three milliard marks annually for reparations, interest and amortisation, a fall of 20 per cent. in the price level means that she would have to export abroad a quantity of goods, in order to meet her obligations, which at the present prices would amount to 3,600,000,000 marks. On the other hand, the tribute which the rest of the world has to pay to the United States would also increase by 10 to 20 per cent.

A sharp fall in prices would also mean great disturbances and serious crisis within the individual national economies. As far as short-term obligations within the sphere of circulation are concerned, a situation would arise in which the merchants would receive less from the sale of their goods than they themselves would be obliged to pay for them: the consequences would be cessation of payments, bankruptcies, and a general shock to the whole credit system.

Industry, as is well known, works to a large extent on long-term loan capital: debentures, mortgages, preference shares with fixed rates of interest. A fall in prices means that loan capital's share in the profits of an undertaking really rises in accordance with the fall in prices. In this way a fall in prices means a change in the distribution of income in favour of creditors and to the disadvantage of debtors, an automatic rise in the real income

of the rentier class; in short, it means all those phenomena with which we are made familiar by the deflation period in England.

We can therefore see the great importance of the question of the extent of the fall in prices for the spreading of the American crisis, for the burden of debts, both national

and international, and for the distribution of income among the different classes within the national economy. How greatly the present crisis will shake the whole structure of the capitalist order of society depends, in the first place, on the extent of the fall in prices which has now begun.

## The Economic Crisis in Germany

By P. D.

**W**HAT was the significance of the year 1929 for German capitalism? Perhaps a year of advance, of strengthening, of recuperation, as the Social-Fascists and renegades from Communism maintain. And within the Communist Parties there are still right-wing elements which, following the original conception of Comrade Bukharin's thesis at the Sixth World Congress, interpret capitalist development as a sign of "building up upon a new and higher basis," of "forward development and reconstruction," of the disappearance of the general crisis, of the abolition of deathly contradictions and hostilities. But what shall we say of people who, like the Brandler renegades, even call themselves "orthodox Marxists," and who overlook such facts as the credit crisis, the flight of capital during the Paris Reparations Conference, the May struggles, the abolition of even the external appearances of parliamentary democracy, shown by the Schacht dictatorship and the abolition of parliamentary self-government of the Berlin and numerous other municipalities, such facts as the three million unemployed at the end of the year, the advance of the National Socialists and the tremendous sharpening of the class struggle, without enquiring into the roots of such facts?

The Brandler group and the right-wingers in the Comintern consider most of these facts, not as the result of the rapidly progressing decay of capitalism, but as the fruits of the "bad policy" of the Social-Democratic and Communist Parties. The Brandler people appeal to the Social-Democratic Party to leave the coalition and thereby to render possible the

"United class front" of the workers, which shall strive to achieve that improvement in the conditions of the working class which has been made possible by the flourishing state of capitalism.

The chatter of the renegades and the rights has as little to do with the reality as that of the Social-Fascists. The tremendous accentuation of class contradictions, the development of Fascism, the growth of national Fascism, the development of higher forms of class struggle, the abolition, in actual fact, of parliamentary forms, all express the rapidly progressing internal decay of German capitalism, the violent growth of internal contradictions and antagonisms, the extraordinary intensification of the crisis.

### I. THE INEQUALITY OF DEVELOPMENT WITHIN GERMAN CAPITALISM.

The course of the year 1929 was characterised by an almost constant narrowing of the internal market accompanied by a considerable extension in exports. Total industrial production was slightly above that for the year 1928. Development in the separate branches of industry was, however, very unequal. While the "new" industries (electricity, chemicals), heavy industry and sections of the machine industry produced considerably more than in 1928, the production figures for the greatest part of industry producing finished goods were much lower than for 1928.

The inequality of development was shown even more clearly in prices. Industry organised in strong monopolies was able to raise

prices in spite of a falling market (e.g., the price of coke went up by 9 per cent., of iron by 5 per cent.), while the prices of goods manufactured by industries which are not monopolised fell by 14 per cent. from the end of 1928 to the end of 1929.

This disparity of development in production led to further changes in power. That part of industrial capital which is organised in monopolies, and the large banks connected therewith, strengthened their power to a great extent, and great changes followed in the distribution of the total sum of surplus value; while monopoly capital greatly increased its profits, the development in non-monopolised industry, small banks and small trading concerns, brought about violent disturbances. The number of real bankruptcies rose from 4,916 in 1927 to 7,356 in 1928 and to nearly 10,000 in 1929, while thousands of small and middle-sized undertakings were able to save themselves from destruction only by joining up in the large concerns. This process is by no means a simple example of the process of concentration during the "normal" course of capitalist development, although, of course, the law by which small and middle-sized concerns are pushed out of existence by the large ones is fully effective now, as well as in the past. But the rapid rate of development in this respect can only be understood by a correct recognition of the most fundamental contradictions in German capitalist economy: that the development of the market does not keep pace with the development of the forces of production. The catastrophic effects of this fundamental contradiction have been partly modified by monopoly capital keeping prices high, but they descend with their full weight on non-monopolised capital and on the smaller-sized concerns within monopolised capital.

## 2. THE DEPENDENCE ON FOREIGN CAPITAL.

All panegyrists of capitalism point to the increase in exports and the slightly active balance of trade as one of the greatest successes of German capitalist economy in the year 1929. They are, however, silent about a great number of factors which largely detract from the importance of these events. Let us deal with some of these factors:

(a) In periods of declining markets or of de-

pression exports rise and imports fall. The curve of development illustrating Germany's foreign trade since 1924 gives a correct picture of the course of economic conditions.

(b) In some of the important markets for German goods—France and Scandinavia—there was economic tension up to the end of 1929; in the United States signals of the approaching crisis were evident at the beginning of the second half-year. In the sphere of production the effects of the crisis were visible only in the last months of the year. In England there was a temporary improvement in conditions. As far as the foreign market was concerned, therefore, the situation during the greater part of the year was favourable; the backset was not apparent in the trade balance for the last few months of the year for reasons which it is unnecessary to discuss here.

(c) Consequently the import figures for 1929 are particularly low, since Germany had an unusually fine harvest in 1928, especially in wheat and the trade balance was improved by several hundred millions.

Of course, these facts do not suffice to explain the increase in exports, particularly the increase in the exports of industrial products. The diminution in the costs of production brought about by rationalisation and by the intensification of the exploitation of the workers, together with the maintenance and even the increase in prices on the home market made it possible for German capitalism to develop a large scale attack on their competitors by dumping. We do not attempt to deny what results have been attained by the German capitalists in their efforts to fight against the facts of the crisis and against the insoluble contradictions of the system. The panegyrists interpret these results as an overcoming of the crisis and of all the fundamental contradictions as an expression of the growing strength of capitalism. But we see in these results the origin of the development of further contradictions, both internal and external, which in their turn will react upon and intensify the fundamental contradictions and the general crisis. We shall return to this question in considering the prospects of the development of German capitalist economy. In spite of the relatively favourable balance of foreign trade there is a passive payment balance of at least

two milliard and a capital import, in the most varied forms, amounting to about three milliard (according to the *Frankfurter Zeitung*.) Even in the year 1929, extremely favourable as it was for the make up of the balance of payments, capitalist Germany had to draw in three milliard of foreign capital to equalise its payment balance and for its capital export. And it was precisely this "favourable" year which showed the utter dependence of German capitalist economy on foreign countries, its economic independence and the tremendous influence exercised on German capitalism by the fact of economic crisis abroad.

There were during 1929 three instances which clearly expressed this dependence. The first occurred during the Paris Reparations Conference. The possibility of this conference ending in shipwreck led to a panic on the German money market. The import of capital ceased, short term investments were withdrawn, and a flight of capital ensued. Within a few weeks the balance of the Reichsbank consisting of gold and securities fell by more than a milliard marks. Every symptom of a money crisis was present: stringent credit restrictions, which chiefly affected the small capitalists, a rise in the rate of interest, with consequent weakening of the market. It was only the surrender of the German negotiators, led by Schacht, the new "saviour of the fatherland," which brought relief.

The second instance was connected with events in American national economy. The tension on the American money market, signal of crisis, led to a cessation in the stream of American capital and of European credit moneys to New York. The "turn of events" consequent upon the acceptance of the Young Plan, supported by a new blessing of the dollar, came to nothing. Instead of any relief on the money market, the situation became more strained and German finance capital was obliged to give its consent to such a pitiful transaction as that of surrendering the match monopoly to the Kreuger concern, the cost of which fell on the working masses.

The third incident occurred in December. At the request of the Morgan bank, Schacht dictated his conditions to the Reich Government and to the German Reichstag; these conditions were falsely represented as coming from

the National Association of German Industry. It was only the first part, which placed new and tremendous burdens on the workers, which coincided with the programme of finance capital. The second part of the financial programme of the trust bourgeoisie, namely, the continuation of credit system in favour of finance capital, was put on the shelf for a short time. A further act in this tragi-comedy was witnessed in the financial dictatorship exercised over Berlin and over several other German municipalities, where building works were stopped and even the external shams of autonomous government withdrawn; this, together with the great increase in unemployment, has been accompanied by the most brutal plundering of the workers by means of raising the rates for fares, electricity, gas, water, rent, of radically reducing social benefits, and, to crown it all, workhouse skilly for the unemployed and for workers entering the factories—and machine guns for the Communist Party.

This same dependence is also shown in other spheres. The electricity industry is one which suffered least from the general crisis; it is a "new" industry in the sense that post-war development has brought about great expansion in it, while other branches of production have fallen into a stagnant bog. The great extension of electrification, the new branches of industry catering for the radio, the cinema, electrical tools and machinery, domestic articles worked by electricity, made this expansion possible. Nevertheless the German General Electric Company submits to the General Electric not through any lack of patriotism, but from economic necessity. Even an industry as flourishing as electricity cannot, in the critical conditions existing and developing in Germany, obtain credits under 8 per cent.

The most important part of another new industry, artificial silk, once the object of great applause, has modestly placed itself under Dutch control. The automobile industry has almost entirely (Opel, Mercedes, Neckarsular) gone into foreign hands. Large textile and trading concerns are going over into the hands of foreign finance capital; and important fusions, such as the amalgamation of the Deutscher Bank with the Diskonto Company,

take place with the assistance and participation of American finance capital.

Capital import during 1929 in the form of long term loans, was low, and short term investments (share speculation, investments to take advantage of differences in rates of interest) also decreased. Capital import has become more aggressive. It follows the superior command of German finance capital.

The development, according to the international panegyrists, particularly the left Social-Fascists and Marxists such as Brandler, is not at all bad. The international connections of capital is a guarantee against imperialist contradictions coming to a head, against new imperialist wars, and is at the same time a sign of confidence in the future development of German capitalist economy.

What do these facts actually prove? Nothing but the weakness of German capitalism and that, because of this weakness, foreign capital can for the time being extract super-profits from Germany. In addition, American finance capital is anxious, firstly on the economic basis, to make Germany a useful sphere in its struggle against British imperialism. But this does not strengthen German capitalist economy; the factors of crisis do not disappear; they become more acute, and all the contradictions are accentuated. This development is not at all bad—for the prospects of the proletarian revolution, but it is bad for the panegyrists of capitalism, whatever their share.

### 3. MARKET PROBLEMS, RATIONALISATION AND THE WORKING CLASS.

The course of conditions since the stabilisation of the currency in 1924 (Dawes Plan and Reparation loans) shows the fever curve of sick German capitalism: reconstruction activity in 1925, crisis in 1926, prosperity in 1927 (following upon the social and economic crisis in England in the latter half of 1926), falling markets in 1928, crisis in the winter of 1928-29, a slight improvement in the early summer of 1929 and, since then, continual narrowing of the home market, with large-scale partial crises mitigated by favourable conditions on the foreign market.

The period of prosperity which was announced, particularly by the Social-Fascists,

after the conclusion of the Dawes Plan and the blessing of the dollar, will not materialise. Short periods of improvement, occasioned by external circumstances, are quickly followed by crises and by long-enduring depressions. Even during a time favourable to advance, partial crises continue and the improvement lacks any great force.

There are no statistics giving the figures of sums newly invested in industry since 1924. The accumulation in the five year period, 1925-1926, may be taken as at least 6 to 7 milliard mark on the average per year. In addition there was about 8 milliard mark of foreign capital (total capital import of 16 milliard minus 4½ milliard for reparations and 4 milliard in capital export), which was used for the greater part in extending the machinery of production. Large scale changes in investments were made and, more important still, the machinery of production was reconstructed, its technique improved, it was adapted to, and to some extent caught up with, the most advanced capitalist economy, namely, American.

German capitalism has made very great efforts to win back its place in the sun, its capacity to compete, and not wholly without success, as the continual increase in exports shows. But this result was achieved only by a tremendously increased exploitation of the working class, by the pauperisation of large sections of the lower middle class, particularly the peasantry, and by the ruin of innumerable small and middle-scale capitalists.

The "rationalisation of paralysis" is the name given by a bourgeois writer on economics to the process of economic development in Germany: the idea is not exact, but it correctly characterises the rottenness of capitalism. The necessities of competition require the continued development of productive forces and increased exploitation of the workers, if the dangers of rapid decay are to be avoided. But this defensive action against ruin only calls into being new elements of decay and putrefaction, for, with the necessary development of productive forces, capitalism places strict limits on the growth of the home market, which is the decisive market. It forces the worker to live in unhealthy, cramped, dilapidated dwellings; it forces him to cut down his

purchase of clothes and household objects, etc.; it prevents the peasant from taking advantage of technical developments in farming his holding; it forces municipalities to give up plans for building schools, extending transport, etc. It is anxious to attain to a "stronger composition of capital," to still more unchecked exploitation, to further limitations on the masses' consumption of goods.

This creates great unemployment, "structural" unemployment: it was calculated by the Institute of Economic Research that there were a million unemployed last summer. One million unemployed will, according to present conditions, remain on the streets even in times of "prosperity." This is the picture of "organised" capitalist economy, in which nothing is organised but the impoverishment of the workers, and, perhaps, the demoralisation and ruin of many hundred thousand proletarians.

To increase exploitation rapidly, capitalism employs the method of high protective tariffs. This in turn brings counter-measures from its competitors and makes export more difficult. There is no longer any way out of this circle of German capitalism. The periods of relatively favourable conditions grow shorter and weaker, the periods of depression longer and deeper.

#### 4. THE YOUNG PLAN AND THE CRISIS OF GERMAN CAPITALISM.

Reparations are not the cause of the crisis or of the decay of German capitalism, which is part of the world crisis of capitalism. But all the factors of the world capitalist crisis are apparent in the question of Reparations and in its insolubility: the rapid accentuation of imperialist contradictions, the urge towards a new redivision of the world, the universal hostility to the Soviet Union, the national crises within the different capitalist countries, etc. Consequently the forum on which the question of reparations is discussed always becomes a forum reflecting the direction of capitalism on a world scale and its attempt to defend itself from this fate.

For capitalist Germany reparations mean a great acceleration of the process of decay, intensifying all internal contradictions, accentuating class contradictions, sharpening the offensive against the workers, accelerating the expropriation of the middle class and the

pauperisation of the poor and middle peasantry. Reparations deepen the mighty contradiction between the desire of a highly developed capitalist country for independent imperialist activity and the growing dependence on foreign capital. They compel forced exports which at the same time give rise to counter-attacks from imperialist competitors. Forced exports imply greater capital export, but reparations deduct from surplus value just that part which is used for capital export. Consequently the home market is throttled and the market problem, with all its effects, which are particularly terrible for the working class, assumes a still more threatening form.

The change from the Dawes to the Young Plan changes nothing that is essential in this situation. The yearly payments stipulated in the Young Plan are lower than those laid down in the Dawes Plan, particularly for the first five years. But the hope of the German bourgeoisie that it would receive decisive help now from British, now from American imperialism, in reducing or wiping out reparation payments, has been extinguished for a long time. Whether the annual payments should be 2,050 million or 2,500 million is merely a matter of quantity which does not abolish or change in any essential particular the quality of the effects of reparation payments.

The position of German capitalism is worsened by the problem of the commercialisation of reparation tributes, the first instalment on which will be exacted immediately after the ratification of the Young Plan. This commercialisation will make great demands on the international money market and the extent of these demands will again cause a rise in the rate of interest. Commercialisation does away with the fiction that reparations are only a temporary burden; it stabilises the burden of reparations "for ever," that is, for as long as German capitalism may exist. Consequently the increase in that part of reparation payments of which the transfer is not protected, made at the first Hague Conference, is not a mere trifle, for it can be commercialised.

#### 5. THE AMERICAN CRISIS AND ITS EFFECTS ON GERMAN CAPITALISM.

By the middle of January the number of unemployed in Berlin rose to nearly half a million, which is much higher than the record of

the previous year. Throughout the country the army of unemployed exceeds three millions. The building industry is almost completely at a standstill, despite the mild winter, for the municipalities which are the principal bodies financing housing construction, have had their credits stopped. At the same time there is the decline in production and in orders in almost all branches of industry and the amalgamation of the several partial crises into one general crisis. The second Hague Conference, according to the results reached in the negotiations so far, will end with a worsening of the Young Plan, for why should the Fascist and Social-Fascist representatives of German imperialism, confronted with the co-operation and threats of the national fascist Tardieu, the representatives of French imperialism and of the Social-Fascist Snowden, who represents English imperialism, refuse to make further concessions, the cost of which will fall on the German workers? But the forces of resistance among the proletariat are growing, the unemployed are storming the town halls and are fighting the police on the barricades.

On top of all this wretchedness comes the American crisis. When the first authentic reports of the crisis in America reached Germany, the German bourgeoisie immediately understood the danger which threatened from that quarter. All the experts wrote and philosophised about it in the bourgeois press, without giving any reasonable advice. If phrases could prevent the certain advance of American capital on the markets of the world, the struggle would be decided in favour of German capitalism. But hard facts alone have any weight in this pitiless fight.

In 1929 Germany exported finished goods to the value of about 10 milliard mark; that is about 25 per cent. of the total production of those goods. During 1929 the United States exported about 10 per cent. of this commodity production, but far less than 10 per cent. of its total production of finished industrial commodities, for a considerable part of the exports consisted of cotton, wheat, copper, etc. American finance capital, by a system of protective tariffs and dumping tariffs, has consolidated its monopoly position internally and forged a powerful weapon which can be used to increase exports. The new tariff proposals will close

the last gap in this system. Precisely because the period is one of depression, American finance capital will be able to export capital and will make full use of the increased capital export in the competitive struggle to win markets.

What has German capitalism to set up against this well-armed American capitalism? Its own capital export is very narrowly limited, every increase must be paid for with dearer foreign credits. These foreign credits are on the whole only at the disposal of powerful concerns and trusts; very little is available for the large number of small and middle-sized concerns.

German capitalism is also competing by dumping; in order to maintain the markets it possesses and to open up new ones, goods are sold abroad not only at prices far below those obtaining on the home market, but often under the actual costs of production. There is a great difference if 8, or 25 or 30 and 40 per cent. of industrial production is sold abroad. The German electricity undertakings are giant concerns; in the report for the last business year, Siemens admits that more than one third of the production of his concern went abroad. The American electric trusts are still more powerful than the German; their sales abroad are proportionally much lower than those of the German competitors, and they are backed by the great American banks with all their power. They have a much larger home market, they receive credits on favourable terms from the banks with which they are allied. How long will even such a giant concern as Siemens be able to hold out against its American rivals, their respective strength and resources in the competitive struggle being of such different dimensions? The more scattered machine, iron and textile industries, etc., will have to accept defeat in the struggle even sooner.

The competitive struggle of American capitalism, greatly intensified by the crisis, affects not only its German competitors, but also the English, French, Belgian, etc. They in their turn will attack the weakest, attack German capitalism. English capitalism will perhaps be more directly affected than capitalist Germany by the weight of American capitalism pressing on the world market, but it has

sharper weapons of defence than Germany and it will not hesitate for a moment to direct them against its German competitors if it is defeated in other places by American competition.

In connection with the discussion on the effects of the Young Plan, much has been said about the payment of reparations with the proceeds coming from the increased export of commodities. The admirers of capitalism value the Young Plan as a dividing force which will develop German capitalism. Such talk was nonsense even before the crisis in American capitalist economy and it will be finally and completely exposed by the effects of that crisis.

We cannot at the present moment estimate the depth and the probable duration of the

American crisis. Figures of the tremendous unemployment and short time indicate that the crisis is extremely intense, and, of course, the effects of the crisis are dependent upon its intensity and duration. Since the American crisis coincides with a market crisis in Germany, with a crisis in State and municipal finances, with the special difficulties arising from the Young Plan and consequently with an extreme intensification of the general crisis of German capitalism, its possibility that the year 1930 will witness the development from a latent revolutionary into an acutely revolutionary situation, is not excluded. The tremendous responsibility for the development lies upon the Communist Party of Germany.

## The Economic Crisis in Czecho-Slovakia

By L. Freund

**T**HERE can no longer be any doubt that a new crisis is commencing in Czecho-Slovakia, within the general framework of the world economic crisis. This new economic crisis in Czecho-Slovakia should not be regarded as something isolated, but merely as an expression of the sharpening in the general crisis of capitalism, characteristic of the third period of post-war capitalism in general and of Czecho-Slovakian capitalism in particular. It is clear that even without this new economic crisis we would be compelled to speak of the accentuation of the general crisis in Czecho-Slovakia as a result of the ever-growing contradictions. The economic crisis is merely a separate, though very acute, factor in the general process of decline of the relative stabilisation of Czecho-Slovakian capitalism.

The facts go to show that Czecho-Slovakia is precisely one of the capitalist countries which have passed the pre-war level of production, and where an intensified development of productive forces has been observable. It is typical that just those branches of industry producing the means of production are showing a particularly big rise. This, above all, refers to the ironfounding and steel smelting

industries. Since 1926, which was still a crisis year, a rapid improvement has been noticeable. The production of pig-iron and steel is seen from the following figures:—

Year.	Pig-iron.	Steel.
	(in thousand tons).	
1913 ..	... 1,223	1,224
1926 ..	... 1,088	1,598
1927 ..	... 1,260	1,696
1928 ..	... 1,569	1,992

Thus, already in 1927, the pre-war level was passed in this important branch of industry. The production of pig-iron was 103 per cent., and of steel 138 per cent. of the pre-war output. In 1928 the figures are already 128% and 163% respectively. In 1929 the production of iron was approximately 136 per cent. and of steel 182 per cent. of the pre-war output. This rapid growth of production of steel and pig-iron shows the big increase in the productive forces in industry and in agriculture, although a big proportion of the additional output was swallowed up by the war munitions industry. There was also a big growth in the building industry, especially in 1928. According to statistics covering 79 towns with more than 10,000 inhabitants, 648 buildings were erected

in 1919, 5,591 in 1924, and 10,152 in 1928. Intensified constructional activity and increased investment of capital, side by side with growing exports, were the most important factors of industrial prosperity in 1927, 1928, and the first half of 1929. The development of productive forces in industry and agriculture proceeded not only inside the country, but also from without, as is seen from the big increase in the import of machinery. In the textile industry alone, as a result of the law on decreased duties on machinery, textile machinery was imported to the value of one milliard kronas, since 1924. The imports of machines from abroad during the past three years show the following picture:—

	First ten months of			
	1927.	1928.	1927.	1928.
	(in million kronas).			
Machinery and apparatus ...	473	702	558	664
Electrical machinery and apparatus ...	255	265	195	282

These figures testify to the particularly extensive growth of productive forces in Czecho-Slovakia.

But the growth of productive forces is not only to be observed in the sphere of industry. We see the same thing in agriculture. The increased use of machinery and fertilisers has brought about an increase of 10 per cent. in the output per hectare, as compared with pre-war.

Czecho-Slovak capitalism was bound to be faced sooner or later with the problem of *what to do with this greatly enlarged productive apparatus*. It was only for a certain time that the market situation was able to maintain itself—and this, thanks to the fact that at least the industry producing the means of production helped the growth of the productive apparatus and thus created a bigger purchasing power within the country. The favourable market situation in Germany (in certain branches of industry) and in other States and a number of good harvests with relatively good prices, for a certain time helped Czecho-Slovak capitalism to hold out

on the surface. *This extraordinarily enlarged productive apparatus has all the greater need for sales markets in order to continue to function fully. But capitalism can neither find these markets inside the country nor abroad.* In 1929 Czecho-Slovak capitalism at the best could only realise the same amount as in 1928, and this, for developed productive apparatus, was, of course, inadequate. *The purchasing power on the home market was still lower than in 1928, for the whole growth of productive forces was carried out at the expense of the proletariat.* The most severe rationalisation was conducted, and the increase in productive forces was not accompanied by any substantial increase in the number of workers employed or by a rise in wages. In agriculture there again commenced a catastrophic fall in prices, at first only in the grain branch, where, as a result, a big depression followed. The sugar-beet industry also suffered from low prices, at the expense of which there was a forced exportation of sugar. Peasant stock-rearers hardly received anything from the increased prices in 1929: this increase was utilised by the syndicated trade, while the peasants, owing to the big deficiency in fodder in 1928, had hardly any cattle for sale. This state of affairs on the home market is clearly borne out by the table given below, showing the revenue from the trading tax. In the first eight months of 1928 and 1929 respectively the tax receipts (in million kronas) were as follow, according to the various provinces:

	1928.	1929.
	Jan.-Aug.	Jan.-Aug.
Bohemia .....	966	952
Moravia .....	305	490
Silesia .....	56	55
Slovakia. ....	149	143
Carpathian Ukraine .....	13	13

As this table shows, for the first eight months of 1929, in all provinces **except** Moravia, the turnover was only approximately equal to that of 1928, although the highest point in the market position was reached only in the first half of 1929, and though, for example, the index of raw material imports for the first half of 1929 exceeded the index for the first half of 1928 by almost 20 per cent. Furthermore, the revenue from the trading tax in 1928 was, on the average, higher than

in 1927. The special figures for Moravia are explained not by an increased purchasing power on the part of the toiling population, particularly the petty peasantry, but by the fact that the growth of the productive apparatus there continued much longer than in other regions.

The same slump in sales is to be observed in the sphere of foreign trade. The exports of manufactured goods, taken as a separate group, were as follows:—

1927.	1928.	1929.
(in million kronas.)		

11,797	13,138	13,138
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A still more striking picture is obtained if we take total exports; in the first eleven months of the same years these prove to be:—

1927.	1928.	1929.
(in million kronas.)		

17,780	19,059	18,265
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The fall in exports in 1929 is explained mainly by the curtailed exportation of sugar as a result of British Customs tariff measures. Thus, in the sphere of foreign trade also, business remains, at the best, stable. And it was only possible to maintain even that position by dint of increased inroads on the living standards of the toiling population, and, to an extent, by carrying foreign trade into more distant countries. In the natural sales markets—especially the Danube—Czecho-Slovakia, relatively, at any rate, shows lower and lower figures. This is because the Danube states are creating their own industry, and Germany, in the epoch of the Young Plan, is striving to squeeze Czecho-Slovakia out of these markets by all possible means. The footwear industry in Czecho-Slovakia is a classic example of the changes in the sphere of markets. Ousted more and more from neighbouring markets, such as Germany, by high duties, she is trying to compensate for this loss by increased exports to America, but nevertheless is unable to reach the level of 1928 exports.

There are thus two factors now causing the economic crisis in Czecho-Slovakia: on the one hand the greatly enlarged productive apparatus, and on the other the stationary and even somewhat declining market. A typical peculiarity of the present situation is the fact that in spite of the stable—generally speaking—

level of production, a crisis has arisen which in the future will certainly again be reflected in a lowering of the productive level. Czecho-Slovak capitalism in the third period of its post-war development discloses, therefore, an extraordinary accentuation of the basic capitalist contradiction between the development of productive forces and the relations of production—a contradiction, one of the expressions of which, is the new economic crisis. This accentuation also shows itself in other forms: in the form of increased struggle for markets and spheres of investment, military preparations, ruthless rationalisation, redoubled political oppression of the working class, the transformation of Social-Democracy into Social-Fascism, and, finally, the endeavours to form a Fascist dictatorship.

The Czecho-Slovak crisis began to make itself felt primarily in the countryside, in other words, assumed the form of an agrarian crisis. The harvest of 1928 was a record one. But in view of the high prices and the low purchasing capacity of the toiling population the harvest could not be realised. What is more, foreign grain, as a result of big harvests in the U.S.A. and Canada, and owing to premiums for exports (as in Poland), was thrown on to the Czecho-Slovak market at low prices. For example, import grain, malt, pod vegetables, flour and rice, in the first ten months of 1928, were valued at 1,951 kronas per ton, while in 1929 the price fell to 1,735 kronas. As a result of this, in 1929 there commenced a sharp fall in prices of grain and potatoes. The last October quotation on the Prague Bourse gives the following prices of various products per 100 kilogr. (in kronas).

Wheat. Rye. Barley. Oats. Potatoes.

1928.				
191	176	173	170	35
1929.				
165	125	145	120	20

The agrarians try to explain this fall in prices merely by competition of foreign grain, so as to obtain the introduction of high duties. But this is clearly untrue. For it is not only established that prices on American wheat in October, 1929, were considerably higher than in the same period of the previous year, and on rye decreased to the minimum extent, but at the same time there can be no doubt that

the imports of foreign grain and flour in the first ten months of 1929, even in quantity only, comprised two-thirds of the imports of the same period the year before. But this, naturally, does not alter the fact that owing to the big fall in prices on the grain market, the position of agriculture has become worse. This, of course, does not refer to the petty and middle farmers, who in any case do not sell grain and potatoes. The position has become still worse for the landowners and grain-selling peasants in connection with the results of the 1929 harvest. Simultaneously with the fall in prices the harvest has proved to be much worse than the previous year, in spite of the great increase in the area under seed. (Wheat, in 1929, 13.1; in 1928, 14.0; rye, in 1929, 16.1; in 1928, 17.8; barley, in 1929, 12.8; in 1928, 14.0—all in million quarters.) Only the harvest of oats and potatoes increased, but the prices on these items fell very considerably. It is clear that such conditions on the grain and potato market were bound to lead to a considerable limitation of the purchasing power of the country people, to a restricted sale of the means of production and consumption and to increased indebtedness; but even the small and middle farmers, whose purchasing capacity depends mainly on cattle prices, and for whom low prices for grain and potatoes are an advantage, could not make use of the situation. For, although prices for cattle were fairly high, they had already been compelled to sell a large part of their cattle in 1928. In the immediate future, owing to the increase in cattle-rearing, a decrease in prices is to be expected on this market also.

Whereas in agriculture the crisis is in full swing (at any rate, so far as grain, potatoes and sugar beet are concerned), it is only just commencing in Czecho-Slovak industry. In particular, those branches of industry which directly serve mass consumption, such as boots and shoes, textiles, tailoring, catering, metal goods, etc., are complaining of the restricted markets and compelled to curtail production. The industry producing the means of production is less affected by the crisis, although here also extensive dismissals of workers have taken place. The reason is that in this branch, with an improved productive apparatus and extensive rationalisation, the same

amount can be produced as before, with a smaller number of workers. The building industry in 1929 worked much less intensely than in the previous year, as the wide masses of toilers were not in a position to go into new dwellings. The delivery of constructional material to Prague in August, 1929 (i.e., at the height of the building season), amounted to 61,000 tons, as against 137,000 tons the year before. The index of prices on commodities subject to fluctuations of market conditions reached in April, 1929 (according to data of the State Statistical Bureau; the data for September 1, 1927, being taken as 100), the hitherto unprecedented record of 103.7. But it then fell continuously, reaching, in December, 1929, the also unprecedented low level of 92.1. The Stock Exchange shows a similar picture of falling markets. The index of quotations of stock of transport and industrial undertakings reached the highest development in March, 1929, when it was 155 (data as at March 3, 1927, taken as 100), and fell to 133 in November. The index of prices on imported raw materials, compiled by Dr. Ulig (with adjustments for seasonal fluctuations), reached the highest point in the first half of 1929 (133), and fell to 110 in October. The existence of a crisis is proved by the big increase of bankruptcies. In November, 1929, 317 bankruptcies were registered (as against 245 in 1928), which is the highest number since 1923. The balance of indebtedness, after all settlements, in the first ten months of 1929, was 366.9 million kronas, as against 224.8 million kronas for the same period of 1928.

A very clear illustration of the development of the crisis is provided by the unemployment figures. (The figures do not by any means cover all the unemployed, but only those who are registered at the Labour Exchanges; the majority of the workers, however, are not registered, as there is no general unemployment insurance in Czecho-Slovakia.) The numbers seeking work are shown by the following table:—

	1927.	1928.	1929.
January .....	83,271	57,148	53,247
February .....	83,205	55,184	55,224
March .....	71,867	46,689	49,740
April ..	60,260	39,462	43,094
May .....	52,770	35,999	36,186

	1927.	1928.	1929.
June .....	45,460	32,701	34,434
July .....	39,382	32,485	32,701
August .....	40,863	34,083	34,789
September ....	37,634	31,162	34,341
October .....	35,777	29,397	39,702
November ....	38,220	29,910	34,200
			(approx.)
December.....	45,571	39,400	—

These figures, of course, only show a quarter or a third of the real number of unemployed. But their development is highly symptomatic. We see that in 1929, in the first months of the year (January excepted), even allowing for the very severe winter, the unemployed figure was higher than in 1928. In July the levels of 1928 and 1929 are about the same. But further the curves sharply separate. The number of unemployed grows so rapidly that already in October, 1929, it is more than 30 per cent. higher than in the same month the year before, and for the first time surpasses the 1927 unemployment figure. We will refer later on to the nature of this unemployment and its connection with rationalisation. Here we are using these figures merely to illustrate the coming economic crisis. It is at any rate significant that in the first half of 1929 unemployment was more widespread than in the first half of 1928, although the level of production was much higher. This can be explained by energetic rationalisation.

In explaining the oncoming crisis of Czecho-Slovak capitalism we must, above all, allude to one factor which has considerable weight. The financial balance of Czecho-Slovakia in 1929 became much worse. Already, in 1927 and 1928, the active trade balance decreased owing to large investments abroad: the imports of raw materials increased to a greater extent than the imports of manufactured goods. Nevertheless, the active balance of trade in the 1928 financial balance amounted to nearly two milliard kronas. As the current items of the 1928 financial balance were for the first time regularised, the residue was utilised for recouping Czecho-Slovak bonds abroad and for exporting capital. The export of capital is of great importance for Czecho-Slovakia, as it assures big sales of goods abroad. As a result of the decrease in exports and simul-

taneous increase in imports, however, the Czecho-Slovak trade balance for the first eleven months of 1929 is active only to the extent of 188 million kronas, as against 1,783 millions in the first eleven months of 1928. Thus, it is precisely at the present moment, when the Czecho-Slovakian bourgeoisie is particularly in need of capital, that the financial balance does not present any such possibilities. As the end of the year has shown, Czecho-Slovakia was, on the contrary, compelled to have resort to foreign credits. The whole of this trend of development by no means helps to solve the economic crisis, but, on the contrary, accentuates it.

The new economic crisis greatly increases the pressure of finance capital on the working class, the small farmers, and on the toiling population in general. What dimensions rationalisation has already reached is seen from the fact that at the present time, when industrial production approximately still remains the same as last year, the number of unemployed has already increased by 30 per cent. Already in October, 1929, the total consumption of coal was 2.6 million tons, and in October, 1928, less than 2.5 million tons. In spite of this unemployment in the coal industry was 20 per cent. more than the same month of the previous year. The ruthless nature of rationalisation is also seen from the fact that in October, 1929, the number of hours overtime worked was 1,948,000, almost 100,000 in excess of the figure for October, 1928. The army of unemployed growing up as a result of rationalisation and the economic crisis can therefore be regarded as the main nucleus of a permanent and widespread industrial reserve army. At the present time it is mainly the unskilled workers who are afflicted with unemployment. Also, to a large extent the unorganised workers who are contemptibly treated by the Czech Social-Fascists (including the campaign of Haïs), after the fashion of the Berlin *Vorwärts*, as lumpen-proletarians and as people harmful to the working class. They are furthermore doomed to extreme penury as a result of the Gent system, whereby only organised workers with a record of long and continuous work receive unemployment benefit. The bourgeoisie have already brought about a reduction in wages

in two branches of industry particularly heavily struck by the crisis: in the textile industry (stocking production) by 10 per cent., and in the agricultural industry by 10 per cent. As a result of this, a partial strike broke out in the stocking industry. Financial capital has also succeeded in preventing the toiling population even from getting cheap bread, as a result of the reduced grain prices. The retail prices of food products remain just as dear as before. This is clearly seen from the following example. Whereas the index of wholesale prices on food products fell, during the period October, 1928-October, 1929, from 929 to 813, the State index of the living minimum for a worker's family fell a "whole" six points, viz., from 740 to 734. By the same method, finance capital has another way of taking "grants" from the workers—and consumers—with the aid of speculative prices. The effects of the final regulation of the reparations question at the Hague Conference will be in the same direction as the economic crisis. The Czecho-Slovak reparations, of course, should in no way be compared with the German, as the yearly annuities will amount to twelve million marks. But even this sum will have to be pumped out of the toiling population.

The disastrous position of the working class in 1929 has not yet found adequate reflection in the big economic encounter that might have been expected. Social-Democracy has evolved completely towards Social-Fascism. In practice they have absolutely renounced the strike weapon and are resorting to armed black-legging. The Red trade unions and Communist Party are now the only organisations leading the working class to the struggle. But they have as yet proved to be too weak, even considering the position confronting the working class, in their will to struggle, to measure and to direct their fights. The strike of textile-workers in Northern Bohemia, of farm labourers in Slovakia, and of miners in North-west Bohemia, are the only big strikes carried through by the Red unions and Communist Party. This explains why there were only 619,000 days lost as a result of strikes in the first ten months of 1929, as against 1,765,000 for the same period of the year before.

The bourgeoisie naturally endeavours to

solve this crisis at the expense of the toiling population. So far a programme has been worked out in detail only in respect of the agrarian crisis. It was put forward at the Conference of Agricultural Councils at the beginning of December. The broad outlines of the programme are that agrarian capital demands very high protective tariffs and to strengthen its position to the degree of monopolistic domination. The chief speaker at this conference, Dr. Tsadin, put forward the following three main tasks: (1) stabilisation of prices on agricultural products at a level corresponding to the cost of production, in order thus to safeguard the rentability of the country's agriculture; (2) extension and reinforcement of the trading organisations in all the main branches of agriculture; (3) to improve and assure the quality of agricultural produce, as good quality alone assured good prices and adequately high exports. That is the general programme. With regard to the detailed demands of agrarian capital, we may note the following: instead of autonomous duties on grain, duties per contract, and this means they will be doubled. Regarding the duties on cattle, they demand that they be assessed not per head, but per weight. The duty per kilogramme of liveweight to be three kronas on pigs and two kronas on cattle. This means almost three times as much. In addition, the trading tax on imports is also to be exacted. The agrarian capitalists also demand restriction of imports and the establishment of a system of special permits. With the aid of the State, an import syndicate is to be formed with whose financial assistance the network of trading organisations is to be extended. In the still more distant future, agrarian capital, in full agreement with the Social-Fascists, will demand a grain monopoly. In order to get a stronger hold on the small farmers, the agrarian capitalists find standardisation necessary. In particular, they need to extend the companies that work up agricultural products, and for this object the State should assign 50 million kronas annually. This programme for solving the agrarian crisis may be summed up as follows: It is a programme of finance capital, which, under the shelter of tariff barriers, would assure the increased exploitation of the consumers and

finally entrap the small farmers in the pit of agrarian capitalism, by extending the network of syndicates, trading organisations and societies. In practice, they have only succeeded in carrying out one measure whereby millers are compelled to grind in their mills 60 per cent. of Czecho-Slovak wheat and 40 per cent. of foreign, which should raise the sales of home wheat. The second project, which should be enacted by law in the near future, and which is characteristic of the whole system of future measures, is the formation of a credit fund, to which, so far, more than ten million kronas are to be assigned. This sum is to be covered partially by raising the prices on artificial fertiliser, and partly by a State grant. The Board administering this fund has to follow the position on the food market, so that in a period of increased supplies it can invite the co-operative unions, in which agrarian capital dominates, to make purchases and thus influence prices. The losses that might then ensue in selling would be met from this fund. One need hardly point out that such measures can exclusively serve the interests of agrarian capital, since not a single small farmer will sell his wheat at the produce exchanges. It is highly typical that the Social-Fascists, who in Czecho-Slovakia are the most important political agents of finance capital, are trying zealously to carry out just those measures (above all, the grain monopoly) which will directly strengthen agrarian capitalism.

As far as a solution of the industrial crisis is concerned, the predatory plan of finance capital is not yet worked out in such detail. Here the main demands concern exemptions in the sphere of export duties and the creation of a unified Customs tariff, in the framework of which duties should be increased, above all, on chemical products and machinery. A very important component part of this thieving plan of finance capital is the State-capitalistic concentration of the banks, currency institutions and co-operatives and their combination into a State-credit consultative organ on questions of money circulation. The main blow is to be dealt, of course, directly against the working class by means of the Social-Fascist policy of industrial peace, by means of increased rationalisation and decreased wages.

In this direction there is a project for a law on compulsory collective agreements, compulsory arbitration, the creation of industrial courts and so forth. Simultaneously, a new raid on workers' pockets will be organised by means of introducing insurance of unemployed at the expense of the proletariat and the raising of prices on beer and sugar is already definitely mentioned.

The carrying through of the whole of this robbers' plan of Czecho-Slovak finance capital will naturally encounter the strongest resistance on the part of large numbers of the proletariat and broad masses of the petty peasantry. The economic crisis and the serious shock suffered by capitalist stabilisation in general is therefore causing the Czecho-Slovak bourgeoisie to think of the desirability of summoning to power the Social-Fascists, and even—either in form or in fact—of placing them at the head of the Government. The Government statement by the Prime Minister, Udval, of December 13, 1929, declares, almost at the very beginning:

“The Government which I head hopes to solve big problems—particularly the economic problems closely connected with the present condition of world economy, which is characterised by a number of serious crises. For it is precisely the important economic anxieties of the present day that have this time united the representatives of different groups of the population and consolidated them into a coalition the most important task of which is to prevent a further extension of the crisis and to correct the transgressions resulting from the present difficult situation.”

This idea is expressed still more closely by the official organ of the Government, the “Czecho-Slovenska Republica,” in the leading article of December 25:—

“The Governmental majority has also fortified itself inwardly for the burden of responsibility, for it represents all sections of the nation, as a whole. If these sections, differing as they do from one another, will oppose one another in the solution of these problems, they will become still more difficult than they are now.”

To what extent the undermining of capitalist stabilisation has resulted in the Social-Fascists being drawn into the Government

is seen from the following quotation from a leading article in the "Prager Presse" on the question of the Government programme (December 15, 1929):—

"The economic fights of modern times differ from those of the pre-war period, in that everything now appears on the map: both the State and the separate branches of industry every time conduct an out-and-out struggle for their very existence. Therefore, in practice the relations between the employers and the workers have now become much closer, for both sides, in defending their own existence, have to proceed together for a good part of the way. That is why the inflammatory tactics of the Communists now seem so out-of-date."

Collaboration of the bourgeoisie and the Social-Fascists, in order to defend the declining stabilisation of capitalism from the onslaughts of the proletariat and the poorer peasantry under the leadership of the Communist Party—and to defend it by every

kind of harsh exploitation and Fascist terror—such is the meaning of the new Government. The "Prager Presse," in the following classic words, formulates the political platform advanced by this new Government of Fascism and Social-Fascism:—

"As you see, the meaning of 'democracy' is beginning to be understood as freedom for those lovers of order who are prepared to persecute false liberty, anarchy, and disrespect for laws."

In full accordance with its inner nature, Social-Fascism, under the banner of a fight for democracy, is organising the Fascist oppression of the proletariat. But even Social-Fascism cannot stop the oncoming revolutionary battles, which will not leave a stone of capitalist stabilisation unturned if the Communist Party rises to its tasks. Tempered by further Bolshevisation, it will oppose the capitalist "solution" of the economic and political crisis in Czecho-Slovakia, with its own solution—the fight for the proletarian dictatorship.

## Examining the Work of Party Organisations

**T**HE Political Secretariat of the E.C.C.I. has issued a decision on the examination of the work of Party organisations. This decision, the text of which we publish below, is of great importance to all Comintern sections.

During the last few months the question of a Party cleansing has been brought up spontaneously in a number of Communist Parties (both legal and illegal). There are two factors, in the main, causing this question to be raised.

(1) The greatly accentuated fight with opportunist elements in the Communist Parties. The increasingly open and malicious sabotage of the most important Party decisions by right wing elements, their black-legging conduct during strikes, etc., has confronted the parties very keenly with the problem of ridding themselves of this harmful ballast as quickly as possible.

(2) The Party cleansing now proceeding in

the C.P.S.U. has suggested the answer as to how to get rid of opportunist ballast. For this reason concrete proposals have, as a rule, mainly corresponded to the methods of cleansing used in the C.P.S.U. It is true, the C.C. of the C.P. of Czecho-Slovakia and the C.C. of the C.P. of France objected that they considered it incorrect to introduce into the Communist Parties in capitalist countries the methods of Party cleansing used in the C.P.S.U. But what is the use of such objections if, immediately after they were made, and supported with justifiable evidence, it is concretely proposed: (1) To form special commissions for the Party cleansing; (2) to carry out the cleansing in the form of a single individual test of all Party members. In that case what difference is there from the cleansing in the C.P.S.U.?

The leading officials of one illegal Communist Party went so far as to conceive the idea of disbanding the entire Party, in order

better to clean it, and then, in recruiting new Party members, to take all measures for assuring that opportunists, and hostile elements in general, did not penetrate into the Party. The Central Committee of the C.P. of Germany put forward the proposal to carry out, not a cleansing, but an examination, of Party organisations and individual Party members from the standpoint of strengthening and developing the mass work of the Party. In principle this was an absolutely correct proposal, but in putting it into concrete form the following three errors were committed: (1) The C.P. of Germany proposed conducting the examination by means of special commissions; (2) the main form of examination proposed is to examine questionnaires on the condition of the lower Party organisations and on the distribution of the time of individual Party members; (3) the entire examination is projected in the form of a single and very brief campaign.

The Political Secretariat has rejected the general proposal for a cleansing in the Communist Parties of capitalist countries, considering that this proposal, "under present conditions means mechanically transferring the experience of the C.P.S.U., which is neither justified by the present position in the Communist Parties of the capitalist countries nor by their immediate prospects of development."

The Communist Parties in the capitalist countries are now encountering the increasing onslaughts of the ruling classes, who are using their entire arsenal of threats and violence in order to wipe out the abhorrent Communists, especially the factory nuclei. This situation creates the chief guarantee that these parties will effect a rapid self-cleansing of all yellow elements. The revolutionary line now being carried out by the Communist Parties for the development of the activity of the masses, for leading the masses into the struggle, for turning partial economic fights into mass political movements leading to the direct struggle for power (decisions of the Tenth Plenum E.C.C.I.) creates a guarantee against penetration into the Party ranks by parliamentary place-seekers. At the same time, it is a guarantee that the Parties conduct a self-cleansing of such

elements, where they exist. (There are already many examples of this self-cleansing, particularly eloquent in France).

There remains the question of spies, provocateurs, concealed social-democrats, and similar hostile agents, of whom there are, of course, no few in the ranks. Here it should be borne in mind that the ruling classes, jointly with the social-Fascists, will stop at no baseness or openly criminal act in order to increase their provocative and disorganising work inside our ranks. This is a very serious problem, to which, unfortunately, all parties have given little attention until quite recently. They should now take up this question very seriously and without further delay. Many years of international experience in combating provocateurs in the working-class movement shows that this problem cannot be solved by a single individual verification (let alone by replies to questionnaires!).

Thus, in the campaign for cleansing the ranks of all opportunist, cowardly, and other undesirable or dangerous elements, the main problem now arising is the following: the Parties must organise a very serious, thoroughly business-like examination, without regard to personalities, as to what extent the new revolutionary line is being carried out in practice. If this revolutionary line is really carried out, its practical realisation will at the same time constitute the work of cleansing the Communist Parties of all opportunistic and other rubbish. And vice versa: if the revolutionary line is not carried out in practice, if in practice a more or less consistently opportunist line be carried out (or Trotskyist fashion, with "Left" deviations), no special commissions whatsoever will be able to mark out those elements which should now be cleared out of the Communist Parties. The central question is to assure the carrying out of the new line, the line of the Sixth Congress and the Tenth Plenum of the E.C.C.I. The various resolutions on this new line have been passed and sent out, as also have been the commentaries on these resolutions. But it is necessary to know how these resolutions are being carried out in practice, what has to be undertaken to remove the obstacles to their operation, and how, in general, to speed up their application. This is the question of

cleansing referred to in the letter of the Political Secretariat published below, and which should be to the fore in the practical everyday work of all Communist Parties in the immediate future.

It stands to reason that in each country the examination should have its own specific forms: the examination cannot be carried on in, say, England, with its very weak Party working under conditions of legality, in the same way as in Poland, where the Party works in extremely drastic underground conditions. But while all these varieties in the concrete forms of examination exist, the following most important factors in this work should be common to all Communist Parties: (1) The examination must on no account be in questionnaire or documentary form; (2) the most important task of the examination is to carry it out in the form of widespread self-criticism of the Party organisation drawing all Party members and also non-party sympathetic workers into this activity (in so far as police conditions permit; hence, as widely as possible in the legal parties). Here it should be remembered that in the process of the big strikes of recent times, non-Party workers and rank-and-file members have very often displayed greater comprehension of the new line and more determination to enforce it than many Party functionaries. At the same time the examination should be carried out as a method of Party training and of raising the political level of Party members; (3) the examination should be carried out by the Party committees, which, for this purpose,

should send out representatives or instructors, or, where necessary, summon meetings and conferences having definite concrete objects; (4) the chief sphere of the campaign should be the examination of the work of the local (and District) Party committees to test their ability to organise work in the factories and develop the fight against Social-Fascism and Fascism; (5) examination of the work of Party committees should be undertaken primarily in the sense of testing their work as Party organisations. Only in the course of this examination should the question be broached as to the replacement of incompetent or useless elements by new forces. The question of individual examination of rank-and-file Party members can only be considered as an exclusive approach to such Party members as may have, during the process of examination of the work of the organisation, revealed themselves as being, for some reason or other, unworthy of the high calling of a Communist; (6) in conclusion, the examination should on no account be the instantaneous act of conducting a campaign. The examination should at all costs be based on the most determined and persistent work in order to ensure, without fail (i) that strong factory nuclei be formed in the biggest factories, these being the most important sectors in the class struggle; and (ii) that on these important sectors a turning point be made in regard to the future recruiting of advanced proletarian elements into the Party.

## Letter from the Political Secretariat of the E.C.C.I. on the Examination of the Work of Party Organisations

(Adopted 30th December, 1929)

Dear Comrades,

In the ranks of the Communist Parties of capitalist countries the question of carrying through a cleansing, similar to that of the C.P.S.U., and according to the 21 conditions

accepted by the Comintern, has been very sharply raised recently.

The Political Secretariat of the E.C.C.I. considers that paragraph 13 of the 21 conditions of the Communist International, which

demands that all Communist Parties should periodically purge their ranks, is still fully in force. However, the Political Secretariat considers it incorrect to put forward this cleansing at the present moment as applicable to all Communist Parties of capitalist countries. The Political Secretariat of the E.C.C.I. considers that the proposal to purge the Communist Parties in capitalist countries is, under the conditions at present in force, a mechanical transference of the experience of the C.P.S.U., which is not justified by the present situation of these Parties, nor of the immediate perspectives of their development. It is true that they have before them just now the question of cleansing their ranks of opportunist and other non-Communist elements, but this question is quite different from the question as it existed in the C.P.S.U.

Consequent upon capitalist rationalisation, which brings into the factory—and consequently into the class struggle—new and numerous strata of the proletariat, under the conditions of the rising revolutionary wave, there is going on within the working class a considerable movement. Some strata and separate groups of the proletariat who, in the past, were the advance guard of the class struggle, have taken a lower place, and their position has been taken by others who not long ago formed the rear guard, the politically backward section of the proletariat. Thus for instance, in a number of big economic strikes which have recently taken place, the greatest initiative, stubbornness in the struggle, and readiness to sacrifice were shown by unorganised workers, i.e., those who were once considered (and are still considered by Social-Democrats and bureaucrats of reformist trade unions) to be the backward or even the reactionary part of the proletariat. Such a regrouping of forces within the proletariat was bound to affect the position inside the Communist Party, which is an inseparable part of the proletariat.

The passing of the leaders of the Social-Democratic party and of the reformist trade unions into a position of Social-Fascism, the sharpening of the proletarian class struggle with the bourgeoisie, has greatly hastened (and is still hastening) the process of clarification and regrouping inside the working class

and inside the Communist Party. Within the Communist Party this process of internal regrouping most clearly shows its character at the present moment by the cleansing of Right opportunist elements.

The experience of all Communist Parties in capitalist countries shows that it would be altogether wrong to think that Right-wingers, who cannot be left within the ranks of the Communist International, are only to be found amongst the leadership.

In the Communist Parties of Germany, France, and particularly Czecho-Slovakia, during the recent big strikes, there were to be found in factory nuclei rank and file members of the Party who actively opposed the carrying into practice of the decisions of the Fourth Congress of the Profintern, the Sixth Congress of the Communist International and the Tenth Plenum of the E.C.C.I., thus helping objectively, and in some cases subjectively (Czecho-Slovakia), the breaking of the strikes by the Social-Fascists and the owners.

More often, to a certain extent, it is even a mass expression of opportunism in practice, it is the passiveness of members of the Party. The Communist Parties of all capitalist countries suffer seriously from this disease. The most widespread and the most serious form of this disease is again to be found in the Communist Party of Czecho-Slovakia. Investigation of some of the organisations of the Communist Party of Czecho-Slovakia showed that even at Party sessions, which had been called to discuss some urgent fighting question, only a small part of the organisation appeared at the meeting, that many rank and file organisations of the Party are in general extraordinarily passive, and that those members of the Party who come to general meetings of the Party or to meetings of factory nuclei, do not show the slightest activity. The organisation department of the E.C.C.I. possesses material from reports as to the organisational situation in the Communist Party of Czecho-Slovakia for the second half of 1929 which show that in some factory nuclei, in all districts, the attendance at meetings has not been more than 10 per cent.

From these examples it becomes quite plain that in the course of the sharpening of the class struggle, there have been removed (and

in the future must be removed) from the Communist movement not only a few leaders who have been infected with Social-Democratic traditions, together with their immediate assistants from the middle or lower ranks of active members, but a certain part of the rank and file members of the Party, including those who, while remaining sympathisers of the Comintern, for some reason or other cannot stand the fiercer class struggle which has commenced, and who have remained passive in the face of the necessity for wider, more active and more difficult work which is demanded now from every member of the Communist Party. It is inevitable that the first to come into sharper conflict with the new line of the Communist Party are the officials with opportunist ideas, whose direct task is to carry out the new line. The rank and file members of the C.P. who have not such direct contact may leave the Party without violent conflicts, and this takes place in practice. Simultaneously with the departure from the Communist movement of various leaders and a portion of the rank and file, there is now going on an opposite process—the attraction to the revolutionary struggle, with the Communist Party at its head, of a considerable number of non-Party workers who are still formally outside our ranks. Thus, for instance, the C.C. of the C.P.F. informs us that during the parliamentary elections of 1928, when the Party's election campaign was for the first time carried on under the slogan of the most decisive struggle against the united force of the bourgeoisie, the police and the Socialists, in spite of increased police repression the most active part in the campaign was taken (on their own initiative) by 300,000 non-Party workers. Owing to the poor work of the Communist Party (especially organisational work) the attraction into the ranks of the Communist Party of this considerable and ever-growing number of non-Party workers who are moving into the foremost positions of the class struggle, is going on very unsatisfactorily. (We find as mass defects the inability to get into personal contact with these workers, bureaucratic delay in considering applications to join the Party, direct sabotage by the Right opportunist elements in the Party committees,

etc.). As a result of this we find the following abnormal phenomena: (1) the number of Communist Party members is not increasing, but in many Parties (England, Czecho-Slovakia) there is a continuous decrease of numbers. In place of excluded members and opportunists or of Fascist members there is not an inflow of new revolutionary elements who have already been in the foremost positions of the class struggle. (2) In a number of cases we observe the following (St. Etienne in France, and Aussig in Czecho-Slovakia during the coal strike of 1929): the organisers and leaders of the strike were non-Party, while the local Party organisation played a passive rôle or even hindered the development of revolutionary activity by the proletarian mass.

A general cleansing of the ranks of the Communist Parties of capitalist countries is not required at present for the following additional reason. The conditions of the Communist struggle of the proletariat, which are difficult even now, will become in the future even more difficult, and this in itself will be a fundamental guarantee against the entrance into the Party of careerists and place-hunters. This does not mean, of course, that a few careerists and place-hunters will not be found in Communist Parties. It will be necessary to discover them, and free the Communist advance guard from their presence, no matter who they are. The fundamental masses of rank and file members who are leaving the Party consist of: (1) good revolutionary proletarians, who leave the Party because the lower local organisation, of which they are members, works badly, and they do not find in it a means of giving vent to their revolutionary energy. (2) Proletarians who honestly sympathise with the Communist Party, but for various reasons are unable to make the sacrifices demanded from members of the Communist Party under the present conditions of sharpened class struggles.

As regards the first group—the basic problem consists of helping them to improve the work of that Party organisation. As for the second group—we must look to it that, on leaving the ranks of the C.P., they are not thrust into the camp of the enemies of Com-

munism, but remain near the C.P. as sympathisers, more or less actively working in various mass organisations hand in hand with the Communist fractions of these organisations. This work should be done in conjunction with the work of examining the activity of the Party organisations as a whole, and their reorganisation on the factory basis in conformity with the demands of the Tenth Plenum of the E.C.C.I.

In this way the question can be put thus: *not individual cleansing* of Party members by special commissions, but the setting up of *systematic and all-round criticism, which will be a guarantee of a useful examination of the whole of the work of the Party*, as to how far the structure of Party organisations and methods of Party work correspond to the demands made by the Tenth Plenum of the E.C.C.I., how the revolutionary activity of the masses is set in motion, and how this struggle against Social-Fascism is sharpened. Only *in the course of* this investigation, and on the basis of attracting the mass of Party members and non-Party sympathisers to the principal of self-criticism, should the question of personal examination be raised. In the first place leaders of Party organisations would be examined, the question would be raised of changing such leaders by nominating others in their place, or of excluding them from the Party if it should be proved that they are foreign or harmful elements in the Party. (In these cases special attention must be paid to the exposure of police agents and provocateurs).

Among the immediate concrete problems of examination we may note the following:

(1) The examination must be carried out: (a) by Party committees in the form of closest and strictest control and instruction by higher Party organs (by lengthy visits of the members of the committee, the sending of representatives of the committee and instructors, etc.). For carrying out special concrete tasks in examination, the Party committee may create special temporary commissions which must include Party workers from the factory, who will thus be trained in the work of Party leadership. (b) By the lower Party organisations—by meetings of factory and street nuclei, general meetings and

delegate meetings, which must systematically consider all the most important problems of Party work including the activity of the leading organs of the Party, how far they have fulfilled the directions of the C.I. and the Party Congress. On such factory or general delegate meetings, sympathising non-Party workers should be attracted, as far as police conditions allow.

2. The examination must be carried out along the lines of correcting the application and carrying out of the instructions of the Sixth Congress of the C.I. and the Tenth Plenum of the E.C.C.I., especially with regard to the questions of setting in motion the revolutionary activity of the masses, and in this way solving the central questions of the moment—the winning of the majority of the working class, the strengthening of the struggle against Social-Fascism. In practice examination must go in the following four chief directions:

(a) The most important problem is the examination of the structure and the working of various Party organisations, and especially with regard to their preparedness and suitability to concentrate the power and the resources of the Party for winning over big enterprises in the most important branches of industry to the struggle against Social-Fascism. There must be a specially careful examination of those organisations, the members of which, in the mass, fail to take part in political campaigns conducted by the Party, and also which do not take part in such mass actions of the working class as strikes, demonstrations, etc., and in general do not carry out the instructions of the leading Party organs.

Finally, the greatest attention in this matter must be paid to those Party organisations which, in their leadership, were in the rear of mass revolutionary actions of the proletariat, and where such actions were prepared and carried through by active non-Party workers (Aussig, Czecho-Slovakia). At meetings of the nucleus and at delegate meetings, in addition to sharply raising the question of the persons responsible for upsetting the instructions of the leading organs of the Party and of the possibility of such persons being retained in the leadership or even

as members of the Party, it will be absolutely necessary to raise the question of bringing into the Party non-Party activists who have taken part in the preparation and the leadership of struggles, for these, although formally non-Party, are in fact already Communists, better than those who sabotage the fighting instructions of the Party leadership. Non-Party activists who joined the Party should be unhesitatingly promoted to work in the Party leadership. Without waiting for them to join the Party formally, the organs of the revolutionary trade unions and the union opposition in reformist unions should be strengthened by such fighting elements.

(b) Examine the leaders of the Party (first of all members of the bureau and secretaries of Party committees and leaders of mass non-Party organisations) as to how far they are in contact with factories, how they organise the work in the factories and how far they develop and lead the mass actions of the workers (strikes, demonstrations). First of all the proposal to renew the leaders must be related to the fight against the opportunist elements in the Party.

The renewal of the leadership of the Communist Party must not in any case be carried through by mechanically changing one for another. Renewal must take place on the basis of wide self-criticism, as a rule in the form of carrying out various points of the rules of the Party, which give the Party organisation the right to make a full or partial change in the leadership which does not carry out the Party line, at any time.

(c) To widen the leadership of the Party by discovering during the examination new activists, and promoting them to the work of leadership, if they answer to the following requirements: (i) Party discipline and firmness in carrying out the line of the Tenth Plenum of the E.C.C.I. (ii) Contact with the basic masses (slightly skilled and unskilled) of the workers in the big factories. (iii) The ability to carry on Party work in big factories, tested in practice. (iv) The ability, tested in practice, to prepare and lead the actions of the

working class (strikes, demonstrations). (v) The ability to carry on the struggle with Social-Democrats, and to win over from them Social-Democratic workers.

(d) Renew this leadership by putting fresh Party leaders in place of those who have been shown to be opportunists, have no contact with factories, and are unable to organise mass Party work in the factories.

(e) To see to it that in all Party organisations there is carried on tireless and energetic recruiting work on the following basis:

(i) The centre of gravity of recruiting work must be in factories.

(ii) Recruiting work must be the duty of every member of the Party; every member of the Party working in a factory must carry on every day recruiting work amongst the workers in his department.

(iii) First of all recruiting work must concentrate on winning over the leaders of the working masses in the factory.

(iv) As a general rule recruiting must be carried on most of all amongst the semi-skilled and unskilled workers who form the chief mass of workers of modern big firms.

(v) Recruiting must be carried on on the basis of attracting sympathising workers into the everyday work of the Party in such matters as distributing in the works slogans and Party directives, the preparation and leadership of mass action by the workers, the struggle with Social-Fascists and Fascists.

The leading organs of the Party must carefully prepare and commence the examination of the most important organisations in important industrial districts. In these organisations (in large factories, railroad centres, ports, etc.), they must first of all commence with those who are preparing a class fight of the proletariat or where such a fight is going on already (strikes, etc.), and must concentrate for this purpose the best strength of the Party, and must use the experience of these organisations for the whole Party.

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