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Politico-Economic Survey for July 1922 The Hague and London Conferences

By E. Varga.

General Section.

(Terminated August 16, 1922.)

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The General Economic Situation

We may register three important economic events for July 1922:

1. The American coal and railroad strikes,
2. The catastrophic fall of the German mark,
3. The results of this year's crops.

The American strikes had a depressing effect on the general economic situation, because they hindered the further improvement of the economic situation in the States. The fall of the mark and the resultant fall of most of the neighboring valutas, together with the crop which is generally poor in Europe, though satisfactory in other countries, will further throw the balance of economic power against Europe.

American Strikes and their Economic Effects on the Rest of the World

The development of the American coal crisis was a blow to the hopes of the capitalists. At the beginning of the strike it was calculated that the coal on hand and the operation of the non-union mines would suffice to force the striking miners into submission before the American industry would feel any too seriously the effect of the strike. These hopes were shattered; the coal production during the strike period fell far below expectations. The figures of the *Federal Reserve Bulletin* show that the anthracite production during the strike was less than $\frac{1}{2}$ % of the normal output, and that of the soft coal under 50% of normal. The expected, voluntary, individual return of the strikers to the mines has not yet taken place after four months of struggle.

In round numbers the coal production of the United States is as follows:

	in million tons	
	in March	during the strike
Anthracite coal	8.8	—
Soft coal	50	about 20. per month
Total	58.8	

Even if the March figures are above the normal, due to the preparations for the expected strike, the fall in production is nevertheless 35 million tons per month.

The effects of the strike on the economic life of the United States are now being fully felt. In June already, in spite of good business conditions, the production of steel and iron had fallen below that of May, and the number of unfilled orders of the steel trust increased considerably. During July a great many blast furnaces were shut down; the data for the July production have not yet been received here. The price of coal is rising rapidly; the shortage has become so great that the Government has been forced to appoint Mr. Hoover as coal dictator to regulate the distribution of coal and prevent profiteering.

This situation has been rendered more acute by the railroad strike which made the practical distribution of coal much more difficult.

Economic Situation.

While the coal and railroad strikes have dealt a serious blow to the economic life of America, they have been a godsend to the Western European countries. The Americans were forced to make large coal purchases in England. They did this so skillfully and so secretly at first, that, as an English trade journal remarks, they were able to purchase 700,000 tons at the old low prices before the English realized it. But all purchases since then have been quite open. The result has been a decided improvement of the English coal business and a rise in price of English coal, especially since many countries which depend upon the United States for their coal, such as Canada and the South American States, were forced to purchase English coal. Germany too, is dependent upon English coal. The result is a prosperous state of business for the English coal industry. For France the result has been to diminish the danger of English competition in that field. The shipments of coal to America have also improved conditions in the shipping industry.

Although the English coal shipments are entirely insufficient to cover the fall of the American production (the total coal production of England covers only about one half the shortage in the United States), these shipments, which accord-

ing to the *Economist* of August 5th, 1922, reached 1,250,000 tons, nevertheless weakened the position of the American strikers. International solidarity demanded of the English miners, long-shoremen and seamen that they refuse to produce, load or ship strike-breaking coal. The South Wales miners actually proposed this.

This draws our attention to the South Wales miners. After the last coal strike which was lost due to the betrayal of the leaders, wages nowhere fell so low as in South Wales. According to the figures of Frank Hodges, Secretary of the Miner's Union, figures which the capitalist press, *The Economist* of August 5th, for instance, does not deny, the wages of the miners in that district are only 20% above those of pre-war times, whereas the cost of living has gone up 80%; this means that the present living standard of these workers is much below the pre-war standard.

It should be noted that it was these same South Wales miners who voted for adhesion to the Red International of Labor Unions at the last Miner's Congress in England. The union bureaucracy refused to recognize this international solidarity of the workers.

The International Congress of the miners' leaders in Frankfurt rejected the proposal to cease blackleg work, and granted the American strikers the charitable sum of £10,000 which amounts to 40,000 dollars or 6 cents per head for each of the 600,000 striking miners

The coal strike seems to have ended recently with the victory of the workers. News are contradictory. But in whichever way the strike ends, the fact remains, that it has retarded the economic development in the only economic section of the world where in improvement could be noted during the first six months of this year.

The Catastrophe of the German Mark.

The second important economic event of July was the catastrophic fall of the mark. While at the end of June the mark was still quoted at 0.27 in New York, it fell to 0.12—0.13 towards the end of July. In the middle of August the quotation was 0.08—0.09. In London the pound stood at 1,50 marks on July 1st, 3280 marks on August 4th, and at 5000 in the middle of August, while the dollar, worth on the average 300 marks, rose to over 800 in July, and stood at 1300 on August 18th.

The depreciation of the mark has effected nearly all other continental currencies.

London quoted for one pound sterling:

	June 1st	July 1st	Aug. 1st	Aug. 15th
Paris	48.8	52.55	54.15	55.93
Rome	85.37	94.—	96.—	98.—
Vienna	48,500.—	82,000.—	220,000.—	248,000.—
Warsaw	17,500.—	20,750.—	28,500.—	32,000.—
Sofia	600.—	660.—	725.—	750.—
Belgrade	310.—	340.—	335.—	365.—

Of the Eastern European countries, only Czecho-Slovakia and Roumania showed a rise of currency; Roumania because of the good crop and the prospect of a large export of grain.

Various reasons, often contradictory, are given for the depreciation of the mark. The German economists and politicians see the reparations as the only, or at least the salient cause; the French accuse the German industrialists and the German Government of a conspiracy and of willful depreciation of the mark with a view of obtaining a moratorium and the revision of the Treaty of Versailles. It is therefore no easy task to determine the real cause of the fall. But a few facts seem to us certain:

The chief cause of the constant tendency to depreciation is not the gold reparation payments, which have been comparatively small up to the present. It seems to us that the drop of the mark which took place with every payment in gold was not so much caused as rather precipitated by the payments. One fact supports our contention: the mark, after each great drop as the time for payment came, always became firmer once the payment had been made. *The true cause of the fall of the mark, in our opinion, lies in the fact that the actual wealth of Germany is continually decreasing.* The causes of this decrease are as follows:

Firstly, the production per head is much smaller in Germany now than before the war. This is due to the undernourishment of the proletariat, and the deterioration of the German productive apparatus. *Kuczynski* writes:

"The wages here constitute such a small portion of the selling price that a substitution of human power by labor-saving devices would be irrational in most cases; no special importance is attributed to the number of workers employed.

(Politico-financial Correspondence No. 26.)

Secondly, to a large extent no actual substitute returns to the country in exchange for goods sold, outside of foreign banknotes which the Germans are continually buying for fear of a further depreciation of the mark. That is to say, Germany is continually giving credits in goods to the rich countries with a high currency.

Thirdly, a considerable part of the export proceeds is invested by the German capitalists in foreign countries where they feel them safer than at home. Together with this we may mention the constant flux of capital out of the country. The profits from the sale of mark notes in foreign countries is insufficient to counterbalance the impoverishment.

This constant pauperization of Germany must necessarily result in the fall of the buying power of its money. All accompanying phenomena, which are often given as causes, are the direct results of this impoverishment; for instance, the adverse trade balance, the gigantic deficit of the state, the constant increase of the paper money in circulation, etc. When such a country, constantly growing poorer, is further burdened with reparation payments,—that is to say, is forced to give up several billion gold marks a year without any returns, it is natural that the depreciation of the money should proceed at a catastrophic rate.

Some facts seem to disprove our theory; the rapid recovery of the German merchant fleet and the growth of a few industries for instance. But we believe these to be simply exceptions to the general condition. Other apparent contradictions of our theory do not hold water. For instance, if it is pointed out that the deposits in the savings banks have grown from 46 billion marks in the first half of 1922 to 53 billions, this is no actual contradiction, for the purchasing power of the saved sums was at least three times as great in the beginning of the year than now. We thus see no real saving, but an actual impoverishment.

It is an interesting fact that in Germany, just as in Russia, in spite of the continual emission of paper, the value of the paper money in circulation, in terms of some international unit, is growing smaller and smaller.

The *Manchester Guardian Commercial* gives the following interesting figures:

	Paper money in circulation in billion marks	Rate of exchange of sterling	Value of the paper money in circulation in billion pounds
End of 1918	32.8	40	820
End of 1919	49.8	180	270
End of 1920	81.—	250	320
End of 1921	122.2	775	158
January 1922	128.6	860	134
February	128.2	975	131
March	139.6	1,425	98
April	149.8	1,250	120
May	161.6	1,250	129
June	178.—	1,600	110
July	190.—	2,500	76

We see then, that the greater the issue of banknotes the lesser the value of the paper money in circulation, and the less real value can the German Government obtain for the money it puts into circulation.

The "tightness" of money is an accompanying phenomenon and has resulted in raising the bank rates of interest from 5 to 6%. *Money shortage* is an ambiguous term. It may mean the shortage of capital goods. This scarcity of *real wealth* manifests itself in a capitalist country by a scarcity of money, and leads to an increase in prices, that is, to money tightness and high interest rates. But a money shortage may also come about because the rise in prices proceeds faster than the issue of new notes. In this case the *tightness* is a lack of money in circulation. At the present time both cases seem to be true for Germany. We should not deduce any better business conditions from the increased rates of interest.

The fall of the mark has affected not only the neighboring, weak-founded countries of Germany but has been felt also in countries with high exchange. *In the United States the fall of the mark has brought about a fall in grain prices:* the market already discounted the future, lower buying power of Germany. We shall speak of the effect of the mark's fall on the world's economy in the following sections.

The World Crops.

We have now a final report of the crops in most countries of the northern hemisphere. In America, Canada as well as U.S.A., the crops have been much better than expected. The wheat crop of the United States is the sixth best, and the corn crop the seventh best ever realized. But the European crops are below those of last year. This is especially the case in Germany, France and Hungary. We give further figures

for the individual countries. Since the grain provision is low, a scarcity of food stuffs on a world scale, especially of wheat, may be expected.

This will further increase the gap between Continental Europe and the overproduction countries. The consumption of wheat which fell from 2 billion bushels before the war, to 1.2 billion bushels in 1917 and then rose to 1.85 in 1921, is expected to fall again this year. The standard of living of the continental proletariat will grow worse, the trade balance will lean some more to America's advantage, and the European currencies will experience a further drop in respect to the dollar.

This situation increases the importance of Russia's return as a supplier of grains and other food stuffs for Europe. The strictly conservative *Professor Hoetzsch* writes in the *Wirtschaftszeitung* of August 4th, 1922: "Western capitalism cannot do without this greatest raw material centre in the world for any length of time." This explains the attitude of the various imperialist powers towards Russia; the foreign policy of the United States, strongly influenced by agricultural interests is more antagonistic to Soviet Russia, than that of the European nations. France, who under normal circumstances can feed herself is Russia's greatest enemy.

The Failure of the Economic Policy.

The absolute failure of all politico-economic measures of the past months supports our claim that capitalism is totally impotent to deal with the present crisis of the capitalist system. We have seen that not only is world capital incapable of carrying out any economic measures on a world scale, but that the various groups of capitalists of the various countries, France, England, and the United States, have such opposite interests, that the governments of the countries cannot pursue a consistent economic policy.

This is evident in England from the contradictory criticisms of the Balfour Note,—to which we shall return later. A comical example was the question of the glove tax in England. The question on hand was rather insignificant; should the cotton gloves imported from Germany be taxed 33% or not. The interests of the English glove and cotton industries were so sharply opposed that the Government dared not take sides pro or con, and the question was left to the Government Party. The tax was voted by a large majority. The same may be observed in the U.S.A. where no unified economic policy has been reached, and the question remains whether the United States should mix in European affairs or not. One of the results of this indecision is that the new American tariff has been debated for months, each point accepted or rejected according to the presence of a majority influence by one capitalist group or another.

Three main international politico-economic events may be noted during the period of our report:

1. *The Hague Conference.*
2. *The Balfour Note.*
3. *The London Conference.*

The Hague Conference.

If we review today the documents of the Hague Conference as published without any journalistic supplement, as in *L'Europe Nouvelle* of July 28th, we get the following general picture:

The representatives of the capitalist countries who met in the Hague to negotiate with Russia were resolved not to grant any of the conditions set up by Russia, namely, the granting of state loans. And since Russia saw no reason why it should agree to the demands of the capitalist powers, (recognition of pre-war debts and return of confiscated property to foreigners, or a corresponding indemnification), without the certainty of compensation in the form of a loan, a successful end was not to be expected. It is not only that the representatives of the capitalist powers would not grant any credits to Russia, but they could not do it. At any rate they could not grant any credits equivalent to the Russian sacrifices, however low we might set them. The only country capable of financing a foreign loan, the United States, had taken no official part in the Conference.

We must further remark here that America no longer seems willing to grant any credits to European countries, or to engineer any financial business in non-American countries. The *Federal Reserve Bulletin* of July 22nd, 1922, declares that the American banks have reduced their foreign operations, closed down some of their foreign branches, and are more and more withdrawing from foreign business on account of the attendant high losses due to foreign currency depreciation.

France was entirely out of the question. Of her recently invested capital, 2.4% went to foreign countries in 1919, 0.22% in 1920 and 0.33% in 1921. The percentage of new English investments in foreign countries is still very low; the English prefer to invest their money at home or in the colonies. Only the smaller European nations could be taken into consideration for a Russian loan, but they could never meet the needs of Russia, even with the best of will.

These are the objective facts. To this we must add the subjective factors. The public opinion of Western Europe, that is, the opinion of the Western European capitalists is decidedly against the granting of credits to Soviet Russia. No European government could venture to give Russia a government loan, nor could it ever expect a Parliament majority on the question. The hopeless state of France's finances is well known. England has been able to balance its budget, but at cost of an immense burden upon the tax-payers. Germany is naturally out of the question. And the chances of procuring a Russian loan on the open market at the present time are practically nil. There is no possibility in Germany and France. The fate of all attempts of capitalist nations with low currencies to procure loans in England show that no Russian loan could be managed in England even at usurious rates of interest. Hence there was not even the basis for an understanding at the Hague.

No conference was necessary to determine this. The Hague Conference was nevertheless held, firstly for political reasons; one did not want to acknowledge the fiasco of Genoa. Secondly, the various groups whose possessions in Russia had been confiscated, wished to use the conference as a means of learning privately the chances for a resumption of trade with Russia.

Since it was known that success was objectively impossible, the Conference was planned in a way to make success impossible in all cases. While it was certain that Russia was willing to grant concessions only on condition that it were to receive credits, the negotiations were conducted by three independent committees: committee on private property, committee on public debts, committee on credits. The resolutions of the three committees moved in a circle.

The First Commission declared that Russia was opposed on principle to any return of confiscated property, and would offer no guarantees that the confiscated property would be returned to its original owners on a generally acceptable basis, as lease or concession. It declared further, that any obligations assumed by Russia to pay compensation for the confiscated property had no value so long as the Soviets refused to recognize the debts of former governments. Finally, Soviet Russia was reproached that only a small part of the confiscated property was found on the list of concessions to be let out to their former owners:

The Second Commission, that on public debts, repeated in general the objections of the first. All the proposals of the Russian delegation were rejected.

"We demand, first of all, the recognition of the debts as well as the restoration of private property in the form of *return or effective compensation* Our demands in this respect are dictated not only by the wish to protect the interests of the foreigners, guaranteed by international law, but by the necessity to prove, in the interest of the credit of all other states, that the validity of a government's signature is not subject to political changes." (From the resolution of the Second Commission.)

The Credit Committee insists in its resolution that there could be no question of direct governmental credit, but of lending help to private capital seeking credits. As a prerequisite to any such private loans, the private property of foreigners would have to be returned and guaranteed.

"The declarations of the Russian delegation at the meeting of the Committees for Private Property and Credit make any further discussion in the Credit Committee totally unnecessary. The declaration of Litvinov and Krassin before the committee for private property have compelled the Committee to interrupt its work."

A reading of the documents convinces us that the impossibility for any agreement came from a conflict between the Communist and the Capitalist economic and legal systems. The conditions which were put to Russia at the Hague Conference may be expressed as follows: Restore capitalism all along the line, return the confiscated property to its former owners, recognize all debts and obligations dating back to the Czarist regime, give us sufficient guarantees for the fulfillment of these promises in the future; we will then be ready, *not to grant credits to the Russian Government, but to resume the exploitation of the Russian proletariat*, under the same conditions as those existing in conquered colonies.

This is the impression we gather from the documents which represent the general view of Western European capitalism. The Hague also witnessed side-conflicts and separate negotiations of certain groups of interests seeking concessions in Russia.

The failure of these individual attempts at resumption of business was due to the same antagonism among capitalist countries and among influential industrial groups (like the petroleum interests) within the countries, which prevented any consistent economic policy.

The Reparations Problem and the Balfour Note.

While the Hague Conference was still in session, Germany officially notified the Reparations Commission that it could not meet the coming reparation payments, and requested a moratorium. The ensuing breakdown of the mark gave the necessary proof that the German Government was really unable to make any payment, however reduced, to say nothing of those provided by the London Agreement in May 1921. The reparations problem was then again brought to the fore, in all its magnitude, and the conflict of interests among the imperialist powers concentrated around this point.

The regulation of the inter-allied debts had long been brought forth as a solution of the reparations problem. A movement was set on foot in England to help France in her financial straits by remitting her debts to England, if France would in turn agree to a reduction of the German reparations.

Public opinion in England, however, was far from being united on this question. The most powerful industrial group in England, the *Federation of British Industries*, expressed itself decidedly against any one-sided remission of war debts on the part of England. So did the influential *Society for Free Trade*.

The Balfour Note of August 1st 1922, represents this divergence of opinion. In the note was stated that there was due to England:

from Germany	1450 million pounds
from Russia	650 " "
from the Allies	1300 " "

against which England's debt to the United States amounted to no more than 850 million pounds, plus the interest since 1919. The note goes on to say that England is ready to give up that part of its claims above her debts to the United States; further more that the United States had borrowed the sums which were used to finance the other Allies, upon the credit of England.

The note received a very cold reception in America. Public opinion in the States sharply remonstrated against the scarcely concealed pressure contained in the Balfour Note. The Americans declared that there was absolutely no basis for drawing them into this cancellation affair, since they stood only as creditors to the Allies, with absolutely no debts to any of them. They further point out that they had born the whole financial cost of the war, for which they demanded no compensation from the defeated nations. T. Crosby, former Secretary of the U.S. Treasury, declared that England had used the American loans to strengthen her commercial position at the expense of the United States (Nation August 12th.).

The opinion in England was divided. While the Liberals are in favor of a total remission of the Allied debts irrespective of any action the United States might take with regard to the English debt; while the pro-French, conservative press (the extreme Right) favored this same policy and denounced the Balfour Note, the decided majority of English capitalists, the heavy industrialists, seem to approve of it fully. Lloyd George's speech in which he defended the Note in the interests of the English tax-payers, found general approval.

In France, opinion was also divided. The *Temps* reckoned first that England's debt was 17% of her credits. The Balfour Note, then, should be considered as expressing England's willingness to reduce France's debt 17%.

This does not seem to us the meaning of the Balfour Note. There is no question there of a percentage reduction of the claims in ratio to the debts, but of England's desire to collect that portion of its claims necessary to meet her debt to America. This is the true sense of the Balfour Note, and indicates that England intends to press her claims on France. For just as England is the only solvent debtor of America, France remains the most solvent debtor of England, certainly more so than either Germany or Russia. The true interpretation of the Note then, is that a demand is made upon France,—and partly on the poorer Italy—for £850,000,000.

It is quite conceivable that the English statesmen were convinced that the Note would not bring any payment from France in the near future. The Note constitutes then, primarily a political pressure. The English are naturally very little inclined to finance the French armaments (which are largely directed against England) by the remission of the French debt.

Thus the United States exerts pressure upon England, England upon France, France upon Germany. We see here the political and economic differences between France and England on the one side, and England and the United States on the other, which cause the reparations crisis.

The London Conference and the Franco-German Conflict.

The course and failure of the London Conference furnished definite proof that the bourgeoisie is incapable of solving the economic problems which confront it. We assume from our readers a newspaper knowledge of the course of the Conference, and proceed therefore to bring out the nature of this Conference.

These are the basic facts: the past year had proved that Germany could never meet the payments imposed upon her by the London plan (May 1921) which foresaw the amortization and interest payment of 50 billion gold mark bonds, (Series A and B). Interest payment on the 82 billions of Series C bonds, could no longer be brought into question. The allies agreed to reduce the reparation obligations of Germany to 20 billion gold marks.

The past few months have shown that Germany cannot pay even this reduced amount without a resultant total collapse of the mark.

The Bankers' Conference proved further that no international loan would be granted Germany without a radical change of the whole reparations policy, and a considerable reduction of Germany's obligations. This means, at the same time, that France cannot expect in the near future any sum worth speaking of.

The purpose of the London Conference was to reconcile the interests of England, France and Germany. It only proved this task to be beyond the Entente. The obstinacy of Poincaré broke up the Conference.

It seems however, that two tendencies may be noticed in the French policy, between which it is constantly oscillating. On the one side we note the program of the French heavy industry. It demands the occupation of the left shore of the Rhine and of the Ruhr basin to secure the supremacy of French heavy industry by a union of Lotharingian iron ore and Ruhr coal; the separation of the occupied territory from Germany by the erection of a customs wall; the economic subjugation of Germany by means of military sanctions. Its final purpose is to break up Germany's national unity and to degrade Germany to a dependent colony. The development of the water power and of the Rhine canals, the sabotage of reparations in kind, etc., are in accordance with this policy. This is its Napoleonic program:—*France shall become the greatest industrial power on the Continent; Germany is to be destroyed as an independent economic factor.*

The result of this policy would be that Germany would receive no international loan, and France no mentionable reparation payments. France's financial situation would grow worse, and the franc would suffer. The heavy industry is not wholly adverse to this; a low rate of exchange means cheaper labor by a reduction of the real wage of the worker, and thereby an advantage on the world market.

The second tendency, that of state bond holders, the bureaucracy and the peasantry, is primarily concerned with the condition of the government's finances. This section of the population realizes that the stabilization and improvement of the currency, the reduction of governmental, especially military expenses, are possible only by a conciliatory policy towards Germany, since this is the condition of any international loan, and therefore of any considerable reparation payments. A section of the French export industry is also interested in the restoration of Central Europe as a market. This tendency has been growing strong in spite of the inflammatory propaganda of the chauvinistic press.

In July, it still appeared as if Poincaré would adopt this second policy, in spite of his brandishing of swords. His emphasis of the necessity of reparations in kind and the attempt to use German workers for reconstruction work in France tended in that direction. It is also known that Poincaré had prepared a plan for the peaceful settlement of the reparations question in London. The plan never saw the light. We gather what it was from reports in the pro-French English conservative press. England would give up her claims on France (with the assumption that America would follow England's example) and renounce all reparation payments. France, on her part, would reduce a corresponding sum in bonds from her reparation demands, and modify her policy towards Germany to make an international loan possible.

The Balfour Note worked havoc upon this tendency. Overnight, Poincaré returned to the program of the French heavy industry.

The brutal procedure against Germany in the question of liquidation payments (Germany declared herself unable to meet the monthly payment of 2 million pounds resulting from the liquidation of private German and Entente debts from before the war); the ultimatum advancing the payment of the instalment due on the 15th of August to the 5th; the deportation of Germany out of Alsace; the total modification of the London program; the demand for productive securities without which France refused

any moratorium;—these are some of the steps resulting from the adoption of the policy of French heavy industry.

Let us further examine what the annulment of the inter-allied debt, the refusal of which gave France its reason to break up the London Conference, would mean to the various countries.

At the present rate of exchange France owes England £557,000,000 which, at 55 francs=30.6 billion francs; to America 3,351 million dollars, or, at 12 francs=40.2 billion francs. In gold francs this is about 40 billions.

If we consider that France's total debt is 300 billion francs, the annulment of her debt to England would improve France's financial situation by 10%; the annulment of both English and American debts,—by 25%. We see then, the great importance of this question to France.

But on the other hand, we must realize that this annulment would have no effect on the desperate immediate condition of the French budget, in which no provisions are made for an amortization of the war debt, or a payment of interest. Neither can we see how France can be forced to make any payments without bringing about an Anglo-French war. France, then, would obtain practically nothing from the annulment of her debt in the immediate future, although the effect of this action would be very beneficial in the long run.

What does France offer in return? As Keynes and other Englishmen truly remark,—*nothing of any value*. It will annul Belgium's debt of 3 billion francs, which it cannot collect any way, and reduce the German reparation bonds (Series C), by an amount corresponding to her own annulled debt. That is no actual sacrifice, for there is no intelligent man in the world who does not know that the 82 billion gold marks of reparations represented by the C-bonds will never be redeemed by Germany. France thus renounces perfectly valueless notes.

But if England's renunciation to any reparation payments were included in the agreement, as the French desire, France's share would be considerably increased, and she would obtain more money from the reduced reparation payments than from those formerly agreed upon.

From a financial standpoint, England could easily bear the annulment of France's debt. The 5%, let us say, interest payment and amortization of the French debt, which would bring in about £28,000,000 a year, have no significance in the £1,000,000,000 English budget,—a small 3%. It seems then that it is political, not financial, grounds which moved England to retain her claims upon France as a means of possible pressure.

English capital, although it needs pressingly the restoration of the European market, is afraid of the economic strengthening of Germany. It fears a possible economic agreement between French and German capital, in case of a peaceful solution of the reparations problem. Lloyd George's speech in Parliament on the 3rd of August, is characteristic of this tendency.

It is English capital fearing the future competition of Germany that spoke through the mouth of Lloyd George. In England too, we see two antagonistic economic policies; English capital also seems to be unable to conduct a consistent politico-economic policy.

It is hard to give an objective picture of the course of the Conference. The negotiations were conducted in secrecy, and no official report was published. From the contradictory reports of the French, English, and German press we gather the following:—

Poincaré brought forth the program of the French heavy industry: Germany was creating an apparent bankruptcy to escape the payment of reparations. A moratorium, even short-termed, should, therefore, not be granted except against *productive securities*. *Le Temps*, August 12 th).

Poincaré designated these securities as follows:

1. Inter-Allied control of the import and export duties in the occupied territory.
2. Exploitation and eventual purchase of the governmental forests and coal mines in the Ruhr.
3. A 60% participation in the dye industry on the left bank of the Rhine.
4. Erection of a customs frontier on the Rhine; collection of the customs for the Allies, and collection of export duties in the Ruhr.
5. Seizure of 26% of the proceeds of German exports; confiscation of the customs income; control of the Federal Bank, etc.

Poincaré's demands were referred to a committee of experts which rejected every point but the last. It is interesting to read the division of votes, and its basis, as the *Temps* of August 12 th, reports it:

Point 1. Rejected because the expected income therefrom was judged too small.

Point 2. France and Belgium for the exploitation of the mines by the Allies; Italy and Japan demand that the question be referred to the Reparations Commission; England votes against it. Seizure of the forests rejected.

Point 3. Rejected by all experts, except the French.

Point 4. Rejected by all experts, except the French, on the ground that the customs of the Western boundaries of Germany constitute an integral part of Germany's customs income which should not be treated separately; that the erection of a customs line between the occupied territory and the rest of Germany would cause serious trouble in German business; similarly, a customs wall in the Ruhr would have the same consequences.

Point 5. Recognized as possible, but the French demand to create a machinery for direct collection is rejected. So were the other demands of the French.

Of course, we do not know how true this representation of *Le Temps* is*, but it shows clearly what the French wanted:

Separation of the left shore of the Rhine and of the Ruhr Valley from Germany; appropriation of the coal mines, etc.—to be accomplished by French troops, and for the benefit of the chief debtor, France. In a word, the program of French heavy industry.

The decision was naturally not reached at the meetings of the experts, but at the private sessions of the Prime Ministers.

We may state definitely that Lloyd George opposed the occupation of the Ruhr by France. The negotiations bore no results; Poincaré went home, threatening. The question of granting a moratorium and the conditions for the moratorium were left to the Reparations Commission. We refrain from any speculations as to the future of this matter. It is a fact that today (August 17 th), no decision has been reached yet as to whether Germany must pay the sums due on the 15 th of August, — 50 million gold marks as reparation payments and 40 millions as liquidations. Up to now Germany has paid only 5 million gold marks as liquidations.

Capital shows itself undecided, torn up by contradictions, incapable of adopting any economic policy. The Entente still exists. But Parliament has recently voted £100,000 for the study of defense against poison gas attacks, and £2,000,000 for the construction of 500 new battle planes. And when M. P. Wedgewood asked Lloyd George whether these were required with the large armaments of France, Lloyd George answered:

"Our measures take all circumstances into consideration".

The Economic Situation in the Chief Countries.

Germany.

Germany's economic life stands under the influence of the mark's break-down. All phenomena which always accompany depreciation have assumed more acute forms due to the more rapid depreciation.

The fall of the mark is shown by the following table, taking the dollar as the standard of value.

End of July 1918	5.99
End of July 1919	17.12
End of July 1920	42.50
End of July 1921	80.62
January 1922	186.—
June 1 st 1922	273.—
July 1 st 1922	399.—
August 1 st 1922	643.—
August 15 th 1922	1,038.—
August 18 th 1922	1,250.—

*) The official declarations which closed the Conference throw some light upon its course (see *Le Temps* of August 16 th). According to the English declaration, Lloyd George had made the following proposal:

1. Adjournment of the negotiations till the end of the year.
2. The question of granting a moratorium to be left to the Reparations Commission.

3. Those guarantees demanded by the Guarantee Commission, and accepted by Germany,—autonomy of the Federal Bank, supervision of the budget, customs, and levy of taxes, measures against the escape of capital, etc., to be applied at once.

4. England agrees to make no demand of either interest or capital from her debtor until the meeting of the next conference, at the end of the year.

Lloyd George's proposal received the support of all the Allied representatives except Poincaré who objected to a moratorium not containing the provision for *productive securities*, i. e. the *occupation of the Ruhr*.

The Conference came to an end without official adjournment, with the understanding that no understanding had been reached . . .

The fall of the mark between the beginning of July and the middle of August surpasses any previous depreciation.

The depreciation of the paper mark during the last months has been going on so rapidly that, as we have already mentioned in the introduction, the total amount of money in circulation reckoned in gold marks is shrinking steadily in spite of the continuous issue of more and more billions of paper notes. In the *Berliner Tageblatt* of August 6th, Kurt A. Hermann calculates the gold value of all paper money in circulation, federal banknotes, and treasury notes, not in comparison with some foreign currency, but with the index of wholesale prices. He calculated that the value of all the money in circulation was 6,025 million gold marks in July 1921, and only about 2,100 million in July 1922. These figures well illustrate the decay of the German economic household.

We come to the same conclusion when we examine the series of new emitted industrial capital. The emission of stock-shares, preferred stocks and industrial bonds was as follows:

First half year 1921 . . . 11.4 billion marks
First half year 1922 . . . 18.3 billion marks.

We readily see that the 11.4 billion marks of 1921, when a paper mark was worth 5 to 10 pfennigs, are about four times the 18.3 billions of 1922, when the paper mark had fallen to 2 gold pfennig. The depreciation of the mark raises prices, swells all turnovers into the fabulous, produces the appearance of economic prosperity, when in reality, production is making no progress whatever.

These figures have of course been overtaken as this report goes to press. We also see how the misleading estimate of the official subsistence index shows this index to have risen less than that of wholesale prices. Wholesale prices were driven up energetically in various branches of industry.

"The price of steel, 9,500 marks on April 1st and 19,470 on August 1st, has been more than doubled, although the dollar did not rise to twice its value during this same period. If we compare the present steel prices with the pre-war prices, we find that they have risen 194 times, while the dollar, during the same period, had risen only 154 times. Steel, then, has risen quicker than the dollar (*Berliner Tageblatt* of August 1st, 1922).

The German steel trust has given notice that prices were subject to change from week to week, depending upon the depreciation of the mark. The capitalists know how to take advantage of the fall of the mark.

Another result of the depreciation is that the direct taxes are ridiculously diminished hereby before they are paid. For instance, take the case of the "Forced Loan". This loan was to take the place of a confiscation of property. It was set originally at a billion gold marks. This was made into 70 billion paper marks, according to the exchange rate of that time. These 70 billion are not worth 300 million gold marks at the present time, and may be worth only 100 millions before the tax is collected, that is, one tenth of the value originally set. The same thing happens in the case of income, capital, and inheritance taxes. While the worker pays his taxes at the same rate at which he receives his wages, the taxes of the capitalists are always reduced to a ridiculous fraction by a further depreciation of the mark. If we reject Poincaré's accusation that Germany's bankruptcy is self-willed, with a definite purpose in view, we cannot deny his claim, that the German industrialists and landowners pay very low taxes. The capitalists know how to protect themselves against the fall of the mark." More and more the mark is being replaced by foreign currency for home trade; through Swiss, American and English money". (*Bergwerkszeitung* of August 10, 1922.)

Passing to a narrower conception of the state of business, we may remark that the German workers are still fully employed. The number of unemployed receiving unemployment relief, has gone down in July from 29,000 to 20,000. The workers' trade federations report 0.6 unemployed per 100 members, a better record than for any year before the war. As an explanation of this fact, we refer again to Kuczynski's opinion that the number of employed workers has no significance for the cost of production, due to the colossal cost of materials and the speculative profits. We wish to add that a year ago there were still 314,000 unemployed in Germany.

We have before us reports of the various bureaus of industry in Prussia since the beginning of August. The figures show a constant decline as compared with July. The crop is worse than last year's, although we must consider that the reports of the farmers picture the situation as worse than it is, in order to reduce the quantity of grain to be delivered at fixed prices. The profits which the farmers have reaped from the crisis and from the fall of the mark may be seen from the state of mortgages. The total amount lent on mortgages was:

	in billion marks.
End of 1914	12.05
" " 1917	12.0
" " 1918	11.7 (without Alsace-Lorraine)
" " 1919	11.9
" " 1920	12.2
" " 1921	12.5
June 30, 1922	12.8

(Frankfurter Zeitung of August 6.)

The nominal increase is then only 7% since 1914. But since the pre-war amount represents actual gold marks and the present amount only paper marks, the true situation is a decrease to $\frac{1}{200}$ of the pre-war figure.

The coal situation in Germany is still very difficult. The June production was below that of May, with only 9 million tons of anthracite. Complete data for July have not yet been published, but we know that the production of the Ruhr basin was 10% above that in June. All branches of industry are complaining of a lack of coal. The import of English coal constantly increases. Germany is forced to deliver, according to the latest regulations, 1.7 million tons of coal to the Entente, and must then buy the high priced English coal. The rise in the price of English coal as a result of the American strike, and the fall of the mark raise the price of this imported coal to an incredible number of paper marks. A calculation of the *Berliner Tageblatt* of July 31st, shows that the coal import from England in July had cost 6.6 million paper marks. An impossible condition is predicted for the heating of homes. The following notice pictures the condition of the working class.

"Large quantities of pressed coal are lying in all coal yards in the poorer sections of Berlin. Those who are entitled to purchase it do not possess the necessary means to provide for the winter's heating." (From an article of the *Vossische Zeitung* of August 6th.)

The German iron market in July was very lively. There was a stormy demand in fear of further depreciation of the mark. The building industry drew a great many workers from the iron industry, so that there was a complaint of labor shortage.

In the machine industry the difficulties of providing raw materials and combustibles have increased. The coal provision is insufficient; there is a scarcity of skilled labor. More foreign orders came in as the mark fell. The shortage of money has affected the electro-technical industry for the worse. Small iron, steel and metal showed very lively business.

Continued prosperity reigns in the textile industry. Prices reached phantastic figures. Thread has gone up to 300 times the pre-war prices. The catastrophic fall of the mark has again reduced the competition of foreign textiles on the German market, which was beginning to be felt seriously in the past months. The bad condition of German currency builds an unconquerable obstacle.

Same conditions in the wearing apparel industry, where orders have increased at such a rate that they exceed by far the production capacity.

Similarly in the leather industry. A noticeable shortage of leather is being felt. The shoe industry especially suffers from it. The fall of the mark here also has brought renewed foreign orders on a large scale.

We witness the same picture in all industries,—large amount of business, lack of raw and half manufactured material, rapidly rising prices and huge proceeds in paper marks. But production is not increasing in spite of this apparent prosperity.

Finally we wish to introduce the figures for foreign trade:

	In billion marks	
	Imports	Exports
January	12.6	14.4
February	12.—	14.5
March	22.9	21.2
April	28.3	22.9
May	32.4	27.1
June	34.4	30.2

Here too, we see a decline of trade reckoned in gold marks.

This presentation of the situation renders a discussion of the workers' situation totally useless. All wage agreements become worthless and unfavorable to labor at the very moment that they are made, due to the rapid fall of the mark. In a short time the buying power of the wages fall by a large percentage. The wage raises limp slowly after the increased cost of living, and the real earnings of the proletariat diminish from week to week.

France.

We have already pictured the general economic situation of France in the introduction. We wish to give here some further particulars.

The old contradiction in French economic life,—a very large accumulation in money form with no corresponding increase of real property, continues in post-war times. A very interesting study of the *Federal Reserve Bulletin* for July, shows that France has accumulated far more capital in post-war than in pre-war years. The total amount of new state and communal loans, treasury notes, stocks of private enterprises, etc. is given. The total sum is as follows:

	in billion francs	
1919	27	
1920	47	
1921	39	since the end of the war.
Total	113	

"A gross estimate,—estimating the population of France at 40 million—gives an average accumulation of 2,831 francs per head. Since the average yearly income of a Frenchman, according to the statistics of the League of Nations (the best there are) is 3,700 francs, the conclusion must be drawn that every Frenchman, during the last three years, saved and invested a year's income."

The study adds that a part of this saving has been greatly reduced by the subsequent depreciation of the franc. Some items were also counted twice. Nevertheless, we see that the old discrepancy between money accumulation and increase of capital goods continues. The causes of this could be explained only by a thorough investigation. We believe that the greater money accumulation in France results from the remarkably well-organized money institutions, stretching to the smallest villages, so that even temporarily free money becomes capital.

If we investigate the progress of the French economic situation in the 3 post-war years, we may note great reparation of the war damages, especially in agriculture. But this improvement is not proportionate to the enormous figure indicating the savings and new investments in money form.

It is especially remarkable that the new capital has been invested at home. While in 1916, 56% of the investments were placed in foreign countries, in post-war years these foreign investments do not represent 1% of the accumulated capital.

We can notice no change in the actual situation of French industry. Crops have been rather poor. France will have to import large quantities of grain to cover the shortage. To reduce this import which would have a very bad effect on France's balance of trade, a law has been passed ordering the whole crop to be ground.

The situation in the French heavy industry has somewhat improved thanks to the American coal strike which relieved the pressure of English coal upon the French market. This is only a passing manifestation, which will disappear in a short time, after the settlement of the American strike. Production is slowly improving, but at a far slower pace than is really possible.

We find the same conditions in the French iron industry. France, at the present time, owns about one third of the European supply. But the production of iron, in spite of the conquest of Alsace-Lorraine, is still below that of pre-war years. It has increased however, from 312,000 tons in January to 442,000 tons in May, which corresponds to a yearly production of about 5½ million tons. Most iron works and foundries are working at a loss. They cannot compete with the English and Belgian iron industry. It is significant that one of the greatest iron and foundry works in France, the *Société Normande de Métallurgie*, with a capital of 100 million francs, was compelled to liquidate its business in July. This company had been formed during the war by the *Schneider* enterprise for the exploitation of the iron of Normandy. This company showed a deficit of 37.6 million francs in its last balance sheet. The liquidation of this enterprise is the more striking because the *Schneider-Creuzot Company* and the *Banque de l'Union Parisienne* stood behind it. The explanation of this failure is that these works lay in an unfavorable part of the country; the tendency of French heavy industry is to concentrate in the Eastern section. Naturally, the capitalist press of France blames the eight hour day and the high French wages for this situation in the coal and iron industries. A campaign is on foot for a reduction of wages and an increase of working hours.

The situation remains unchanged in the other branches of industry. There is no unemployment to speak of. In the agricultural industry complaints are even heard of a labor shortage.

We have before us the figures for the foreign trade of the first half year. They are as follows:

	In million francs			
	Exports		Imports	
	1921	1922	1921	1922
Food stuffs	1,135	847	2,439	2,624
Raw material	2,097	1,967	5,401	6,092
Manufactured articles	6,240	5,913	2,855	1,956
Parcel post	597	642	—	—
	10,069	9,369	10,695	10,672

These figures do not agree with those previously published. The export figures are calculated from the reports of the Foreign Trade Commission, published for the first time in 1921. We see from the figures that while the imports have not changed, the exports have gone down about 7%. The balance of trade is ⅓ of a billion francs passive, which is about 12% of the imports. (The passive balance was 19% in 1913.) The imports and exports in tons, however, show a considerable increase over last year's. The statistics are not sufficiently detailed, however, to enable us to draw any conclusions from these facts.

The most serious economic problem of France, that of its finances, still remains unsolved. When the American Government demanded the payment of the interest on its loans, the French Government sent *Parmentier* to prove by statistics that France was totally unable to meet these obligations. The negotiations are still going on. We hear that *Parmentier* may return to France to obtain new instructions. It is a well-known fact that the general belief in America is that France should seek relief for its difficult financial situation in the reduction of her armaments.

During the period of this report no serious conflicts between labor and capital took place. A whole series of minor strikes may be recorded. Prices and wages seem to have finally balanced. The struggle is centered about the eight hour day. It appears most sharply in the merchant marine. We may note here the joy with which the *Temps* greeted the betrayal of the French marine workers by the International Trade Union Conference:

"This conference brought forth the sense of responsibility and the clear understanding of the situation which characterizes the foreign delegates, especially *Mr. W. Havelock Wilson*, the representative of the English seamen. This sense of responsibility and understanding is unfortunately totally lacking among the present leaders of the French trade unions. The latter demanded 'an energetic action for the internationalization of the eight hour day'. *Mr. Wilson* answered: 'We have at present 25% unemployment in our merchant marine. Do you want us to make this condition even worse by a reduction of working hours?'"

Mr. Wilson may be proud of the approval, not only of English, but also of French capitalists.

We come now to the reparations question. The Reparations Commission has approved a plan to employ German workers for public works representing an expense of 4.8 billion francs. But we know from past experience that the French capitalists have always been able to sabotage the German payments in kind. The *Actions Committee* of the devastated regions has protested against the employment of German workers in the centre of France and their exclusion from the destroyed territory. It demands that these German workers be employed in that territory. On the other hand we hear continual protest from French industrialists against the German reparations in kind, even for reconstruction purposes.

"The skilled worker of the ceramic industry will have to seek work in other industries, and we may soon witness the ruin of our ceramic industry, in the North and the East",—is one of these protests.

This same protest demands that before any delivery of reparations in kind is made, a definite percentage of the demand shall be covered by products from the French industry. And we see that the French industrialists have actually been able to reduce payments in kind to a minimum.

England.

The economic situation in England has slowly improved; especially during the past few weeks, thanks to the American coal strike, this improvement has proceeded at a fairly rapid rate. The general situation, however, remains very bad. Un-

employment is going down so slowly that it can hardly be noticed. Here are some of the latest figures:

	End of May	End of June
Unemployed trade union members . . .	16.4%	15.2%
Unemployed among all insured . . .	13.4%	12.7%

These are figures for the individual industries:—

	End of June	in %
Shipbuilding	38.6	
Machine building	25.4	
Foundries	29.2	
Ore mining	33.4	
Coal mining	8.2	
Textiles	6.7	
Wool and Silk	4.4	

There were 1,455,000 unemployed at the end of June, and 1,328,000 at the beginning of August. The reduction of unemployment is partly due to seasonal summer work. Lloyd George declared in Parliament that the number of unemployed this winter was expected to reach the 1,500,000 mark. The situation is so serious that two special commissions have been appointed to study the question, one of them presided over by Lloyd George himself.

The trade reports of the large English newspaper remain unchanged: improvement, better prospects; but they have kept on repeating this, week after week for over half a year, and no real improvement is in sight. It is recognized today that no prolonged betterment of the business condition can be expected before next spring.

We go on to the individual industries. The crop in England is rather poor. These were the August estimates.

	Area in 1000 acres		Crop in 1000 quarts	
	1921	1922	1921	1922
Wheat	1,976	1,969	8,722	7,880
Barley	1,436	1,362	5,309	5,090
Oats	2,149	2,161	10,036	9,290
	5,561	5,492	24,064	22,260

We see, therefore, a 10% decrease of the grain crop, and although agriculture plays no important part in England, this will nevertheless have a bad effect on the general situation.

Coal, as we have mentioned several times already, displays a much better state of business. After the great fall in June, the production has again reached the May level, and amounted to about 5 million tons in the last weeks of July,—the highest output in a year.

There is little improvement to be noticed in the *steel and iron industries*. They are still working at a small fraction of their productive power. The unfavorable condition of the market broke up the existing price agreement of the Scotch iron works, and prices went down noticeably in the free competition. The situation has somewhat improved recently thanks to American purchases.

We give here the most important figures for the industry.

	Production in 1000 tons.	
	Iron	Steel
1913 Average	855	639
1920 "	670	756
1921 "	218	302
January 1922	288	328
February 1922	300	418
March 1922	390	549
April 1922	394	404
May 1922	408	462
June 1922	369	400
July 1922	399	473

The production is greater than in 1921; but it is not increasing. The July output is less than that of March.

A somewhat more favorable condition in the *textile industry*. Orders from the Far East are increasing; the number of idle factories and weavers is decreasing.

Livelier business in the *shipping industry* thanks to the American coal orders. The crisis in the ship-building industry continues.

Figures for ship building in 1000 tons:

	Quarter ending		
	June 30, 1920	30. 6. 21	30. 6. 22
Tonnage actually worked on	3,573	1,619	1,439
Launched tonnage	523	334	149
New ships	589	51	39

England's foreign trade in millions sterling:

	Import	Export	Excess of imports
March 1922	87.9	74.7	13.1
April 1922	80.7	64.7	16.0
May 1922	88.8	67.0	21.8
June 1922	84.3	60.9	23.4
July 1922	87.8	60.4	27.4

The English foreign commerce is still in fairly bad straits.

The new investments also give a good view of England's economic situation.

	First half year	
	1921	1922
	in millions	sterling
Total	124.0	167.3
England	69.3	59.3
British Empire	40.5	53.3
Foreign Countries	14.0	54.8

The above table shows an increase in new investments of over ¼ above the previous year; but what is more important, this increase went wholly outside of the Empire. England is regaining her position as the financial centre of the world.

The reduction of interest rates to 3% has brought back the money market to a pre-war stand. The English banks do not pay more than 1% on deposits. London is again the cheapest money market in the world. The interest rates give a good example of the difference of conditions between the over production sections and the impoverished countries of Central and Eastern Europe: 1—3% in England, 200% in Austria.

During July, prices have remained at the same level. All industries show no changes of the wholesale prices. The cost of living, however, has gone up from 80% above pre-war level in June, to 84% in July. The situation of the worker grows worse. Wages are being reduced. In June, the wages of 1,966,000 workers were lowered £393,200 a week. The miserable condition of the English worker is shown by the fact that in June 1,185,427 persons received poverty relief. There are districts where even employed workers have to ask for this relief!

The chief economic question is still that of unemployment. Putting it differently: where and how can we find buyers for the products of English labor on the world market? Views on the matter clash. This came out most clearly on the question of a tariff on thread-gloves. The Government could reach no decision, nor could the Coalition Party; and in the final decision members of the Government Party and of the Ministry voted against one another. This is symbolic of the situation. More important is the difference of opinion in the question of reparations and inter-allied debts. It is remarkable, for instance, that the *Economist*, supposedly the organ of English Big Business, favored the annulment of the inter-allied debts, irrespective of America's action, and declared the Balfour Note a false step, in opposition to the view of the Federation of British Industrials. There is nothing more characteristic of the confused and difficult economic situation than that the old master of world politics and economics, the English bourgeoisie, can come to no agreement within itself.

United States of America.

As we have already mentioned, the business life of the U.S.A. stood entirely under the influence of the coal and railroad strikes. These strikes have put a crimp into American prosperity. It is expected, however, that improvement will continue as soon as these strikes are over.

All reports for the first half of the year give a favorable view of business conditions. The report of the Guaranty Trust Company of New York, writes that the production statistics show a decided improvement in spite of the confusion caused by the strike. The production was only 10% below the amount estimated for this year.

Unfortunately no unemployment statistics are published in the States. It is therefore difficult to obtain an exact view of the state of the labor market. A wholly unreliable inquiry of the Associated Press reports the present number of unemployed at 1,350,000. The *Federal Reserve Bulletin's* report in July is even less reliable. Speaking of the June conditions, it says:

"The labor market shows decided improvement. Many branches of industry complain of a scarcity of labor, as for instance the steel and building industries. There is a growing demand for farm labor. Although unemployment continues, especially in the coal and textile industries where labor troubles prevail, the statistics of the United States Employment Service and the employ-

ment bureaus of various cities show a decided decrease of unemployment."

We have statistics only for months futher back. The United States Employment Service reports that the number of workers employed in May, (among the 1,428 employers under its observation), had increased by 3.2% over April. The statistic of various states and cities show a similar improvement. Reaping time has also furnished temporarily some work to the unemployed.

We must not forget here the effect of the restriction of immigration. The average number of immigrants between 1910 and 1914 was about 750,000. We do not take into account the emigration. The law which went into effect on June 3rd, 1921, fixed the number of immigrants for the fiscal year 1921-22 at 358,000. As a matter of fact, only 244,000 immigrants entered the United States during that period, as compared with 800,000 a year before. There are therefore at the present time 500,000 workers less than usual. As business conditions improve, the American business man is beginning to express a wish for less rigid immigration laws. American capital is beginning to feel this shortage of cheap European labor.

The census of 1910 showed the following proportion of immigrants in the chief industries:

Bituminous coal	60%
Copper	65%
Building	75%
Meat	60%
Textiles	60-70%
Iron and Steel	50%
Leather	67%

The above quoted report of the Guaranty Trust Company already takes the stand for facilitated immigration.

We turn to the individual industries. Great improvement is noticeable in agriculture. The crop estimates in August are higher than in July. The wheat, oats and barley crops are higher than last year's, though still below the average of the last decade.

The same holds for the cotton crop. We give some figures below, (in million bales)

	June Estimate	July Estimate
1921	1922	1922
8.66	11.22	12.13

We gave a lengthy report on the coal situation in the introduction. According to the latest news the strike has ended.

The developments in the steel and iron industries are characteristic for the general improvement of business conditions in the United States. This was the production (in 1000 tons):

	Iron	Steel
January	1,644	1,593
May	2,306	2,711
June	2,361	2,635
July	2,400	—

The reports on the situation in the steel and iron industries for July are rather contradictory.

The greatest demands for steel and iron come from the building, automobile and railroad industries.

(in million bales)

April	447
May	496
July	508

Similarly in the wool and silk industries. This improvement shows itself also in the American foreign trade. Here are some figures since the beginning of this year (in millions of Dollars):—

	Imports	Exports
January	217	279
February	216	251
March	258	332
April	217	318
May	254	308
June	260	334
July	251	350

The fiscal year in the United States ends in June. We give below some figures for the foreign trade of the past years (in millions of tons):

	Imports	Exports	Export excess
1913-14	1,894	2,365	471
14-15	1,674	2,769	1,095
15-16	2,198	4,333	2,135
16-17	2,659	6,290	3,631
17-18	2,946	5,920	2,974
18-19	3,096	7,232	4,136
19-20	5,238	8,109	2,871
20-21	3,667	6,519	2,852
21-22	2,608	3,770	1,162

The reports of English papers on American industry are somewhat more pessimistic;—great difficulties have arisen from the coal and railroad strikes; a number of smelting furnaces have been laid still. But the number of unfilled and incoming orders of the steel trust increase from month to month.

The textile industry also shows improvement. Its consumption of cotton was:

These figures show a steep drop of the export balance. We shall come back later to the foreign trade between Europe and the other countries.

The recovery of American business is also shown in the State finances. The close of the fiscal year shows the following result: 4,109 million dollars income, 3,795 million expenditures, surplus, 314 million dollars. This result is the more significant since a deficit of 25 million dollars had been expected this year. The customs have brought in 80 million dollars more than expected.

Furthermore, the American public debt amounted to:

23,977 million dollars in June 1921
22,963 million dollars in June 1922

The U.S. debt then has been reduced by one billion, or about 4% during the past year. The reduction took place partly by amortization provided for in the budget, partly from the balance of the state finances. If we compare this with the financial state of Europe, no doubt is left as to the better health of American business. The strongest state of Europe, England, with half the population of the U.S.A., has a public debt of about 30 billion dollars. It could maintain the equilibrium of its budget only by omitting all provisions for amortization.

This favorable condition of America's finances shows that the great opposition which the Balfour Note roused was not of a purely financial nature. England owes the States 4 billion dollars. At five per cent, this represents about 200 million dollars a year,—which is only 5% of the United States' 4 billion dollar budget. The United States could therefore remit the English and the other Allied debts with no great sacrifice. The brusque rejection of the Balfour proposal had, then, more a political than a financial lining.

The chief politico-economic problem of the U.S.A. is the question of its relation to Europe; the question of the inter-Allied debt is only a part of the problem. The endless wrangling in the Tariff Commission shows that America is not yet united in its attitude towards Europe. The partisans of the anti-European policy are conducting a rigorous demagogic campaign. Fordney, the sponsor of the present Tariff Bill, is holding speeches all over the country. At his meetings he shows American and German goods, and quotes their respective prices.

The Frankfurter Zeitung of July 25th reports one of his speeches as follows:

"Gentlemen, here you see a pair of Solinger scissors which an American testified under oath that it had cost him 19 cents. These same scissors are selling in Washington shops for \$2.50. Who is making such profits on these scissors? Why, the importer, of course. Why shouldn't then, part of his profits go to the treasury of the United States?"

Mr. Fordney also displays a revolver which sells for 90 cents in Germany, and for 15 dollars in the States. There are many more things on the bill of this "tariff circus", things which every housewife needs, and which cost twenty times as much in the States as in Germany. Mr. Fordney is of the opinion that American competition is possible only if these goods be taxed on their American value.

But on the other hand, the Senate has greatly reduced the tariff on many articles. The tariff question will probably not be settled until the new Congress meets again in November.

The importance of the European problem to America is proved by the fact that the American Academy for Economics and Political Science devoted this year's Congress wholly to this question. The July edition of its *Annals* contains a great number of very interesting essays which take up the European-American relations from all possible angles.

The chief question is: Can America exist without Europe? The mutual relations of the two continents were investigated from that point of view. In this connection the role of Europe as America's buyer is very interesting. The importance of Europe as a market for American goods has been steadily decreasing. Of America's total export, Europe bought:

1880	86%
1890	80%
1900	74.6%
1910	65.1%
1913	59.98%

With the outbreak of the War, this increased again rapidly:

1914	42.86%
1915	71.21%
1916	69.21%
1917	68.75%
1918	63.04%
1919	65.05%

It fell in the last two years:

1920	54.27%
1921	52.70%

(Figures of G.B. Roorbach, head of the research bureau in the trade department of the above magazine.) It must, however, be remarked that the absolute value of the exports to Europe have been constantly increasing, except in 1921.

The imports from Europe is still much below the export. 50% in pre-war times, it fell to 13.97% during the War, in 1918. Since then it has been rapidly rising:

1919	19.22%
1920	23.26%
1921	30.50%

The balance of trade between Europe and the United States tends to reach equilibrium. Imports increase and exports fall.

The answer to the above question as to how far American prosperity depended upon Europe vary differently, and are often contradictory.

It cannot be told whether America will further isolate herself from Europe, or attempt a rapprochement.

We shall not treat this time of the industrial situation in the smaller countries. In general no change is to be noted for July. The situation of the Balkan countries has somewhat improved thanks to the good crop.