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Economics and Economic Policy in the Second Quarter of 1925.

By Eugen Varga.

(Concluded up to 29. July 1925.)

I. General Section.

"All signs go to show that economic conditions will worsen considerably during the next few months, and that in consequence the antagonism between the imperialist powers, the struggle for the markets, will assume even acuter forms than now. In this case there is likely to be a great stagnation in the international granting of credits."

This sentence concluded the general section of our report on the first quarter of 1925. The events of the second quarter have fully justified this prediction. **There has been a general worsening of economic conditions in the decisively important capitalist countries.** The international partial crises: the coal mining crisis, the crisis in the iron and steel industry and in shipping, continue unchanged. The foreign political tension between the imperialist powers has become more acute. In Morocco an open colonial war against France has broken out. The revolutionary movement among the Chinese workers and peasants has led to aggravated antagonisms among the world powers. In view of all these difficulties, the influx of American capital into Europe has been checked whilst England has been compelled to cease granting foreign loans altogether, in order to maintain her own gold standard. A general survey of international capitalist economics reveals today an even greater picture of confusion than three months ago.

A survey of the general lines of development shows us the following.

United States.

As in 1923 and 1924, American economics underwent a crisis in 1925, this crisis occurring each year in the spring. Production declined greatly in the most important branches of industry, especially in coal, iron, and steel. The decline in economic prosperity was not so great this spring as last. This shows that in general American economics are taking an upward trend, apart from the periodic fluctuations. The

motor car and building industries in particular have maintained their previous level. The hope that the United States would succeed in placing a considerable part of their stock of gold has not been fulfilled: the export of gold has decreased from month to month, and by May had fallen to a very insignificant amount. On the other hand, the trade balance is increasingly favourable. The export surplus will amount to over a milliard dollars in this financial year. Whilst the United States are induced for reasons of political power urgently to demand the settlement of debts on the part of their debtors, the American political economists are racking their brains to discover in what form of commodity the interest on the capital invested abroad, and the surplus on the foreign trade balance, could be paid to the United States.

England.

England's economic situation has deteriorated rapidly during the last three months. Unemployment has increased from week to week, despite the favourable season. In previous years the second quarter has invariably witnessed a decline in unemployment. The number of unemployed is larger by a quarter of a million than at the same time a year ago. The re-introduction of the gold standard has brought no improvement to economic life; on the contrary, it has rendered it more difficult to sell British goods abroad. Discontent is growing among the workers, and wide-spread labour struggles are imminent. The optimistic tone hitherto adopted by the English press has vanished. There is a general feeling of depression, and nobody knows any way out of the crisis.

France.

During the period covered by this report, the French currency has again greatly depreciated in value. The result of Caillaux's financial reform has so far been an open inflation, an increase of the notes in circulation to the value of 6 milliard francs, and the open discrediting of the franc by the issuing of a new loan, the interest on which and the capital are no longer paid in paper francs at their nominal value,

but are reckoned in dollars. On the other hand, the further depreciation of the franc has arrested the beginnings of a decline of business prosperity in France (mentioned in our last report), and has somewhat stimulated sales abroad again.

Italy.

As in France, there has been a sharp depreciation of the currency in Italy. The causes of this phenomenon will be dealt with later on.

The Belgium franc has followed in general the depreciation of the French.

Germany.

During the period of this report, Germany's economic situation has developed unequally and inconsistently. The cessation of the influx of foreign capital has brought about a renewed shortage of money, leading to the collapse of the Stinnes concern and to difficulties in many other undertakings. The total result at present is the strengthening of bank capital as compared with industrial capital.

In Poland, Czechoslovakia, and the other smaller countries of Europe, the economic situation has worsened rather than improved.

It may be stated in general that there is still no uniform trend to be observed in the development of international economic conditions. Further developments will greatly depend on the result of this year's crops. The prospects of the crops are in general favourable all over Europe. The same may be said of Canada, but in the United States the prospects are not so good as last year, though better than at first officially stated. Favourable crops all over the world, accompanied by no notable increase in consumption, and the economic conditions obtaining in the countries of Europe scarcely permit of greater consumption, will probably bring about a further fall in prices, and a renewed disparity between the prices of agricultural and industrial products. This is the more likely to be the case if the Union of Soviet Republics appears once more on the world market as a grain exporter on a large scale. The renewed disparity between the prices of industrial and agricultural products will most likely affect the United States of America most severely, whilst the countries of Europe will be compensated by the excellent crops. There is thus every prospect of a certain improvement in economic conditions in the Central and Eastern European countries, and of a relative worsening in the United States. The improvement can of course only take place if the foreign political antagonisms do not lead — as in Morocco — to fresh wars.

The Currency Question.

The most important event in the currency question is the return, on 28. April, of England, Australia, New Zealand, Holland, and Dutch India, to the gold standard. South Africa followed on 1. June.

In our last report we dealt in detail with the contradictory opinions held with regard to the return to the gold currency in England. Publications which have since appeared, especially the description of the whole action given in the July number of the "Federal Reserve Bulletin", show that this measure had already been decided upon at the beginning of the year. Churchill merely waited for the purpose of creating a political effect by his budget speech. The understanding between England and the United States with respect to currency credits to England was obviously arrived at at the turn of the year, on the occasion of the visit paid by the governor of the Bank of England, to America.

The basis upon which the gold currency has been reintroduced is shown by the report submitted to the government on 5. February by the special commission working under the chairmanship of Chamberlain. (After Chamberlain was appointed Minister for Foreign Affairs, the presidency was taken over by the former member of the reparation commission, Bradbury). The substance of this report is the statement that the payment balance of England, and the gold reserve, afford the possibility of again permitting the free export of gold. On the other hand, the commission expressed itself opposed to the obligation of redeeming the notes in gold coins, regarding this as:

"in itself inessential under modern conditions for the maintenance of the gold standard. . . . the use of gold for home circulation is a luxury which we can easily dispense with, and which we should actually not be in a position to afford, at least during the next few years." (Points 43 and 44 of report.)

In actual fact only the export of gold in amounts to the minimum approximate value of £ 1,500 has been permitted.

This means that though gold is being employed for the purpose of maintaining the pound at gold par, gold is still not being used for inland circulation. With the exception of the United States and a few neutral countries, this procedure has become general at the present time, and signifies the acceptance of the principle that though gold is indispensable in international intercourse for the maintenance of the stability of a currency, it is superfluous for this purpose in inland circulation.

The restoration of the gold standard in England has been rendered possible by two great loans raised by England in the United States; a credit of 10 million dollars from Morgan to the English government, and a credit of 200 million dollars from the Federal Reserve Bank to the Bank of England. These loans are to be held in readiness, should the maintenance of the English pound at par render it necessary — but solely in this case — for the purpose of purchasing pound bills, or for exporting gold to other countries for England's account. The rate of interest is 1% higher than the discount rate of the New York Reserve Bank, but cannot fall lower than 4% or exceed 6%. Should the discount rate rise above 6%, the credit will be granted at the bank rate.

In his budget speech Churchill declared that these great transatlantic credits have been received by us, and are being held in readiness, as an express warning to speculators of every description and in every country, in order to show them what resistance they will encounter, and what reserves oppose them, should they make an attempt to disturb the gold parity which has now been fixed by Great Britain.

The agreements between the banks were made as early as January. England's return to the gold standard was only rendered possible by the aid of America, and shows the dependence of even this most firmly established of the European capitalist empires upon the United States. It is only natural that the Council of the Federal Reserve Board, on 22. May, should have "taken cognisance of this advancement with the greatest satisfaction". The "Federal Reserve Bulletin" states that it is hoped in America that the stabilisation of the currency in those countries forming the best markets for American agricultural products will place commerce with these countries on a securer basis, and facilitate financial relations.

The release of gold for export led within a few days to the restoration of the parity of the pound sterling, and this has since been maintained without any outflow of gold from the safes of the Bank of England. It is not yet quite certain whether the maintenance of the gold standard will continue to be so easy.

"Until the normal demands of the autumn have been fulfilled, it is too early for us to congratulate ourselves on the ease with which we have passed this important milestone."

Thus writes the "Economist" on 4. July.

As we already mentioned, the restoration of the parity of the pound sterling has not brought about any improvement in the economic situation in England. On the contrary, it has rendered the sale of English goods abroad more difficult, although there has been no rise in the level of inland prices, as was at first feared by the English industrialists.

If we ask ourselves why the English bourgeoisie decided upon this step against the interests of English industry¹⁾, we are led to conclude that the decisive factor has been the consideration accorded to the Dominions. The English

¹⁾ As late as 20. April the Association of Exporters and Importers in Manchester addressed a memorial to the government, according to which the

"government should give some guarantee that its currency policy pursues its present lines approximately for some years to come, and that the prohibition of gold export is retained until international relations are more settled." ("Times". 20 April.)

settlement colonies, both politically and economically, are approaching more and more the United States²⁾.

There exists a danger of the Dominions separating themselves financially and as regards currency from England, and going over in some form to the dollar standard. **The monetary unity of the British Empire could only be secured by the restoration of the gold parity!**

Whilst England has been returning to the gold standard, the currencies of the other European "victorious" countries, France, Belgium, and Italy, have suffered severe depreciation. The French franc has fallen to 109 to the pound; the Belgian franc has faithfully accompanied the French in its fall; the Italian lira has sunk to 144 to the pound sterling. And it must here be remembered that the French and Belgian francs depreciated even further in the spring of 1924, but improved suddenly in response to the support action; the lira, on the other hand, has never fallen so low as this.

We have already dealt with the situation of French finances in detail in our various reports, and shall here mention only the most striking points, in order to avoid repetition:

1. The French budget invariably shows a deficit, though this decreases from year to year.

2. The national debt consists to a great extent of short term floating loans, requiring renewal at short intervals. If the French "savers" (peasants, petty bourgeois, officials) are not inclined to renew the bonds when due, and demand repayment in cash, the French state treasury is not in a position to pay; the state is forced to raise the necessary money by a fresh issue of bank notes.

3. In the course of the next few months bonds to the value of 22 milliards will become due. The French savers having finally discovered as the result of long years of experience, that it is very poor business to subscribe loans to the state in nominal paper francs when the currency is depreciating, since the value of both the income derived from the interest and of the capital itself lessens from year to year, there is a great danger that the bonds will not be renewed on expiration.

4. The situation is rendered still more acute by the Morocco war, and by the ultimative demand on the part of the United States for the settlement of the war debt, France being given to understand pretty clearly that it cannot calculate on fresh credits until these old debts have been settled. England is making the same demand.

5. All this has led to a "confidence crisis" in France itself. The French savers have begun to accumulate foreign securities in place of paper francs and state papers, a procedure bound to lead automatically to a depreciation. It cannot be ascertained with certainty whether America or England has exercised a conscious pressure for foreign political reasons; the private speculators, who suffered enormous losses as a result of the then successful action in support of the franc, appear to be holding cautiously back this time. The more so as the intervention credit of 100 million dollars raised at that time in America is alleged to be still at the disposal of the French government. The centre of the depreciation movement appears in any case to be in France itself.

The measures hitherto adopted by Caillaux, the "radical" finance politician of the French bourgeoisie, do not permit of any conclusion being arrived at as to whether the big bourgeoisie considers the right moment to have arrived for a stabilisation, or whether it prefers to continue the expropriation of the petty bourgeoisie, peasantry, and working class, by means of the inflation. That a stabilisation is possible, at least for a certain length of time, has been shown by the success of the action in support of the franc in the spring of 1924, and by the examples of Germany, Poland, Austria, etc. Provided, of course, that the war in Morocco does not assume too great dimensions.

²⁾ Just within the last few days an Australian loan to the amount of 100 million dollars was agreed upon. Of this 75% is put up for subscription in America, 25% in London.

Antagonistic tendencies exist within the bourgeoisie itself. The export industry is in favour of the continuation of a slow inflation, giving it a great advantage over its competitors in the foreign markets. The big landowners are equally in favour of inflation. For the bourgeoisie inflation and stabilisation are not principles, but merely a question of profit!

Caillaux's measures are definite on one point only: **On no account is the bourgeoisie to be called upon to make the slightest sacrifice for the purpose of placing state finances on a sound basis, or for the sake of stabilisation!** The French socialists have begged in vain for alms, for a pseudo-measure against the bourgeoisie, which they might at least parade before the proletariat whilst continuing to support this same bourgeoisie. Their motions were brutally rejected; they have been forced to vote against the budget. Their patriotic attitude in the Morocco question has been in vain. Every shade of the bourgeoisie, from "radical" to conservative, have united under Caillaux's leadership to cast every burden off their shoulders. The "Left bloc" has been shattered, the last remnant of the "democratic pacifist" era in France has been liquidated.

With regard to the concrete measures taken by Caillaux, these are, in substance, as follows:

1. Establishment of balanced state finances for 1925 — **on paper!** At the present moment nobody can foretell what the Morocco war is going to cost; nobody can foresee what revenue the taxes will bring if the franc continues to depreciate.

2. Increase of the bank notes in circulation, and of the advances made by the bank of issue to the state, by 6 milliard francs, to a total of 51 milliards.

3. The issue of a new loan with stable value interest. That is, the 4% interest to be paid in paper francs rises in proportion to the difference between the rate of exchange of the dollar and the franc, or between the value of the franc at the time of the loan and at the time when the interest is paid. Thus, for instance, should the rate of exchange be 100 francs to the pound sterling at the time of the issue of the loan, and the average rate exchange during the half year preceding the payment of interest be — let us say — 200, then 8% interest has to be paid, according to the nominal value, in place of the 4%.

4. The floating debt of the state is not to be increased further after the new loan has been put up for subscription — apart from the advances made by the bank of issue.

If we examine closely into these measures, we arrive at the conclusion that, stripped of their attractive phraseology and paper decisions, they **bear a decidedly inflationary character.** The really tangible points in the measures — the increase in the notes in circulation and of the advances made by the bank of issue, and the issue of a stable value loan — head straight for further depreciation. The "Economist" observes very rightly that the French government, in creating a loan of this kind, with stable value interest, plainly expresses its own mistrust with regard to the further fate of the franc. And if Caillaux besides this is going to **reduce the bank rate** in order to "create confidence", then we can only admire his audacity, and the credulity of the French who can accept all this as preparations for the stabilisation of the franc. The purport of the reduction of the bank rate is the desire to induce the French savers to buy state securities, which have greatly depreciated, instead of accumulating cash or foreign bills.

The rate of exchange of the Belgian franc has continued to follow that of the French, but not at quite the same speed, so that the agio of the French franc in relation to the Belgian has almost disappeared.

The causes of the recent depreciation of the lira appear to be more complicated. Neither the condition of state finances nor of inner monetary affairs seem to furnish a reason for this acute depreciation. The sole reasons which can be adduced are the extremely adverse foreign trade balance and the political pressure exercised by America and England with regard to the consolidation of the war debts.

No great changes have taken place in the currency values of the other countries during the period covered by this report, as will be seen from the following table:

Rates of Exchange for Foreign Bills in New York.

(Cents per foreign unit, per pound sterling, dollar.)

	1914 July	1925 Jan.	1925 April	1925 15. June	1925 13. July
Belgium	4,56	5,06	5,02	4,74	4,84
Bulgaria	—	0,74	0,74	0,73	
Denmark	16,04	17,80	18,78	18,94	20,59
England	4,52	4,78	4,86	4,86	4,86
Finland	2,51	2,52	2,52	2,52	
France	5,12	5,39	5,16	4,82	4,70
Greece	—	1,76	1,80	1,66	
Italy	4,30	4,16	4,06	3,89	3,73
Japan					
Yugoslavia	1,19	1,63	1,63	1,73	
Norway	13,42	15,26	16,79	16,90	
Roumania	0,43	0,52	0,47	0,46	
Spain	13,31	14,17	14,53	14,59	14,52
Czechoslovakia	2,95	3,00	2,96	2,96	2,96

Stabilised: Germany, Poland, Sweden (gold), Switzerland, Holland (gold), England (gold), Austria, Hungary.

The Movement of Prices.

The index figures of wholesale prices show a downward tendency corresponding to the worsened economic conditions and the fall in the prices of agrarian products. The depreciation of the French and Italian currencies which took place in June is not yet expressed in the price level. England's return to the gold standard has not been attended by any great reduction in prices. The price table gives the following survey:

Index of total trade prices (1913/14 = 100)³⁾

	United States Bureau of Labour	England Economist	Germany Statistical Office	France	Italy	Poland	Sweden	Switzerland	Soviet Union Gosplan	Japan	British India
1924 June	145	186		465	566	101	158	173	169	199	176
1924 Oct.	152	180		497	602	116	167	169	164	213	181
1925 Feb.	161	177	137	515	660	125	169	170	183	210	172
1925 March	161	174	134	513	659	122	168	166	195	204	168
1925 April	156	169	131	513	658	119	163	163	197		169
1925 May	155	166	132	519	660						
1925 June		163	135								

The index figures of the Federal Reserve Board, calculated on a gold basis, show the following developments: 1913 = 100⁴⁾.

	United States	England	France	Canada	Japan
January	168	175	127	156	100
February	167	175	125	157	168
March	169	171	124	153	162
Apr. 1	164	168	124	148	157

Unemployment.

The increased unfavourableness of economic conditions has brought about an increase in employment, this however being in part balanced by the season workers (building industry, agriculture). There is an absolute increase of unemployment as compared with previous years, especially in England. Data are not yet obtainable for all countries for the last few months, as will be seen from the following table:

Percentage of unemployed among workers organised in trade unions.

	England	England, of all insured	Belgium	Holland	Denmark	Sweden	Norway	Germany	Germany, on short time	United States, degree of employment (19.9 = 100)
1923 June	11,1	11,3	2,6	9,3	8,1	9,8	7,9	4,1	15,3	103
1924 June	7,2	9,4	3,3	5,8	5,0	7,4	4,9	10,5	19,4	93
1925 January	9,0	11,5	6,1	15,1	16,3	14,6	10,0	8,1	5,5	94,6
1925 March	9,0	11,4	7,0	10,1	15,1	12,0	7,4	5,8	5,1	96,0
1925 April	19,4	11,2	7,1	8,0	11,2	10,8	9,5	4,3	4,9	96
1925 May	10,1	11,2	—	—	—	—	—	3,6	5,0	95

As to the absolute number of unemployed, this amounts to six to eight millions in the capitalist world. In England alone the number of unemployed, if youthful unemployed workers and those out of work but not in receipt of the dole are included, is in actual fact 2 millions in round numbers. In Germany 800,000 in round numbers. In Poland, Czechoslovakia, Hungary and Austria, all countries in which unemployment is widespread, the collective total of unemployed is approximately one million.

With reference to the United States, we have the following estimates⁵⁾:

Moody's Investors Service for January 1925 2,100,000
National Industrial Conference Board, for the spring
of 1925 (factory industry only) 1,500,000
(out of 13 million workers)
Russel Sage Foundation for the last 5 years, average 10 to
12% of the working class.

These are all purely bourgeois sources. In view of the continued downward trend of economic conditions, we may safely assume that there are at least two million unemployed in the United States. There is also very extensive unemployment in Japan: considerably over a million. We give special data on this in the Special Section. We thus see that the capitalist world possesses a permanent reserve army of unemployed, scarcely ever lessening in number, amounting to about 6 to 8 millions. The "stabilisation" of capitalism has not had any effect in this direction as yet.

The International Partial Crises.

In our report on the last quarter we drew attention to the fact that, despite the disintegration of the world's economics, despite the absence of uniformity in economic development, and despite the increased degree in which the countries cut themselves reciprocally from one another by protective tariffs, there are nevertheless some branches of industry in which international crises arise, felt by all countries. We dealt in particular with the international coal mining crisis, the crisis in steel and iron production, in international shipping and ship building, and in agriculture. All these crisis phenomena continue to exist, and have even been aggravated during the last few months. We shall here briefly deal with each of them.

The Coal Mining Crisis.

The coal mining crisis remains as acute as ever.

In Germany the accumulations of stock at the pit heads have again greatly increased, despite many dismissals and much short time work. Various capitalist estimates show 10 to 12 million tons of coal to be lying, at the pit heads or in reserve. This means that capital to about the amount of 150 million gold marks is lying idle — an enormous sum in view of the present shortage of capital in Germany!

³⁾ Data taken from the Economist, Monthly Supplement.

⁴⁾ Federal Reserve Bulletin, June, page 423.

⁵⁾ We extract these data from a special report issued by comrade Loaf on 6. July 1925.

We must however admit that the economic policy being pursued by the German coal cartel is to a certain extent, incomprehensible to us, for it is by no means consistent with the loud clamour constantly being raised by the whole of the German press with respect to the coal crisis. One fact, however, seems to be clear; despite the outcry of the capitalists, the production of coal at the present low rate of wages appears to bring in sufficient profit to deter the individual producers from having any desire to restrict their output.

England. Here conditions are obviously different from those in Germany. Restrictions on output are being put rapidly into force. There are 120,000 miners out of work. A large number of undertakings are actually working at a loss. The weekly output has been as follows:

	Mill. tons	
	1924	1925
March	5.75	5.24
April	5.21	4.58
May	5.46	4.92
June	4.67	4.04

The output per week is more than half a million tons of coal less than last year.

During the first five months of the year England's coal balance was as follows:

	Mill. tons		
	1923	1924	1925
Production	116.6	119.6	110.5
Export	40.8	33.6	29.0
Remaining for home consumption	75.8	86.0	81.4

These figures show not only the reduced export, but at the same time the great reduction in home consumption. And since the reserves are greater at the present time than a year ago, the actual consumption is even lower than is shown by these figures.

France: Here the situation is relatively favourable, the country being dependent on the import of coal — consumption 70 million tons, production 50 million, in round figures — while the inflation wards off foreign competition.

The output per working day, in 1000 tons, has been as follows:

Year 1913	136
January 1923	121
January 1924	145
January 1925	160
April 1925	157

The number of workers employed fell by 1000 from March to April⁶⁾.

Belgium: Here conditions are very unfavourable. In a report published on 2. July we read⁷⁾:

"The figures recently published by the Administration for Industry and Labour on coal mining in May show a further worsening of conditions. The number of workers employed has sunk from 175,349 in the month of January to 164,689 in April, and to 160,520 in May. A falling off of 8% in five months. The greater number of the pits have greatly reduced their output, and are now working only three days in the week. We hear that several mines, especially in the coal district of Hennegau, have been placed in an extremely critical position by their big debts, to the banks, and are unable to raise enough money to continue running. The deliveries of German reparations coal have declined considerably, and the English and French consignments have also shrunk, but still no improvement is observable, for in the iron industry half the works are idle, and those still working have been obliged by the lack of orders to restrict their production. It is thus not to be wondered at that the coal reserves are accumulating again in spite of the fewer working hours, and have indeed accumulated to an extent hitherto unknown in Belgium.

The accumulations at the pit heads, amounting to 971,475 tons at the beginning of the year, have more than doubled since then. By the end of May they had reached 1,821,400 tons, an increase of 114%. Last month the output was 1,805,550 tons as compared with 1,920,070 tons in April."

In **Poland, Czechoslovakia, Hungary, Holland**, everywhere, we see the same picture.

In the **United States** there is a **chronic crisis** in coal mining industry, rendered especially acute at the present time by the unfavourable conditions obtaining in the iron industry.

With regard to the causes of this world crisis in coal mining, the first thing we can be certain about is that the world's output is less than before the war. Thus the causes of the crisis are to be sought in lessened consumption. The reasons adduced are⁸⁾:

Progress in methods of heating, resulting in a saving of coal.

Exploitation of water power.

The increased use of oil as fuel for ships. (The amount of bunker coal shipped from Great Britain fell from 21 million tons in 1913 to 17.7 million tons in 1924.)

The newspaper observes very rightly that:

"The factors thus lessening the consumption of coal cannot however suffice to explain fully the huge falling off in the demand. We shall thus not be far wrong if we ascribe the difficulties in selling now observable to the **depressed economic conditions** in almost all countries. The consumption of coal is still the standard by which the economic prosperity of a country is to be judged, and an improvement in the international coal market is not to be expected until a change takes place in the economic conditions all over the world."

As is always the case, the capitalists in the various countries are endeavouring to solve their own special crisis at the expense of the workers; their only slogan is reduction of wages and longer working hours, to the end that the world's markets may be recaptured. Thanks to low wages and high inland prices, the German coal mines seem to be gaining the upper hand in the struggle for the world's markets. Germany has hampered the import of foreign coal by an import licence, is restricting import in every possible way, and has **once more become a country exporting coal**.

Foreign trade in coal, coke, and briquettes, has developed collectively as follows during recent months⁹⁾:

	Imports	Exports	Import surplus	Export surplus
November 1924	1202	818	384	—
December 1924	1131	1132	—	1
January 1925	897	1676	—	779
February 1925	753	914	—	161
March 1925	899	1295	—	394
April 1925	780	1204	—	424

The English coal industry, having succeeded in repelling American competition in Europe and South America, regards the advance of German coal export with the greatest distrust, though this export is at present extremely small compared with the English. The English mineowners are striving to drive down English working conditions to the level of the German. A severe struggle between Capital and Labour, a trial of strength between capitalists and trade unions, appears to be inevitable, however much the Ministers and labour leaders of the bourgeoisie may call for a peaceful solution. It may be assumed that the very unfavourable conditions under which the English miners are already working are sufficiently well known. The following figures, taken from the "Economist" of 4. July, show what the capitalists are presuming to demand of the workers.

The proposals of the mine owners would have resulted in the distribution of income for the first quarter of 1925 being as follows, as compared with the present position.

⁶⁾ "Le Temps", 17. June 1925.

⁷⁾ "Börsen Courier", 3. July 1925.

⁸⁾ Thus, for instance "Bergwerks Zeitung", 25. May 1925.

⁹⁾ "Bergwerks Zeitung", 4. July 1925.

Wages

	Actual at present time	As per new proposal of mine owners
South Wales	7,520,876	6,391,890
The whole of the coal industry	38,377,000	33,388,000

Mine-owners' Profits.

	Actual at present time	As per mine owners' proposal
Loss	175,663	Profit 955,116
Profit	1,453,207	Profit 4,998,000

Thus the coal capitalists propose to deduct 20 million pounds annually from the workers' wages.

Their profits, however, are to be raised by 14 million pounds.

These figures show plainly enough what the struggle is about in England!

The Crisis in the Steel and Iron Industry.

The crisis in the iron and steel industry has continued unchanged during the period covered by this report, even becoming more acute in some places, especially in the United States. The following table shows the development of production:

Monthly production in 1000 tons pig iron.

	United States	England	France	Germany	Belgium
1913 monthly average	2601	869	434	1600	207
1924	2634	620	638	700 ¹⁰⁾	234
1925 January	3924	584	669	—	249
1925 February	3266	551	637	No	246
1925 March	3621	618	689	da-	282
1925 April	3311	579	686	ta ¹¹⁾	268
1925 May	2978	576	—	—	—
1925 June	—	510	—	—	—

Monthly Production of Steel in 100 tons:

	United States	England	France	Germany	Belgium
1913 monthly average	2564	649	396	1578	205
1924	3103	696	576	700	238
1925 January	4266	615	608	—	247
1925 February	3817	663	569	—	240
1925 March	4266	696	607	—	269
1925 April	3645	607	587	—	251
1925 May	3505	663	—	—	—
1925 June	—	585	—	—	—

In the United States only 196 blast furnaces out of 397 were working on 1. June. Production is less than 70% of the producing capacity. The steel trust is in receipt of fewer and fewer orders. These are as follows:

	in 1000 tons
January	5037
February	5286
March	4864
April	4447
May	4050
June	3710

In England conditions are exceedingly bad; in Germany production has been further restricted by 5% by the cartel; in Belgium more than half of the blast furnaces are idle; it is only in France that the situation is somewhat better.

The difference between producing capacity and actual production continues to be extraordinarily great. The following figures are given in an article by W. J. Larke, director of the British National Association of Iron and Steel Manufacturers:

¹⁰⁾ Estimate.

¹¹⁾ Production is reduced by 20%.

Approximate annual producing capacity:

	Raw iron in million tons	Steel in million tons
Great Britain	12	12
France	11	10
Luxemburg	2.8	2
Germany	12	14
Belgium	3.2	3.2
United States	52.7	59
Other countries, about	5	5
	98.1	105.2

As compared with this, an estimate made by the same writer shows the following production for 1924, in 1000 tons:

Iron	62,000
Steel	69,000

Thus, in round numbers, 60% of the actual producing capacity has been made use of.

The negotiations for the formation of a European iron trust after tedious consultations between the German, Luxemburgian, French, and Saar industrialists, who have simply made agreements among themselves as to the reciprocal tariffs, instead of depending on the official trade agreement delegations, have resulted in a provisional agreement. The economic import of this agreement, which does not come into force until the Franco-German trade agreement has been concluded, is as follows:

High duties will prevent the import of foreign iron into Germany. In order to come to an understanding with the French iron industry, the German iron cartel undertakes to take over 1,750,000 tons of iron, and bears the high duty, but thereby obtains complete control over the inland prices. The most decisive point is however that, six months after the agreement comes into force, the production of the whole West European iron industry has to be allotted in certain contingents, that is, included in cartels. The German iron industry is compelling the French and Belgian to form cartels, in order to create the organisatory bases for an international cartel.

This will of course not solve the crisis in heavy industry from the political economic standpoint, but it secures the profit of the capitalists, despite the decreased production. But on the other hand the creation of a continental cartel of German-French-Belgian heavy industry will not fail to produce foreign political results! It signifies a departure on the part of the German bourgeoisie from the one-sided trend towards England, and a rapprochement to France!

The Crisis in the World's Shipping and Ship Building.

The crisis in international shipping has become more acute during the period covered by this report. The reports become more and more pessimistic from month to month. Hundreds of ships cannot obtain return cargoes to Europe, especially from South America, and are obliged to ship ballast for the return voyage. The freight rates have sunk below pre-war level. The freight index figures published by the "Economist" give the following picture:

	1913 = 100
January 1925	114
February 1925	116
March 1925	107
April 1925	104
May 1925	98
June 1925	—

Despite the unfavourable conditions obtaining in ocean shipping, the recently published Lloyd's register shows the world's total tonnage to be on the increase. As we already stated on a former occasion, the obsolete ships are being scrapped to a wide extent; none the less the total tonnage has been increased by the fresh though much diminished, construction of ships during the course of the past year.

Ships scrapped:

	in 1000 tons:			
1921	1922	1923	1924	
77.5	315	963	1174	

As compared with this, the total tonnage has developed as follows during the last few years:

Gross registered tons:

	Steamers and motor ships.	Sailing ships	Total
1923	62,355,400	3,830,900	65,166,200
1924	61,514,100	2,509,400	64,023,600
1925	62,381,400	2,261,000	64,641,400

The total tonnage has thus increased by 600,000 tons; steamers and motor ships alone by 900,000 tons, whilst the sailing ship tonnage has decreased by 260,000 tons. 1,174,000 tons having been scrapped last year, (as we saw above) the fresh tonnage added in 1924/25 amounts however to 2 million tons, in round figures.

It appears inexplicable that 2 million tons of new ship should be built in face of the crisis now prevailing for a year in international shipping. It must however be remembered that ships take a long time to build, large ships several years, so that the ships now just completed were ordered 2 to 3 years ago, under the influence of the enormous gains earned by the shipping companies during and after the war, at a time when nobody foresaw a permanent crisis in international shipping. The following table shows the present distribution of iron ship tonnage among the most important countries, as well as the changes which have taken place since 1914, and since 1924:

	June 1914	June 1924	June 1925	Difference 1914/1925	Difference 1924/1925
in 1000 gross registered tons					
Great Britain and Ireland	18,877	18,917	19,274	+ 397	+ 357
British Colonies	1,407	2,213	2,230	+ 823	+ 17
United States	1,837	11,823	11,605	+ 9,768	+ 218
Austria-Hungary	1,052	—	—	—	—
Belgium	341	555	538	+ 197	- 17
Denmark	768	974	1,008	+ 240	+ 34
France	1,918	3,193	3,262	+ 1,344	+ 69
Germany	5,098	2,856	2,993	- 2,105	+ 137
Greece	820	751	890	+ 70	+ 139
Holland	1,471	2,533	2,585	+ 1,114	+ 52
Italy	1,428	2,676	2,894	+ 1,466	+ 218
Japan	1,642	3,655	3,741	+ 2,099	+ 86
Norway	1,923	2,326	2,555	+ 632	+ 229
Spain	883	1,163	1,120	+ 237	- 43
Sweden	992	1,146	1,215	+ 223	+ 69
Other countries	2,057	2,749	2,875	+ 818	+ 126
World tonnage .	42,514	57,530	58,785	+16,271	+1,228

The changes which have taken place in the motor power employed for driving ships is also of interest. The following figures show the comparative percentages of sailing ships, and of ships driven by various fuels, as compared with 1914:

	1914	1924
Sailing ships	8.06	3.50
Motor ships	0.45	4.20
Oil-burning ships	2.65	27.54
Coal-burning ships	88.84	64.76

The number of coal driven ships has greatly diminished, and this — as already mentioned above — is one of the causes of the decreased consumption of coal.

With respect to ship-building, production is now sinking rapidly after the execution of the orders given some time ago. The number of unemployed ship-builders increased from 27.7% in May 1924 to 31.5% in May 1925. Only the German shipyards are occupied to a certain extent, but even here the conditions are tending towards a crisis, as is witnessed by the collapse of the old Reitherstieg yard, which has existed for 300 years.

The Agrarian Crisis.

We have long been of the opinion that the present chronic economic crisis in Europe is bound to lead to a renewal of the disparity between the prices of agricultural and indu-

strial products, and to a fresh agrarian crisis, should the crops including those of Russia, prove normal. This year's crops will confirm or disprove this opinion.

Although there is of course no certainty as yet as to the results of the crops, the estimates already made show that the bread grain harvested will greatly exceed the yield of 1924. The June number of the bulletin issued by the Rome Agrarian Institute estimates the greater yield of wheat in Europe at 65 million double hundredweights, of rye at 65 million double hundredweights. This is counteracted by a probable falling off of 58 million double hundredweights in the United States, this in turn however being fairly balanced by the increased yield in Canada. It is also probable that the United States crops are being officially under-estimated, as is frequently the case.

Should the estimate of the Rome Agrarian Institute prove correct, and should there actually be an increased yield of 130 million double hundredweights of bread corn in Europe, it means that Europe's import requirements in the grain year 1925/26, consumption remaining the same, will only amount to 40% of last year's. The import requirements of the importing countries have been estimated by the same authority at 210 double hundredweights for the harvest year 1924/25. If we assume that the greater yield of rye will completely serve to substitute wheat in covering the requirements for bread corn — which is not quite the case — the import requirements for the grain year just beginning would only amount to about 80 to 100 million double cwts.

The estimate of 210 million double cwts import requirements can now be checked by the import data for the first nine months of the grain year.

The net import of the importing countries was as follows during the nine months from 1. August 1924 till the end of April 1925,

in million double cwts	
wheat	107
wheat flour	15
rye	11
133	

The actual imports have thus been considerably less than those estimated, for it is scarcely likely that the missing 80 million double cwts have been imported in May, June, and July.

Should the estimate made by the Rome Institute be correct, and the yield of this year's European crops be actually greater by 130 million double cwts, the result will be a glut of bread grain in the world's markets, attended by a further drop in prices. This drop, and this glut of bread corn in the world's markets, will be diminished as the stocks placed on reserve are far less this year in comparison with last year.

It was not until June that the expectation of good crops resulted in a lowering of prices. In May the price of wheat continued to rise. We append a table of wheat prices, compiled from statements made by the Rome Institute.

Wheat prices per cwt in gold francs: beginning of month.

	Average 1913	June 1924	January 1925	March 1925	May 1925	June 1925	July 1925
Winnipeg (Manitoba I)	16.8	20.09	34.7	36.0	32.04	35.08	29.7
Chicago (Winter II)	17.2	20.6	33.7	35.0	30.9	33.2	28.2
Minneapolis (North. I)	16.7	21.7	32.8	33.1	29.1	32.4	28.2
New York (Winter II)	18.5	22.4	35.9	37.0	33.5	35.9	30.5
Karachi (white)	17.3	20.2	30.4	36.1	32.9	32.5	27.1
Buenos Aires (Barletta)	19.0	19.7	32.9	36.4	31.2	33.0	29.3
Import grain in London							
Manitoba I	20.9	23.1	40.2	42.6	35.0	38.2	33.9
Winter II	20.7	—	37.5	40.0	33.8	36.2	31.0
Plata	20.6	22.2	37.6	39.2	33.6	36.2	30.8
Karachi	20.9	23.6	35.8	39.5	34.8	35.9	31.3
Native wheat in							
Germany, Berlin (market)	24.3	18.5	29.3	31.9	30.7	32.8	33.6
Belgium, Antwerp	19.8	—	32.4	30.8	26.3	26.9	25.8
France, Paris	27.9	—	—	37.0	34.2	36.4	30.4
England, London	19.9	25.3	30.6	33.1	31.2	32.5	29.0
Italy, Milan (soft)	28.1	25.2	39.5	42.4	36.7	36.4	28.8
Holland, Rotterdam	21.9	—	—	31.0	26.0	—	—

With regard to the prices for grain from the new harvest, these are to-day still above last year's level. The next half year will to a great extent decide whether the relation of prices between grain and industrial goods will remain as at present, approximately the same as in 1913, or whether — as we assume — a further drop in the price of grain will bring about a renewed incongruity between the prices of industrial and agricultural products, and once more aggravate the agrarian crisis which has been somewhat alleviated by the poor crops of 1923/24.

The Crisis in the Dawes Plan.

Scarcely a year has passed since the agreement was made in London with regard to the coming into force of the Dawes plan. The mechanism appears to have worked satisfactorily during the first year. The sums due have been paid regularly into the hands of the reparation agents. The Entente powers have received the shares agreed upon. And yet today there is general talk of a crisis in the Dawes plan.

When we consider the effects of the Dawes plan up to the present, it becomes obvious that it will be impossible for it to work so smoothly next year. The reports of the reparation commission show that up to the end of June, 780 million gold marks had been paid by Germany, and 754 millions remitted to the powers of the Entente, so that the cash reserve paid into the account of the reparation debt, with the Reichsbank, is only 26 millions.

But if we examine into the payments in kind which have been made, we find the following:

- | | | |
|--|---|-----------|
| 1. Payments in kind: | a) coal, coke and by-products | 179 mill. |
| | b) cost of transport for same | 65 " |
| | c) fertilisers | 16 " |
| | d) dye stuffs and pharmaceutical products | 25 " |
| | e) various commodities | 60 " |
| | | 345 mill. |
| 2. Receipts under the Recovery Act (26% deduction in England and France from German invoices) | | 152 " |
| 3. Payments in Reichsmark for costs of occupation, requisitions, consignments in the Ruhr area, administration control costs, Danube commission etc. | | 257 " |

We thus see that the payments have been made for the most part in commodities, and in payments in German marks. It is only the 152 millions represented by the 26% deduction from German invoices which signify actually transferred sums in the economic sense of the word.

As matters now stand, however, both the payments in kind and in German marks are decreasing within the German area, and are not by any means likely to be increased to any extent again. Owing to the international coal mining crisis, the demands for reparation coal are falling off from month to month. Of late Belgium has refused altogether to take over reparation coal or coke. As regards other descriptions of payments in kind, in spite of several years of effort, and various agreements it has been impossible to get the delivery of these into proper swing. Difficulties continue to arise. The case of the delivery of 4000 waggons to the reparation account recently afforded further evidence of this. With regard to the payments in German marks, these tend to lessen with the withdrawal of the occupation forces.

The necessity of paying the reparation instalments in goods thus becomes evident. But this necessity is again opposed by the generally unfavourable conditions prevailing in world economics, by the restricted markets for industrial products as compared with the productive plant and producing capacity, attended by the increasing tendency on the part of other countries, especially the countries of the Entente, to shut out industrial products by means of high tariffs and other measures. The transfer problem has become acute. As several speakers emphasised at the Brussels conference of the international chambers of commerce, reparations must either be renounced, or the sale of German industrial goods in the Entente countries must be rendered possible. Thus: either no reparation payments, or the possibility must be given to German industry of exporting industrial goods on a large scale, which of course is only possible at the cost of damage to the other great industrial countries.

The Dawes plan is threatened at the same time with a crisis arising out of the currency question. The small payments hitherto made in foreign bills — 150 millions — have only been possible owing to the fact that Germany has received some milliards in foreign credits during this period. **These credits have now run dry.** The reasons for this were dealt with in our last report. The situation has meanwhile been aggravated by the collapse of the Stinnes concern, and by the difficulties experienced by the Krupp and Wolf concern during the last few weeks. This has greatly shaken confidence in the United States regarding German loans, and this loss of confidence is shown in part by the fact that the German loans put up for subscription in America, at high rates of interest, have fallen below par.

The cessation of the inflow of foreign loans, and the partial withdrawal of short-term private credits which has probably taken place meanwhile, with the attendant continuance of an extremely adverse German foreign trade balance, have already brought the German currency into the danger zone again.

If Germany does not obtain fresh credits, the Reichsbank's reserve of foreign bills will be exhausted within a calculable time, in which case the stabilisation of the currency will be seriously endangered. It is thus even less possible for Germany, under these conditions, and without a favourable foreign trade balance, to pay the reparation instalments agreed upon for the second year. The question thus arises: Either no reparation payments, or danger to the German currency. Or again, reparation payments made possible by fresh foreign loans.

But at the present juncture the capital market of the whole world is in such an unfavourable position that there is no country, with the exception of the United States, really able to grant any considerable credits to Germany. In **England** there has been a tacit prohibition of foreign loans for about the last six months, that is, ever since the restoration of the gold standard. This is amply demonstrated by the figures as to capital investment in England during the last half year, given in the special section.

France, Italy, and Belgium are themselves dependent on obtaining foreign loans, and thus do not come in question at all as granters of credit. The sums which might be advanced by the former neutral countries: **Switzerland, Holland, Sweden,** are too small to be taken into consideration for Germany's requirements. The **United States** remain the sole source of loans. This country, with its export surplus of 1 milliard dollars last year, and with the enormous weight of its gold reserves oppressing its economic life, possess the possibility, and in a certain sense is faced with the necessity, of granting foreign loans.

But now the latest events in German economic life: the breakdown of the **Stinnes** concern, the difficulties experienced by other great concerns, the waning economic prosperity, and the renewed extreme shortage of money, are by no means calculated to awaken any great confidence in America towards the investment of capital in Germany. This is all the more the case as there are certain circles in America opposed on principle to the granting of loans to German industrial undertakings, as they consider this means rearing competitors against themselves. But without fresh credits Germany can neither pay the reparations provided by the Dawes plan, nor keep its economic life running. This fact was openly admitted in the speech recently delivered in Stuttgart by the president of the Reichsbank, Schacht. The crisis being suffered by the Dawes plan is bound up with the crisis in the whole of German economic life.

The Visit of World Bank Directors to Berlin.

In this connection the most important event appears to be the joint visit paid by the governor of the Bank of England, **Montagu Norman** and the president of the Federal Reserve Bank System of America, **Strong**, to Berlin. These two generals of the Anglo-Saxon financial world arrived in Berlin on 10. July, with the alleged object of consulting on current affairs with the president of the Reichsbank, Schacht. It need scarcely be said that this is nonsense. These two bank directors are not likely to come all the way from New York and London to talk over trifles. The question to be discussed is obviously that of whether the Dawes plan is to be carried on or not, and includes the discussion of the measures to be

taken for rescuing the German currency from out the danger zone. The matter is rendered the more complicated by the fact that anxiety for the maintenance of the gold standard renders England desirous of withdrawing the credits granted to Germany, or to have them taken over by America.

Inter-Allied Debts and the Reparation Question.

It appears to us that the connection between inter-allied debts and reparation payments, so long sought by France, will be established in connection with the crisis in the Dawes plan. This however will come about in a very different manner to that planned by France, and in part by England. The idea of cancelling the inter-allied debts, and of reducing Germany's reparation obligations proportionately, encounters the resistance of the United States, whose bourgeoisie is quite disinclined to renounce this weapon. In May last the American government sent a somewhat sharply worded demand to all debtor states whose debts are not yet settled, calling upon them to send delegations to America within a certain time for the purpose of arranging for the consolidation of the debt. It can be plainly seen from the statements of the American press that this demand has been accompanied by the threat that those states who fail to accede to the demand are to be excluded from the receipt of further credits. France and Italy are here mainly concerned. Both of these countries are in the midst of currency difficulties, brought about to a great extent, however, precisely by this sharp proceeding on the part of America. Both are anxious for American loans, and both have thus acceded to the demand. The negotiations with Italy have already begun, and the date of arrival of the French delegation in America has been agreed upon.

The connection between inter-allied debts and reparation payments appears to us to be as follows. After all inter-allied debts to the United States have been consolidated, and the payment of interest and principal has begun, the approximate result will be that Germany's reparation payments will have to be paid further to the United States. Expressed in other words: The total balance of the payments to be made as a result of the great war will show that at the present time America is the sole creditor, as follows:

England's annual payments to the United States	160 million dollars
Consolidation of other inter-allied debts on the same basis	290 million dollars
Total	450 million dollars

This amounts to almost 2 milliard gold marks, a higher sum than even the most optimistic estimates can assume Germany capable of paying. Various English and American expressions of opinion show that the idea has been mooted of settling the reparation and interallied debt questions by calculating one against the other in such a manner that the **whole of the reparation payments made by Germany are paid directly to America.**

This solution would possess the advantages of simplicity and clearness. The possibility would be given for the United States to adapt Germany's payments to Germany's capacity to pay, without the necessity of according consideration to the other Allies. And at the same time it would exclude every possibility of France deranging German economic life by occupations or other measures taken for the purpose of or under the pretext of sanctions.

A settlement of this kind would convert Germany, at the present more or less dependent on all the powers of the Entente, into a purely American industrial colony. We lack time and space to refer to all the signs showing that this solution is being considered. But we shall not go far wrong in assuming the visit paid to Berlin by the two bank directors to be for the purpose of holding consultations on this matter.

Anglo-German Co-operation.

The present severe crisis in English economics, especially in the English export industry, makes the extensive export of German industrial articles, unavoidably attendant on the execution of the Dawes plan, by no means agreeable to England. Brains are being racked to discover some means of shutting out this dangerous competition from the world's

markets, and of making it possible for English and German capitalism to co-operate.

It is a characteristic fact that precisely the political economists and organs which have hitherto held aloft the standard of free competition, are bringing forward proposals for a division of the world's markets, for the creation of international cartels. Thus we find an article entitled: "Some possibilities of economic co-operation with Germany" in the "Economist" of 26. July, somewhat to the following effect:

It is estimated that during the war and the inflation about 80% of Germany's circulating capital has been lost. Germany's hope of financial aid from America has been disappointed. America is much too busy with its own affairs to care about rendering any very great aid to Germany without the support of England, without the English banking and financial organisation. There is thus a possibility of utilising the English banking and financial organisation for financing German industry and disposing of its products.

It is however necessary that agreements be made between the English and German industries, in order to do away with a deadly competition. Where an industry is sufficiently organised, the agreement can be made between the industrial organisations, whilst in branches of industry in which various firms are competing with one another, individual agreements between the firms in both countries appear to be the best method.

In conclusion it is argued that it is worth while to remember that Germany is an industrial and agricultural country possessing a high degree of technical skill; we on the other hand are to a great extent traders and financiers, both by nature and custom. Our invisible export is of vital importance to us, and the recent return to the gold standard proves that we are conscious of this.

In this manner the way is to be paved for a division of labour between England and Germany.

In the following number of the "Economist" it is pointed out, ostensibly from a German source, that a certain division of labour existed between the English and German industries before the war. The English industry supplied staple goods for the world's markets, whilst Germany supplied to England various industrial articles requiring much work, as chemicals, dyes optical instruments etc. This division of industrial work could be introduced again.

These ideas are only comprehensible when we remember the general hopelessness and resourcelessness obtaining in English economic policy; they signify that English industry has lost all hope of being able to maintain its position in the world's markets in free competition with continental industry. For this reason it seeks to form international cartels, and at the same time to throw its superiority in the sphere of international banking and commerce into the scale, in the hope of gaining a share in the surplus value produced in Germany. This last idea means that part of English capital is about to leave the country, to change from immediately productive capital to loan capital, and that England will be transformed from an industrial state to a state living on interest, like Holland, a transformation naturally leading to the emigration of the English workers on an extensive scale.

America and Europe: The Transfer Problem.

We have frequently in our reports, called attention to the antagonisms existing within the American bourgeoisie with reference to economic policy in general, and to relations with Europe in particular. These opposing interests have led to a vacillating attitude in America's relations to Europe. A constant struggle is still going on in American politics between the pro-European and the anti-European political tendencies. Or, to state the matter more clearly, between an economic policy aiming at self-sufficiency, and a policy based on the necessity of becoming more and more interwoven in international economics. In our last report, for instance, we dealt with Hoover's plan of rendering the United States self-sufficient by means of restrictions on the export of wheat and cotton, accompanied by the specialisation of American agriculture in the products hitherto imported. But on the other hand, American industry needs markets for the goods which are superfluous at home, and these markets can only be found, under

present conditions, by means of an imperialist world policy combined with capital invested on a large scale abroad.

The position in America may perhaps be characterised by saying that one section of the American bourgeoisie and politicians have not yet adapted their ideas and activities to the changed conditions in the United States. The transition from a debtor state to an imperialist credit-granting state has been too rapid. As recently as ten years ago the United States was still a debtor country. Thus differences of opinion arise which do not always co-incide with the special interests of the various strata of the bourgeoisie.

During the course of 1924, the international economic and pro-European tendencies gained the upper hand. The result was the London agreement regarding the carrying out of the Dawes plan, and the extensive credits granted last year to Europe. At the present moment there is a reaction in the opposite direction, not only in the granting of credits, but with regard to the amount of importance to be attached to the European markets. In particular there is much vacillation of opinion regarding the question of how far it is advisable to go in the granting of loans.

As a matter of fact, the United States cannot dispense with the necessity of investing extensive capital abroad. This fact is beginning to be admitted in America.

On the other hand, it was pointed out at the Congress of International Chambers of Commerce in Brussels — which aroused an extraordinary degree of interest in America — that the transfer problem between the debtors to the United States and between the States themselves is just as acute as in the question of reparation payments. The Belgian speaker, Desprets, especially emphasised that however great the moral origin of the reparation obligations and of the inter-allied debts, as regards the possibility of actualising huge one-sided payments the transfer problem is precisely the same in both cases.

Much interesting light is thrown on these problems in an article by G. T. Auld, an American, chief accountant to the reparation commission from the time of its organisation up to 1924. He has compiled the following figures¹²⁾:

Claims of the United States in mill. dollars:

Foreign government loans	4,000
Other foreign securities	5,000
Inter-allied debts	12,000
Total	21,000

The balance against this is American securities in foreign possession and sums banked by foreigners in America, to the value of, approximately:

4,000 million dollars

Net claims of the United States, total 17,000 million dollars

This is the international capital balance of the United States.

With reference to the balance of international annual income, this writer has compiled the following statement for 1924:

	U. S. A. supplied to the rest of the world	The rest of the world supplied to U. S. A.
	Million dollars	
Goods	4621	3651
Interest and amortisation of reciprocal capital investment	614	150
Other services (tourist expenditure, remittances from emigrants)	176	1028
Gold	172	394
Paper money of the Union	—	50
New securities	—	795
Old securities	387	114
Increase of American deposits from foreigners	216	—
Uncalculated	—	4
	6186	6186

When the various corresponding items of the above are set out against one another, the net balance is as follows:

The United States had claims against the rest of the world, in million dollars, to the amount of:

Clear surplus export of goods	970
For interest and amortisation of capital abroad	464
	1434

The United States received, in million dollars:

Surplus from various services	852
Gold and paper money of the Union	272
Increased indebtedness of the Union	310
	1434

This compilation shows that in 1924 the United States had claims against the rest of the world to the amount of 1434 million dollars on account of its surplus export of goods and the payment of interest and principal on capital abroad. These claims were only partially equilibrated by the money expended by Americans abroad, and by the money sent by emigrants. A residual sum was balanced in Gold, whilst the debts increased by 300 millions. The article however states that at the present time the claims for interest and amortisation have considerably increased, further loans having been meanwhile granted to foreign countries. If the inter-allied debts were consolidated on the same basis as the English, America would claim an additional 290 million dollars yearly. Its claims would then be, in round numbers: 950 millions for interest and amortisation of capital abroad. 150 millions for interest and amortisation of foreign capital invested in America. A net balance thus resulting of 800 million dollars.

From the transfer stand-point, the question is therefore whether and how this sum can be transferred, and whether the continuation of the investment of capital abroad is not fraught with danger for the economics of the United States.

The writer points out, rightly enough, that the American industrialists are entirely wrong in fearing damage to American industry through loans abroad.

With regard to the question of whether such sums can be transferred, and whether the investment of capital abroad has a damaging effect, he refers to the example furnished by England. Before the war England had capital invested abroad, to the value of 30,000 million present day dollars (that is, 20,000 million pre-war dollars). Up to now America has only invested 17,000 million dollars abroad. It would take 13 years, assuming no interest to be paid during this time, before the United States would have invested capital abroad to the extent attained by England before the war. The writer further states that:

1. the English collected every shilling from their solvent foreign debtors;
2. English industry flourished;
3. the English are exerting their utmost endeavours at the present time to regain their former position with reference to the investment of capital abroad.

He is thus of the opinion that the continuance of investments abroad is not attended by any dangers for the United States.

This whole reasoning is historically wrong. For England there was no difficulty in finding the commodities in which the interest on English capital invested abroad were to be paid. The dense population of England, and its undeveloped agriculture, rendered it dependent on abroad for every description of food, cotton, wool, jute, silk, etc; it needed every tropical and subtropical product, it needed wood, and almost every metal with the exception of iron.

America however is uniquely situated in being able to produce, with few exceptions, a superfluity of almost every kind of goods within its own territory, and at the same time to manufacture every kind of industrial article. It is thus a fact that at the present moment it is considerably more difficult to find a form of payment in kind in which Europe can pay the interest on its debts and the equivalent for the surplus import of American goods. It is an actual fact the transfer problem existing between Europe and the United States is similar to that standing in the way of payments from Germany to the states of the Entente.

¹²⁾ "Annalist" 8. June 1925.

This of course does not signify that a transfer is permanently impossible. The possibility may be given by some considerable increase and specialisation of requirements on the part of America, by the springing up of some requirement which can be met by European goods. One such case may be seen in the huge consumption of silk in America, which absorbs 80% of the world's silk production. We can also observe an increasing demand for European embroideries, fancy work, and works of art. There is an extraordinarily rapid increase in the number of American tourists visiting Europe, with attendant expenditure. Auld estimates that the sums expended by American tourists outside of their own country in 1924 amounted to 500 million dollars. A doubling or tripling of this number would temporarily solve the transfer problem. To sum up:

At the present moment a transfer problem actually exists. It can be solved, but not in the same manner as England solved it before the war. It can be solved if Europe supplies the United States with articles of luxury at home and every description of entertainment in Europe.

But many of these considerations are superfluous. The fundamental fact is that **the United States, as an imperialist industrial country, is bound to export industrial goods, but can only do so under the present international conditions by means of large loans of capital to foreign countries, and the fate of these loans to abroad depends on the total development of the capitalist regime.** The advance of revolution, the expropriation of the bourgeoisie in Europe, naturally involves the loss of American capital invested there. But it is characteristic of the whole inner mechanism of imperialism, that this possibility will only cause a temporary abstention on the part of the American bourgeoisie from investing further capital in Europe. The American bourgeoisie will seek to avoid sick Europe, and to export its capital to Canada, South America, Australia, and even around the Pacific Ocean, should matters not come too rapidly to a head in China. It is obvious that the United States will not tread so smooth a path as that traversed by Great Britain before the war. When England invested its huge capital abroad, it was during the period of rising capitalism, but the United States is now striving to do the same during the period of the decline of capitalism. And however sound the basis of American economics may be in itself, this circumstance will inevitably involve the United States in the decline of the rest of the capitalist world.

II. Special Section.

Germany.

Germany's economic condition during the period covered by this report may be characterised as follows:

The Decline in Industrial Activity.

Germany's economic situation during the period covered coal mining industry, in the heavy industry and those industries related to it: ship building, machine, engine, and carriage building; it is somewhat less noticeable in the industries manufacturing finished iron goods, especially in the motor car and electrical industry. Somewhat better conditions obtain in the textile and ready made clothing industries.

The decline in business prosperity is to be mainly attributed to the **cessation of further credit grants from abroad.** To state the matter correctly, it should rather be said that economic conditions have returned to their "normally bad" state, the artificial stimulation caused by the foreign credits having disappeared. The collapse of the Stinnes concern, and the difficulties now being experienced by almost every other concern, would have occurred a year ago if foreign credits had not brought about an artificial revival. The wrong distribution of fixed and circulating capital which occurred as a result of the war and during the inflation, was bound to lead to a crisis as soon as the inflation period had been overcome. The shortage of working capital today is so great that the productive activity of many undertakings frequently depends on the possibility of raising money for the payment of wages.

We are nevertheless of the opinion that the general situation is not quite so bad as generally represented in the

capitalist press! If we read the reports in the capitalist press regarding conditions in the heavy industry, as to the dismissals and discharges of workers, we get the impression that production has already fallen off tremendously, and is disastrously small. There are however many indications that matters are not quite so bad as all that.¹³⁾ We must again emphasise the inadequacy of German economic statistics. With this reservation we give below three series of figures which appear best to characterise the general course of economics:

1. Deduction from wages, mirroring the total amount of wages and salaries paid;
2. Receipts from turnover tax, determined by the amount of turnover on goods;
3. The number of unemployed in receipt of unemployed benefit.

	Receipts from wage deduction tax	Receipts from turnover tax	Unemployed, percentage of workers organised in trade unions	Unemployed in receipt of dole at begin. of month, in thousands
December 1924	126,3	151,4	8,1	536
January 1925	126,1	215,6	8,1	593
February 1925	122,6	136,5	7,3	541
March 1925	127,0	122,5	5,8	466
April 1925	126,1	146,5	4,3	320
May 1925	136,9	125,1	3,6	234
June 1925				214 ¹⁴⁾

When we take into consideration the increased business activity naturally accompanying the summer season, especially in agriculture and in the building trade, we see that these figures indicate a worsening of conditions. But the falling off is not so great as the alarming reports of the bourgeois press would lead us to believe.

The causes of the constant alarms sounded by the bourgeois press appear to be the following:

1. The new taxation proposals, especially the taxes on food, will raise the cost of living in Germany above the level of the competitive countries. The German capitalists, above all the heavy industrialists, are anxious to forestall possible wage demands on the part of the workers by exaggerated and demonstrative representations as to the crisis.
2. The present situation appears to the German capitalists to be a most unusual crisis! Ever since 1914, with but very brief interruptions (end of 1923), they have been accustomed to have their customers run after them, to have their finished goods snatched from their hands, to be loaded up with orders for months ahead, and to have an almost inconvenient amount of money always on hand. And now they have to run after the customers with the goods, to cope with great difficulties in raising the necessary funds, and to struggle hard with foreign competitors for the smallest place in the world's markets. All this has become so unusual that the German bourgeoisie sees in it a crisis.

3. At the same time a certain rôle is played by the anxiety, having regard to the reparation payments, to represent German economic conditions in the most unfavourable light. As we already pointed out in the general section, the German currency has once more, for the first time since August 1924, entered the danger zone, in consequence of the adverse trade balance and the cessation of the stream of foreign loans. This state of affairs is of extreme disadvantage to the individual capitalist, and extremely dangerous for the stability of the currency, but is highly favourable as regards rendering the transfer more difficult and further discrediting the Dawes plan.

Our statement that the economic crisis is not so acute as the alarm sounded by the capitalist press would imply, must not however be misunderstood. The worsening of economic conditions is an actual fact; a crisis actually exists; the producing capacity is only partially exploited; bankruptcies and failures multiply and increase! But production at the present time is not essentially less than it was three to six months ago.

¹³⁾ The number of workers employed in the Ruhr mines has been: End of January 472,608 — End of May 449,805.

¹⁴⁾ 15. June 1925.

4. By means of the exaggerated reports on the crisis, public opinion is being influenced with regard to increased customs duties, to the reduction of direct taxation etc. This influence appears to have been effective.

The Collapse of the Stinnes Concern.

The event which has shed the most vivid light on the German economic crisis during the period covered by this report is the breakdown of the Stinnes concern.

This is no isolated or accidental event. The other great vertical concerns are equally involved in difficulties. The small concerns which sprung up as a result of the inflation — **Barmat, Kutisker** — broke down even earlier. The fact that the **Wolf** concern (Phönix) has been obliged to close down the **Reiberstieg** ship yard, in which it possess over 40% of the shares, for lack of money, proves that this inflation concern is also in difficulties. Further proofs are afforded by the great retrenchments in Krupp's undertakings, by the failure of the Krupp loan in America, and by the recent restrictions of work.

Do these facts signify — as frequently asserted in the German press — that the day of the vertical concern is past?

By no means! The economic causes leading, even before the war, to the formation of vertical concerns: the equalising of profit rates and market risks between the raw material, semi-manufactures and the finished goods, the possibility of technical improvements — all this continues to exist. The existence of a turnover tax acts naturally as a premium put on the formation of vertical concerns.

But the Stinnes concern was never a producing concern; it was a variegated jumble of "real values", gathered together at random by the greatest of inflation profiteers, Stinnes. Coal and iron, shipping and hotels, petroleum and health resorts, forests and newspapers; everything imaginable mixed up together. During the whirlwind of the inflation period it was child's play for anyone with credit at his disposal to amass an enormous fortune. It was only necessary to have credit, then to buy up any "real values" which happened to be on sale, and to pay back the credit in a currency meanwhile depreciated to the half of its value. This could then be repeated *ad libitum*. This was Hugo Stinnes' system. And since he knew how to exploit the stupidity or lack of conscience of the bank directors, above all of the managers of the Reichsbank, Hugo Stinnes was regarded as a "great economist", and his words were listened to with deferential awe, and his wishes deferred to, not only by the bourgeois politicians, but even by the trade union leaders and social democrats. The **Stinnes-Legien** alliance, and the establishment of collaboration between employers and workers, which he afterwards kicked aside as soon the relations of class forces changed, are lasting symbols of the treachery and stupidity of the German social democrats.

Stinnes contrived to scrape so much together, and to gain such a powerful position in German economic life, that when his concern collapsed it had to be artificially propped up. Twenty two banks, led by the Reichsbank, combined to credit the defunct Stinnes concern to the amount of 110 or 150 million marks, in order to permit of proper liquidation.

Two questions arise in connection with the crisis among the German concerns.

1. **What are the limits of the vertical concern?** At what point are the advantages of amalgamation outweighed by the disadvantages of the unwieldy organisation? This is a question which — with great modifications — possesses great significance for the development of economics during the period of proletarian dictatorship. The primitively mechanical idea that the larger the factory the cheaper the production, and therefore the more extensive the concern the more advantageous, is certainly wrong. Bourgeois national economy has however failed to supply a solution to this question which is so important for the private interests of the capitalists.

2. **Did an accumulation take place in Germany or not during the inflation period?** The breakdown of the Stinnes concern shows us that the amassing of quantities of machinery and new means of production is not necessarily to be regarded as an accumulation! If the new means of production find no employment in the service of production, and thus fail to meet any "social need", then there is no accumulation in the real sense of the word. And the accumulation carried out in

Germany during the last few years appears to be of this description. This is the only explanation of the fact that such a vast fortune as Stinnes' can vanish without leaving a trace. For there can be but little doubt that when Stinnes' affairs are settled, less will remain than Stinnes possessed at the commencement of the inflation!

The Reichs Finances, Taxation, Saving, Revaluation.

The revenues of the Reich, after showing unexpectedly favourable receipts last year, show a not inconsiderable falling off of late. The following gives a survey for the last few months.¹⁵⁾

Revenues of the Reich from Taxation, Customs duties, and Levies.¹⁶⁾

Nature of Revenue	Financial year 1924 25		Financial year 1925 26	
	February	March	April	May
a) Taxes on property and traffic	498.7	452.9	504.8	467.1
1. Continuous revenues	494.2	449.7	493.4	463.5
a) from wage deductions	122.6	127.0	126.1	137.0
b) other deductions	64.2	54.8	109.8	75.2
Corporation	28.0	26.8	23.0	23.8
Capital Levy ¹⁶⁾	83.0	52.5	20.0	33.4
Turnover	136.5	122.5	146.5	125.1
Capital transactions ¹⁷⁾	17.4	16.4	16.0	11.9
Transport	21.2	24.4	25.9	26.6
Sundry	21.3	24.3	26.1	30.5
2. Lump sums	4.6	3.2	11.4	3.5
b) Duties and consumption taxes	149.4	148.4	148.0	143.7
Duties	35.9	38.3	38.7	35.7
Tobacco	53.3	43.5	49.0	49.0
Beer	16.4	15.9	17.7	19.2
Brandy	13.6	18.0	11.0	10.2
Sugar	18.5	20.3	20.6	18.2
Wine	8.9	9.5	8.6	8.4
Sundry	2.8	2.9	2.4	2.5
c) Other levies	0.1	0.3	0.1	0.1
Total (a—c)	648.2	601.6	652.9	610.9

¹⁵⁾ Note: The figures being given in round numbers causes slight discrepancies between the separate items and the sum total.

The relation of income to expenditure¹⁸⁾ during the last few months was as follows:

Revenue and expenditure of the Reich in million Rentenmarks.¹⁹⁾

	Revenue			Expenditure			Balance
	Taxes	Admini- stration	Total	Trans- ferred	Admini- stration ¹⁹⁾	Total	
1924							
October	686,7	27,6	714,3	230,6	362,4	693,0	+ 21,3
November	672,1	27,3	699,4	242,7	446,7	689,4	+ 10,0
December	635,1	70,8	705,9	234,1	263,7	497,8	+ 208,1
1925							
January	768,8	23,2	792,0	199,9	436,0	635,9	+ 156,1
February	648,2	23,3	671,5	260,3	300,6	560,9	+ 110,6
March	601,7	19,7	621,4	251,6	365,5	617,1	+ 4,3
April	652,9	16,4	669,3	234,0	416,7	650,7	+ 18,6
May	610,9	11,4	622,3	238,2	401,4	639,6	— 17,3

The month of May already showed a deficit; as yet no data are obtainable with reference to June.

¹⁵⁾ "Wirtschaft und Statistik."

¹⁶⁾ Including property tax, Reichs Emergency Fund, and capital increment tax.

¹⁷⁾ Including Exchange tax.

¹⁸⁾ Totals are not quite exact owing to calculations being made in round numbers.

¹⁹⁾ Including expenditure for fulfilment of peace treaty.

Further developments in state finances will depend on the new taxation legislation.

The ruling classes are making a violent attack upon direct taxation. Their present slogan is: "the office collecting the taxes acts as a compulsory savings bank on a grand scale". The savings which should be put by the owners of undertakings flow into the state treasury, etc.

There is undoubtedly a renewal of efforts at saving. The following shows the amounts deposited with the Prussian Savings Banks.²⁰⁾

	Million gold marks
End of 1913	13,110
November 1924	332
January 1925	482
April 1925	682

The savings deposited have doubled within six months, without however rising to more than 5% of the amount in the savings banks in 1913.

The tendency to save will certainly have received no impetus after the disappointment undergone by the savers at the hands of the "Saviour" Hindenburg in the revaluation question*). Hindenburg and the German Nationals have flatly betrayed the middle class in favour of the bourgeoisie and agrarians. At the next election a million petty bourgeois will once more go over from the German Nationalist camp into the Social Democratic!

Foreign Trade.

During the past few months the German foreign trade balance has continued to be adverse. Foreign trade has been as follows:

	March	April	May	Jan. May
Imports		Million gold marks		
Total	1110.54	1080.94	1084.03	5764.80
consisting of:				
Foods and beverages	295.30	293.07	292.71	1544.41
Raw materials and semi-manufactures	570.25	541.63	520.59	2890.16
Finished goods . . .	164.13	160.35	167.34	904.48
Gold and silver . . .	73.64	73.99	90.45	380.50
Exports:				
Total	711.17	672.38	732.18	3444.50
consisting of:				
Foods and beverages	51.13	43.33	40.18	230.16
Raw materials and semimanufactures .	122.30	113.33	137.80	602.66
Finished goods . . .	533.05	511.36	549.05	2590.16
Gold and silver . . .	3.06	2.33	4.17	12.92

The foreign trade deficit has been as follows:

January	587	} Million Reichsmarks
February	441	
March	329	
April	337	
May	265	
1959		

These figures refer solely to the export and import of goods; the surplus import of gold increases the deficit to 2320 millions.

Another question is what will happen as a result of the cessation of foreign credits. There are two possibilities:

1. A great demand for foreign bills, resulting in rising rates of exchange, slight depreciation of the mark, but no increase in inland circulating media. The result of this would be scarcity of money, high rates of interest, falling prices, falling imports, increased exports. Or:

²⁰⁾ June report of the Disconto Gesellschaft.

*) This refers to the demand put forward by the middle class for the "revaluation" of small savings and securities which entirely lost their value owing to the inflation. Ed.

2. A great demand for foreign bills, rising rates of exchange, depreciation of the mark, shaken confidence, insufficient receipts from taxation, compelling the state to increase the circulating media in some manner in order to cover the deficit, leading in turn to fresh inflation, fresh depreciation etc. with the ultimate consequence, the coming into force of foreign financial control!

The next few months will show whether America is inclined to grant fresh credits, or whether the American bourgeoisie prefers to co-operate with the German bourgeoisie in driving the country into a fresh inflation crisis, for the purpose of revising the Dawes plan, pushing the Entente powers out of the business, and converting Germany into a purely American colony.

The Tariff Struggles and the Trade Agreements.

The main struggle has centred around the tariff policy to be pursued. Strictly speaking, it is incorrect to speak of a struggle, for the class-consciousness which unites heavy industry and the big landed interests long since decided the victory of high protective tariffs. The struggle has merely been carried on ideologically since the German Socialist Party and the trade unions refused to support a struggle of the masses against these new burdens.

Grain taxes against meat taxes: large land owners against the peasantry.

When we strip the conflict of opinion prevalent in the agrarian question of its demagogic trimmings, we find matters are as follows.

The interests of the corn-growing big landowner demand high duties on grain and fodder; the interests of the peasantry, who place little corn and no fodder on the market, but have to buy additional fodder when rearing cattle by intensified methods, demand duties on cattle, meat, milk, and butter, and on the other hand free imports of fodder and no duties whatever, or only very slight ones, on corn.

German Science — with but few exceptions — has expressed itself on the side of the peasants. And it need scarcely be said that the scientists deny having any class standpoint, and declare themselves, in substance, in agreement with Sering's ideas, sketched in an earlier report.

Scientific arguments are of very little help here however. The alliance between heavy industry and large land ownership is firmly established and dominates the situation. The large and medium farmers, the ideological champions of whom are Sering and Aereboe, remain mute; they have now to pay for their decades of organisatory association with the land union which is led by the big land owners.

The solution will obviously be a compromise at the expense of the consumer. Not only will the grain duties be formally or actually imposed, but the duties on animal products as well. It is clear that under these circumstances there will be more difficulty than ever in arriving at any trade agreement.

The Burden imposed on the Working Class.

The victims of the protective tariffs will, of course, be the workers, employees, the town population.

How great will the new burden be?

The following is an extract from an interesting calculation made by F. Baade, secretary of the Agrarian Enquiry Commission.²¹⁾

"The calculation has been made by the investigation board for economic policy, the index figures on the cost of living issued by the Reichs Statistic Office being employed to ensure the highest possible degree of accuracy. These index figures give the quantities of food required by a family of five persons, of moderate means; the quantities of bread, milk, potatoes, margarine, etc. These quantities are taken as a basis for calculating the increase in prices to be expected as a result of the duties. In cases where the effect of the duties cannot be foreseen with

²¹⁾ "Vossische Zeitung", 9. July 1925.

certainty, the possibilities are estimated with the utmost caution. The increased cost of living for a family of five persons consuming the minimum amount of food is shown by this calculation to amount to Mk. 149.90 yearly."

In Germany there are 10 million households not producing their own means of subsistence. The total burden falling on the consumers is one and a half milliard gold marks annually. Of this only about 300 millions will find its way into the Treasury in the shape of revenue from the tariff duties.

1200 millions remain to the agrarian and big farmer as profit. But out of this they have to pay a considerable amount to the capitalists in the form of increased duties on industrial products! The working class loses not only the Mk. 150 per year on the higher food prices, but suffers at the same time from the increased cost of industrial articles.

Intensification of the Struggle between Capital and Labour.

It is easy to foresee that under these circumstances an intensification of the wages struggles is inevitable in the near future. (The protective tariff has of course been accepted). The employers are getting ready; they are making a great outcry about the crisis, about the lack of dividends; they are demanding longer working hours and reduced wages, otherwise the currency will be endangered, etc. And although the trade union leaders are doing all they can to keep the masses quiet, there are sure to be severe struggles during the second half of the year!

England.

The English economic reports continue to speak, with wearying monotony, of the chronic crisis in English economic life. Here and there a ray of hope flickers up, but vanishes as quickly. The restoration of the gold standard has accomplished nothing towards improving the situation. The conviction is spreading more and more that the foundations of England's economics are shaken, and that the good old times before the war will never return.

The following are the problems chiefly disquieting the English bourgeoisie:

1. The growing unemployment.
2. The decreasing export of English goods.
3. The absence of capital increment for foreign investment.
4. The lack of any solution as to economic policy.
5. The issue of the great struggles taking place this year between capital and labour.

Unemployment.

We pointed out in our last report that whilst during the past few years unemployment had been decreasing from year to year — the corresponding months of the various years being compared — this year a change is observable: the number of unemployed has rapidly increased. The hope that unemployment was being liquidated, however gradually, has proved false. In June the percentage of unemployed was considerably higher than two years ago, in 1923.

	Unemployment in percentages of trade unions		of all unemployed	
	1924	1925	1924	1925
January	8.9	9		
February	8.1	9.4		
March	7.8	9		
April	7.5	9.4		
May	7.0	16.1		
June	7.2	12.3	9.4	12.2

The absolute number of unemployed in receipt of the dole on 6. July was

1,300,000.

This is greater by 275,749 than a year ago.

The unemployed are comprised as follows:

Men	1,016,700
Women	220,500
Youths	35,600
Girls	27,500

The increase in the number of unemployed is mainly due to the growing unemployment among the miners.

According to a statement made in Parliament on 14. July by the Minister of Labour, Maitland, unemployment has been as follows:

	Coal miners	others	total
End of June 1924	59.7	928	1041.7
End of October 1924	130	1103	1133
End of June 1925	315	1024	1339

We see that outside of coal mining the number of unemployed has increased but little, and has even decreased during the last nine months.

In Churchill's opinion an increase of 75,000 is due to the increased facilities introduced by the labour government in the granting of unemployment benefit.²²⁾ Before the war there were probably no less than 400,000 unemployed. The number of persons reaching the working age has increased by approximately 400,000. "The fact remains that at the present time there are more workers in employment than has ever before been the case, and that these — with rare exceptions — are being employed under better conditions and at higher wages than ever before."²³⁾

It is not merely the increase in unemployment, nor the heavy burden imposed by unemployed pay, which disquiets the bourgeoisie, but the "moral ruin" of the working class resultant on the chronic unemployment. A closer investigation shows that the increased unemployment is mainly among the men (coal mining), and that those out of work are chiefly skilled and capable workers.

England is thus threatened with the danger that one of the foundations of its industrial ascendancy, its skilled labour, will be lost by emigration, by disintegration, by lack of adequate successors. And nobody can find any way out of this situation.

The declining exports of English goods.

There is no imperialist country in the world whose prosperity is so utterly dependent on foreign trade as England. Thus the greatest uneasiness has been aroused by the figures as to foreign trade in the last few months, especially the figures referring to June.

These are as follows:

	In million pounds sterling		
	Imports	Exports	Import surplus
1924 June	88.6	72.0	16.6
1925 January	128.9	82.3	46.6
February	110.1	83.2	26.9
March	112.9	83.0	29.9
April	110.4	73.3	37.1
May	104.3	78.7	25.6
June	111.0	69.5	41.5
I. half year 1925	677.6	470.0	207.6

The lessened export is chiefly in the products of the branches of industry most depressed at the present time: coal, iron and steel, ship building, machine building. Foreign trade in iron and steel threatens to become adverse, as is shown by the following figures:

²²⁾ These facilitations are now not only to be cancelled, but severer conditions attached to the granting of benefit. The dole is not to be granted until six days (hitherto three) after the claimant is out of work. Among those to be excluded from the dole are:

Young people living with parents able to support them.
Married women whose husbands are in work.

Foreigners, with certain exceptions ("Nation". 11. July 1925).

²³⁾ From the speech by Churchill here mentioned.

Foreign trade in iron and steel:
("Economist", 16. May.)

	Imports	1000 tons Exports	Export surplus
1913 monthly average	186	414	228
1923 " "	110	360	250
1924 " "	202	321	119
1925 January	235	325	90
1925 February	235	299	64
1925 March	245	322	67
1925 April	274	298	24

The value of the export surplus has remained approximately unchanged, better qualities having been exported.

The causes of this phenomenon have been cleared up long ago. The recently published report of the commission appointed by the Macdonald government a year ago, under the presidency of A. Balfour and with the participation of various well known labour politicians, merely repeats what is generally known. The causes are:

- The diminished purchasing powers outside of England;
- The development of local industry outside of England;
- The supplanting of British goods by the goods of other countries.

This last point paves the way for a direct attack upon labour: wages are too high, working hours too short, the unemployed dole and poor law relief is the cause of too high taxation, the trade unions have too many rights, etc. These are the views which we hear expressed times out of number by the representatives of English capitalist interests. Every argument inevitably concludes with the necessity of increased exploitation of the workers! Innumerable articles seek to prove that the present high wages are rendering it impossible for the English capitalists to compete with the German and French.

No Capital for Foreign Investments.

England's trade balance has always been adverse; but the yield derived from shipping, banking business, from the political exploitation of the colonies, and the interest on capital abroad, have always sufficed not only to cover the deficit, but to enable the capital invested abroad to be constantly increased.

But the sums left over for investment abroad are becoming smaller and smaller. The trade balance is increasingly adverse, as follows:

	Mill. pounds sterling
1913	158
1923	203
1925 I. half year	208

The amount of capital invested abroad diminished considerably during the war. England has to pay the interest on its debt to America, but is not receiving a penny from its Allies. The thought that England is already living on its capital, that is, is falling into a deficit in its relations to abroad, is becoming more and more disquieting.

A compilation made by Sir A. Smith, president of the Employers' Association in the iron and metal industry, shows the amount of capital free for investment abroad to have been as follows:

	Mill. pounds sterling
1920	352
1922	154
1923	102
1924	29

Judging by the results of the first five months, the year 1925 will witness a minus of 25 million pounds sterling; this amount England will consume from its capital abroad. ("Economist", 26. June).

The possibility of investing capital abroad has also been much restricted by the high taxation, and by the increase of unproductive expenditure: increased administrative and military expenses, unemployment dole, poor law relief, etc.

The burden of taxation borne by the national income, according to various but not very divergent estimates, are as follows:

	National income in mill. pounds sterling	taxes percentage
1913	2300	163 7.1
1920	5600	1032 18.4
1921	3900	857 22.0
1922	3500	775 22.2
1923	3800	718 18.8
1924	3950	690 17.5

To this must be added about 4% municipal rates.²⁴⁾ The total is thus more than 20% of the national income.

At the same time the data for the current financial year show an increase of expenditure and a decrease of revenue exceeding that estimated by the budget; up to now the deficit amounts to 50 million pounds sterling. (Last year at this time to only 38 million pound sterling. At the beginning of the financial year in England, there is invariably a deficit, the direct taxes coming in later.) When the expenditure for the new cruisers so urgently demanded by the military wing of the Conservative Party are added to this, there will be a handsome deficit.

It is an actual fact that the visible capital investments abroad have greatly decreased during the last six months, but it is by no means clear whether this is a result of the embargo on loans abroad — as an outflow of gold might endanger the gold standard — or whether there is really a lack of free capital.

Fresh capital investments have been as follows:

	Mill. pounds sterling first half year			
	1913	1923	1924	1925
Total	120.3	181.3	105.6	112
Share of this for inland	20.3	92.4	44.4	78.7 ²⁵⁾
" " " " British possessions	43	52.2	38	28.1
" " " " foreign countries	57	36.7	23.2	5.1

We see that in 1913 of the fresh capital invested, one sixth remained at home, two sixths went to the colonies, and one half to foreign countries. 1925: four sixths at home, a small fraction abroad! Extensive investments of capital abroad have however always been one of the fundamental pillars of English economics and English imperialism.

The introduction of the gold standard demands great sacrifices from England, renders it dependent on America, enhances competition with Germany and France, and causes a prohibition of the investment of capital abroad. When a body is so diseased as English economics are at the present time, the disease only breaks out all the worse when an attempt is made to deal with separate symptoms.

The Hopeless Prospects of English Economic Policy.

The hopeless position of English economics is best characterised by the utter lack of any political economic idea as to finding a means of escape from the crisis. Nobody can think of any sensible proposal against unemployment or against the crisis in heavy industry, or in aid of the textile industry now working constantly on short time. The coalition government was followed by a conservative government, this by a labour government, and this again by a conservative government, but no new idea in economic policy has been brought forward all this time.

The sole positive factor to be observed is the gradual sliding into the protective tariff policy. The Mac Kenna duties were reintroduced on 1. July.²⁶⁾ Besides these there are duties

²⁴⁾ "Economist", 27. June.

²⁵⁾ The "Economist" of 4. July observes in this regard, that the greater part of newly invested capital at home has been put into industry and trade, which does not agree with the general pessimism on the possibilities of trade expansion.

²⁶⁾ The Mac Kenna duties are *ad valorem* duties, and amount to 33% on the following description of goods: clocks, clock works or parts thereof, cinema films, motor cars and cycles and their parts (with the exception of tyres), musical instruments. (The increased imports in June were due in part to the enhanced import of precisely these goods.)

on lace and gloves. Other duties are in course of preparation. General uncertainty prevails here as everywhere else. The "Economist" rightly observes that, the idea that the greatest trading nation in the world should have a well-considered and permanent financial policy has been quietly abandoned. (13. Juni.)

In our former reports we dealt in detail with the tariff question. We see that those branches of industry which are suffering most severely from the crisis — coal, iron, steel, shipbuilding, and cotton — derive no advantage from the protective tariffs, for these are industries expressly dependent on export. Only the formation of powerful cartels can increase profits once more, but even this cannot increase production.

The Struggle between Capital and Labour.

The most difficult problem facing the English bourgeoisie is the impending struggle with the working class. The struggle is inevitable, for the English bourgeoisie is so harassed on all sides that it can find no other means of escape than that of an attack upon the working class. But the English working class is well organised, and ready to fight, in spite of the wide-spread unemployment. The English bourgeoisie is entering the arena unwillingly. The Conservatives, headed by Baldwin, have done nothing for months past but preach class harmony to the workers, and to persuade them to give way without a struggle.

The catchwords of mutual understanding, co-operation, etc. are repeated without end. Their substance is: the workers are to make sacrifices.

In the coal mining and machine building trades the situation is extremely difficult, both for workers and employers; for the workers on account of the prevailing unemployment, and for the capitalists on account of the enormous scale on which they will have to take up the fight. The ferment among the English workers is greater at the present time than it has been since the Chartist movement.

These huge struggles, the general economic crisis, and the boycott of English goods in China, are the factors which make probable a further worsening of English economics in the immediate future.

France.

In our last report we intimated that in France too the days of continuous economic prosperity are at an end, unless a fresh depreciation of the currency should bring about an artificial revival. There is no exact crisis to be reported from France, no visible unemployment, but the beginnings of a crisis have been observable; this however has been checked by the renewed depreciation of the franc. This only shows what a severe crisis France will have to undergo when it makes a serious attempt at stabilising the currency.

Unfortunately, very few data are obtainable regarding French economic life, and such data as are available are always published very late. A few may however be adduced.

	Coal per day	Production	
		Iron 1000 tons	Steel
January	160,4	669	608
February	158,7	637	569
March	159,4	689	607
April	156,8	686,1	587
May	159,5	706,3	596,3

As is the case in Germany, the figures referring to heavy industrial production do not correspond to the alarming reports circulated by the press. There was no decline in production up to and including May. The number of coal miners employed sunk however by 1500 between April and May! The output of steel and iron already exceeds that of Great Britain!

The data as to foreign trade are of special importance. The figures relating to value of imports and exports show favourable conditions in the foreign trade balance.

Foreign trade has been as follows since January (in million francs):

	Imports	Exports
January	3172,6	3562,6
February	3346,4	3595,1
March	3306,7	3762,2
April	3051,0	3557,7
May	2968,7	3640,2
June	2991,1	3506,6
Total	18,836,5	21,624,4

The franc has however fluctuated so much that we must not place too much confidence in figures expressing values in French francs.

The data referring to commodities are more reliable for judging the actual degree of economic prosperity. Here we find a great decrease in the imports of raw materials during the first 5 months (data for June are not yet available), implying a corresponding decrease of production (even for the immediate future). Foreign trade, classified according to descriptions and quantities of goods, was as follows during the first few months of the year:

	January to May		Difference compared with 1924
	1925	1924	
Imports			
Quantities in 1000 tons			
Food	1,655	2,186	— 531
Raw materials	16,721	20,708	— 3987
Manufactures	542	682	— 90
Total	18,918	20,526	— 4608
Export			
Food	526	578	— 52
Raw materials	10,489	9,166	+ 1328
Manufactures	1,578	1,484	+ 94
Postal parcels	16	15	+ 1
Total	12,609	11,243	+ 1366

This huge decrease in the imports of raw materials, 4 mill. tons in 5 months, along with an increase in exports of 1,300,000 tons, yields a minus quantity of 5.3 million tons for French industry, or 25% of last year's total imports. This is a serious portent for the future.

Another sign of declining prosperity is the lessened receipts from the turnover tax. We do not however know what delay there is in the payment of the turnover tax, so that it is difficult to draw conclusions. The receipts have been as follows:

First three months of 1925	1099,6 mill. frcs.
4. and 5. months together	536 " "

The chief cause of the crisis is the fact that the economics of the country cannot permanently stand the costs of restoration and of the imperialist policy. The same process is being undergone as in Germany: a steady if gradual expropriation of the middle classes by means of inflation. The middle classes are now beginning to offer resistance against further expropriation; they are buying foreign securities, and are no longer disposed to place their savings at the disposal of the state or of the French capitalists. The following interesting series of figures show this tendency:

Issues made by the joint stock companies²⁷⁾ in mill. frcs.

	Shares	Debentures	Total	Deducted from this for restoration
1922	1378	13,192	14,570	8000
1923	2277	9,495	11,772	5000
1924	3694	3,509	7,203	1632
1925 (I. quarter)	237	25	262	—

"French savings, after having lined the state treasury on a magnificent scale after the war, and reviving business, appear to have shrunk to a ridiculously small sum²⁸⁾."

²⁷⁾ Figures taken from "Wirtschaftsdienst". 24. April 1925 ("L'Information". 30. May).

²⁸⁾ Ibid.

The same is to be observed in the case of the *bons de défense nationale*, which have been renewed less and less since October 1924 on falling due monthly.

During the last few months difficulties have been increased by a threat from the socialists as to the imposition of a capital levy. The capitalists at once began shifting their capital to foreign countries; mention was made in Parliament of 17 milliards which had crossed the frontier into Italy alone during the last few months. Other estimates calculate the total capital which has left France of late to be 30 to 35 milliard francs.

The end result of these developments is a genuine credit crisis, such as we have already experienced in other countries.

"The shortage of money is at the same time the cause of great difficulties to private undertakings. The issue of new shares and debentures has had to be stopped altogether, as the capitalists are showing little inclination to invest their capital in French securities At the present time it is hardly possible either to discount a bill or to obtain a bank credit. For the latter 18% has to be paid as a rule, 12% being interest, 5% risk premium against depreciation of the franc, and 1% stamp²⁹⁾."

Conditions are now even worse, but temporarily alleviated by an increase in the notes in circulation from 41 to 51 milliards.

In any case, it appears to us that French economics have arrived at the point where the favourable effects of the inflation are beginning to give place to the opposite. And whether the inflation policy be continued or a stabilisation be striven for and obtained, in any case French economics are now starting on a path considerably less smooth than hitherto.

Italy.

The most important event in Italy's economic life in the period under report has been the extreme depreciation of the lira, following that of the franc. As much as 144 lire have been paid for the pound. The rate has remained fairly stable for some weeks at 130, as compared with 100 six months ago.

It appears to us that the essential cause of the depreciation of the lira is the same as that of the franc: the economic base is too weak to bear the expensive military and imperialist superstructure. Hence the burden of the same can only be borne by means of an inflation which expropriates the middle classes. The balance of economic is extremely unstable, and any external impact, such as the demands made by the United States and England for the consolidation of the interallied debts, or the threatened conflicts in the Mediterranean — Morocco war, Tanger question, etc. — suffices to bring about a fall in the value of the currency. This fall has come about the more easily on account of the extremely adverse foreign trade balance of the last few months, a factor which must also be added to the "technical" causes of the depreciation described by Einaudi.

During the first few months of 1925 foreign trade was as follows³⁰⁾.

	In mill. lire		
	Imports	Exports	Import surplus
January	1828	1119	709
February	2073	1403	670
March	2587	1480	1107
April	2600	1343	1257

For the sake of comparison it may be mentioned that in 1924 the adverse foreign trade balance was only 1466 millions during the first four months of the year. The difference is due to the increased import of food, which is partly a consequence of the poor crops.

As against this import surplus there is a foreign credit obtained by the government from Morgan in America, to the amount of 50 million dollars, corresponding to about a milliard lire. There are no data showing whether this loan has already been applied and is exhausted. But in no case does it suffice to make good the adverse trade balance. Having regard to the unfavourable conditions obtaining in industry all over the

world it is probable that this balance has been equally adverse in the last few months as in March and April. This appears to be the immediate cause of the fall of the lira.

The financial position of the state itself — if the statements of the Fascist Minister of Finance are to be believed — is extremely favourable. The national debt has been as follows³¹⁾

	Milliard lire
30. September 1923	96.53
30. April 1925	91.01

The inter-allied debts are obviously not included in these figures.

There is nothing important to be noted with regard to the note circulation up to the present. This has been:

	Million lire
1. January 1925	20.514
20. May 1925	19.441

A second rise in the bank rate and extensive reduction of credits are aimed at continuing to prevent an increase in the notes in circulation.

State finances show a surplus of 2497 lire for the first nine months of the current financial year, up to 31. March 1925; thus no danger to the currency threatens from this side.

Economic conditions do not appear to have grown worse in any way during the last few months. The crisis in heavy industry has enabled Italy to keep its coal and iron trade afloat by cheap prices. Low wages and depreciating currency increase its competitive capacity in the world's markets.

Unemployment has been as follows, according to the statements issued by the insurance authorities³¹⁾:

1. January 1925	150,449
28. February 1925	156,659
31. March 1925	142,552
30. April 1925	126,521
31. May 1925	101,405

Of the 49,000 who have found work since January
24,000 are agricultural labourers,
19,000 building workers.

In industry itself unemployment has maintained the same level.

The figures characterise the course of unemployment, but not the absolute number of unemployed, which is certainly much greater. Emigration to the United States, and to Canada, Brazil, and Argentina, has declined owing to the restrictions placed everywhere upon the immigration of Italians. This is bound to lead to increased unemployment at home, and at the same time will diminish the amount of money remitted home by the emigrants, thus again damaging the payment balance.

The other European Countries.

In the other countries of Europe conditions have changed but little in the period covered by this report. Stabilisation continues in Poland, Austria, and Hungary. It is probable that the favourable crops in almost all European countries will bring about a certain improvement in economic conditions, especially in the agrarian export countries of the Danube basin. Provided, of course, that the fall in the price of corn does not cause too great a disparity between its price and those of industrial products. The main lines of economic policy: the setting up of tariff walls on the one hand, and indebtedness to foreign countries and passing of capital into foreign hands on the other, are still being pursued.

The United States.

The spring depression, an economic condition peculiar to America for the last three years, still continued during the period dealt with in this report, but appears to have passed its culmination. This depression has been by no means so se-

³⁰⁾ Statement made by the Minister of Finance at the session of the Chamber held on 3. June.

³¹⁾ "Corriere Mercantile". 11. July.

²⁹⁾ "Wirtschaftsdienst". 3. April 1925.

rious this year as in 1924. This is shown by the following general indications of the degree of prosperity:

	Index of industrial products. Federal Reserve Board.	Index showing proportion of workers in work.	Loaded waggons. Last week of month.	New building orders mill. doll.
May 1924	104	96	—	420
January 1925	127	95	—	309
February 1925	124	96	909	311
March 1925	120	96.4	931	491
April 1925	119	96	959	568
May 1925	111	95	986	496

In round figures, production has fallen off by 16%, reckoned from January. The index figure showing the degree of employment remains unaltered. We have often drawn attention to the disparity between these two series of figures. We have already adduced data, in the general section, which show the actual unemployment to be greater. The striking revival of building activity has come as a surprise to the American political economists themselves. The increased number of loaded goods trucks is also to be ascribed to this last factor.

With regard to the individual branches of industry, those in connection with the building trade are the most flourishing. The following table gives some of the most important production data:

	Soft coal mill. tons	Anthracite 1000 tons	Iron 1000 tons	Steel 1000 pieces	Motor cars	Cotton consumption 1000 bales
April 1924	29,5	6,8	3233	2576	346	479
May 1924	31,2	7,7	2615	2061	286	414
January 1925	51,9	7,4	3370	3263	213	590
February 1925	39,0	7,2	3214	2932	253	550
March 1925	37,6	7,1	3564	3336	332	582
April 1925	33,7	7,5	3259	2858	391	597
May 1925	35,9	8,2	2931	2754	383	531

We see that production has increased all along the line as compared with the corresponding months of last year. On the other hand, the decline is fairly considerable when compared with January. This is most strikingly observable in the iron and steel industry, where — as is to be seen from the fewer orders received by the steel trust even the reduced production exceeds the demand. The following figures give an idea of the situation:

	Orders on hand steel trust. 1000 tons	Blast furnaces working. beginning of month
January 1925	5037	251
February 1925	5285	254
March 1925	4864	245
April 1925	4447	220
May 1925	4050	196
June 1925	3710	—

The further development of the economic situation depends greatly on the result of the crops of the most important agricultural products. An excellent cotton crop is already certain; the yield will exceed last year's by 13 million bales. As to the grain crops, the official estimates give much lower figures than last year's. It is however not yet possible to form any definite judgment, as the estimates are generally much below the actual crops. But in any case the crops are likely to be not inconsiderably less than in last year, and since prices are anticipated to be low, this will mean a worsening of the position of the farmers, and in consequence all-round worsening of economic conditions.

Despite the Spring depression, the economics of the United States are none the less in a robustly healthy condition, and are yielding a wealth unattainable under European conditions. A population numbering 6% of the globe is producing and consuming more than one half of a number of most important commodities: coal, iron, steel, copper, petroleum; cotton and silk; motor cars and films. And although further development is being hampered by the decay of European capitalism, American economics are nevertheless still following a rapidly ascending path.

The general economic prosperity of the United States is evidenced by the condition of state finance.

The figures for the financial year ending June 30. are as follows, according to the report issued by the secretary of state Mellon³²⁾:

	in mill. dollars
Revenues	3780
Expenditure	3530
Surplus	250

The budget had only estimated a surplus of 67 millions. The national debt was reduced by 735 dollars in the course of the year. At the present time the national debt is

20,513 million dollars

in round figures 180 dollars per head of the population. On the other hand — as shown in the general section — the United States possess net claims on foreign countries to the amount of

17,000 million dollars,

so that the inner national debt is covered by this.

It may perhaps be of interest to note that in 1923 there were 7,698,321 persons in America paying income tax on an income totalling 26,336 million dollars. There were 74 persons paying income tax on a yearly income of over a million dollars.

Foreign Trade.

Foreign trade has developed as follows:

	in mill. dollars		
	Imports	Exports	Import surplus
January	346	446	100
February	333	371	38
March	385	453	68
April	349	399	50
May	328	370	42

We thus observe an export surplus of 298 million dollars in the first five months of the year, as compared with 207 million during the like period last year. During these five months exports amounted to 2039 million dollars as compared with 1783 million last year. Export of goods shows a tendency to rise from year to year.

As compared with this, the export of gold has fallen rapidly. This has been as follows (gold import being deducted):

	mill. dollars
January	69
February	47
March	18
April	13
May	2

The eleven months of the current year show a net export of 112 million dollars, an exceedingly small sum in view of the enormous gold reserves possessed by the United States.

The Investment of Capital Abroad.

The extremely favourable foreign trade balance, the export of gold, and the receipt of interest on the capital invested abroad, render the investment of further capital in foreign countries an imperative necessity. According to a statement — which cannot however perhaps be taken to be finally correct³³⁾,

"52 million dollars were lent during the first half of 1925, this signifying an increase of 380 million dollars as compared with the first half of 1924. These loans have been distributed:

	mill. dollars
Europa	237
Latin America	151
Canada	132
Asia	36

³²⁾ "Financ. and Comm. Chronicle" 4. 7. p. 33.

³³⁾ "Börsen Courier", 25. July.

The share allotted to European companies has been 48 million dollars, of which German industry alone received 36 million dollars.

The amount of fresh capital invested at home and abroad during the first half of 1925 reaches a total of

2844 millions³⁴⁾.

Should these figures be correct, the share of this capital invested abroad is fairly high, in round figures 20%.

The possibility of being able to invest capital abroad, the fact that, apart from a few small neutral European states, all the countries in the world are dependent on American loans, the tremendous economic power of the United States — all this makes America the decisive imperialist force of the world, however carefully this fact may be veiled by the catchword of "non-interference in European Affairs", non-participation in the League of Nations, etc. Every important world-political decision of the last few years: the Washington disarmament conference, the Dawes plan, the London agreement, all have come about under the decisive influence of the United States. England's return to the gold standard has also been accomplished with the concurrence and support of the United States. At the present time United States play almost the same decisive rôle in the world's politics as Great Britain before the war. This is evidenced by the retreat of England and Japan in China, and by the forced agreement to the China conference.

"The United States are in favour of peace"; this we are told again and again in every speech and proclamation. **America demands peace, disarmament, conferences, from the other nations, but for its part it goes on quietly with the most extensive chemical and technical war preparations.** It demands peace from the others, and makes peace a condition for the further granting of credits. And in actual fact it is anxious for peace, at least at the present moment, for it hopes that its financial and economic supremacy will suffice to gain it its imperialist ends even without resort to war!

III. Asia.

The events in China have become the centre of world politics. Asia is coming more and to the forefront of the general interest. It is upon Asia (and South America) that the bourgeois economists, hoping for a fresh revival of capitalism, are concentrating all their hopes.

As a matter of fact, Asia appears to offer enormous possibilities of development for capitalism. Its population of 1000 million exceeds by far all the other parts of globe put together. Only a very small section of this tremendous population is beyond the reach of colonial exploitation. **Siberia and Central Asia form a part of the Soviet republics. Japan** with its population of 60 million souls forms the sole imperialist state of non-European origin. Since the war **Turkey** has gained political independence at the cost of a severe struggle. But the overwhelming mass of this vast population, 800 to 900 million human beings, appear to be an easy prey for the imperialist powers. Despite their old and frequently very advanced civilisation, these peoples, the Chinese and Hindu races, have proved rather helpless up to now against European "culture of arms", and appear to offer an incomparably rich field of exploitation, if they can only be brought completely beneath the yoke of capitalism.

And not only are enormous reserves of human material to be found in these countries, but the requisite material means as well. Great stores of unexploited natural wealth: coal, iron, endless forests, huge rivers; unlimited possibilities.

To be sure, the white "bearers of civilisation" have a tremendous "task" before them in order to convert all these vast possibilities into actual profits for the capitalists of the imperialist powers. The demand of these great masses of human beings for the goods produced by capitalism is very limited: the sum per head of the population is infinitesimally small. And besides this these "unreasonable" peoples are putting up an ever increasing resistance to the intrusion of the capitalist bearers of civilisation; they prefer to make use of the antagonism of interests prevailing among the imperialist powers for the purpose of preserving their independence, and to turn for support to the sole non-capitalist great power,

³⁴⁾ "Economist", 4. July. Statement made by the American bankers Dillon Read & Co.

the Union of Soviet Republics. **It appear as if the fate of world capitalism is going to be decided in Asia.** Either the imperialist powers, suppressing their mutual antagonisms for the moment, will succeed in establishing and extending their dominance in Asia, and in thus isolating the Union from the South and the East, or a fresh world war will arise between the imperialist world powers for predominance in Asia, followed by a fresh stage of world revolution, or the **Asiatic peoples, will emancipate themselves** — perhaps at the very outset under the hegemony of the proletariat — **from the yoke of the imperialist exploiters**, thus depriving the already shaky capitalist state of society of one of its pillars, and depriving the bourgeoisie of the colonial powers of the possibility of employing colonial surplus profits for the purpose of buying over sections of the upper strata of the proletariat at home for the imperialist regime. These are the most important possibilities of further development

This overwhelming significance of Asia in the present and immediate future renders it imperatively necessary to have detailed current information on Asiatic economic life. But unfortunately we have no opportunity of obtaining this. The lack of knowledge of Asiatic languages in our circles renders us dependent on the one sided and falsified accounts contained in books and newspapers published by the imperialist powers in their own interest. It is only occasionally that some important fact can be fished out of this tissue of lies. The statistics which appear are incomplete, are published late, and are inconsistent and falsified. We are thus not able to do more than outline the general developments, in so far as this can be done by the application of Marxist methods to this jumble of falsehood.

The most important facts appear to be the following:

1. Asia is making rapid progress in capitalist development.

It is passing from the stage of natural economy to that of commodity economy, from handicrafts to capitalist big industry; from self-sufficiency to interlocking in the world's economies. We give data referring to the separate States.

2. The importance of the Asiatic market for the imperialist world powers is therefore rapidly increasing. This is shown by the following data:

		In millions			
		United States (dollars): (Fin. Chr. 925, p. 311.)			
Imports from		1913	1922	1923	1924
Japan	98.9	354.3	346.9	340.1	340.1
China	40.1	134.6	187.6	117.9	117.9
India	70.4	91.2	128.0	103.3	103.3
Dutch Indies	5.0	34.4	54.9	57.5	57.5
Straits Settlements	24.6	93.8	153.8	148.1	148.1
		239.0	708.3	871.2	766.9
Exports to		1913	1922	1923	1924
Japan	62.5	218.5	264.2	250.3	250.3
China	25.3	100.3	108.6	109.2	109.2
India	11.0	30.7	30.2	34.9	34.9
Dutch Indies	3.4	8.1	12.1	14.5	14.5
Straits Settlements	2.9*)	5.6	7.4	7.5	7.5
		105.1	363.2	422.5	406.4

*) Average 1910/14

		England (pounds sterling):			
Imports from		1913	1922	1923	1924
Japan	3.8	7.5	6.8	7.5	7.5
China	2.9	6.6	12.3	13.8	13.8
India	36.1	38.2	—	79.0	79.0
Dutch Indies	3.4	8.9	—	12.1	12.1
Straits Settlements	15.9	8.0	10.7	10.6	10.6
		62.1	69.2	—	123.0
Exports to		1913	1922	1923	1924
Japan	14.5	24.2	26.4	26.9	26.9
China	14.8	23.0	18.6	20.4	20.4
India	70.3	92.1	—	90.6	90.6
Dutch Indies	7.2	9.6	—	8.0	8.0
Straits Settlements	5.8	6.6	7.8	8.3	8.3
		112.6	155.5	—	154.2

Japan (yen):

Imports from		1913	1922	1923	1924
China		61.2	186.3	204.7	—
India		173.2	254.1	305.7	—
Dutch Indies		37.4	71.8	73.0	—
		271.8	512.2	593.4	—
Exports to		1913	1922	1923	1924
China		154.7	333.5	272.2	—
India		29.9	97.2	99.6	—
Dutch Indies		5.1	47.4	40.6	—
		289.7	478.1	412.4	—

These figures show a great increase in trade with Asia, especially on the part of the two imperialist powers situated on the Pacific Ocean, Japan and the United States. England has not been able to keep pace, especially in export. Whilst the exports of the United States have risen by more than 300% since 1913, that of England has risen by scarcely 40%. Germany, after having been removed from the ranks of imperialist powers by the great war, has here also been pressed into the background.

Germany ³⁵⁾ (million marks)

	Imports from		Exports to	
	1914	1924	1914	1924
Japan	46.6	17.6	122.7	144.0
China	130.5	127.2	122.9	114.3
India	541.8	397.8	150.7	151.9
Dutch Indies	227.6	246.6	98.6	65.7
	946.5	789.2	494.9	474.9

In 1914 German exports to the chief countries of Asia exceeded that of the United States; in 1924 the export of the United States is almost four times that of Germany!

Asia's importance as a market for the sale of goods from the capitalist countries has also relatively increased, in comparison with the total exports. Exports have been as follows:

United States (mill. dollars):

	Total	To Asia	%
1913	2.166	121	5.6
1924	4.590	515	11.2

Germany (mill. marks):

	Total	To Asia	%
1913	10.097	548	5.5
1924	6.568	511	8.0

The restrictedness of the world's markets as compared with productive capacity renders it inevitable that there should be a struggle of ever-growing acuteness around this rapidly expanding market. If we regard the process of the linking up of the chief countries of Asia with the world's economics, as viewed from these countries, we get the following picture:

Foreign trade of the most important Asiatic countries:

	Japan		China		India		Dutch Indies	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	Mill. yen		Mill. H. taels		Mill. rupees		Mill. fl.	
1910	460	454	463	381	1.246	2.060		
1913	726	629	570	403	1.833	2.412	437	614
1919	2.125	2.050	647	631	1.833	2.898		
1922	1.847	1.594	945	655	2.394	2.792	691	1.136
1923	1.982	1.448			2.276	3.488		
1924		1.807			2.467	3.849		

It is to be regretted that these data have been published so late; even now figures are lacking for 1923 for some countries. It would however appear that the development is slower than when viewed from the side of the imperialist great powers. This means that these latter are appropriating a growing part of the trade of Asia, at the expense of the non-imperialist countries.

This is shown by the following table, which gives the share of the most important states in Asiatic trade, in percentages. The latest data unfortunately only refer to the year 1922. The rapid penetration of Japan and the United States is observable, and the falling behind of the European countries:

Participation of the imperialist powers in the foreign trade of the most important Asiatic countries (in percentages):

Japan.

	Imports from		Exports to	
	1913	1922	1913	1922
United States	16.8	31.5	29.2	44.7
England	16.8	12.3	5.2	3.3
France	0.8	1.0	9.5	4.8
Germany	9.4	5.9	2.1	0.2
Italy	0.2	0.2	4.6	0.3
India	23.7	13.4	4.7	5.9
China	8.4	9.9	24.4	20.4

China.

	Imports from		Exports to	
	1913	1922	1913	1922
United States	6.0	17.3	9.0	15.0
England	16.5	14.9	4.0	5.9
France	0.9	0.5	9.7	6.1
Germany	4.8	2.5	4.1	1.5
Italy	0.1	0.2	2.1	0.9
Japan	20.4	23.7	15.9	24.1
India	8.3	4.4	1.5	1.5

India.

	Imports from		Exports to	
	1913	1922	1913	1922
United States	2.7	6.1	8.9	11.1
England	64.2	60.3	23.5	21.2
France	1.5	0.8	7.2	5.0
Germany	6.9	4.7	10.8	7.6
Italy	1.2	0.9	3.2	3.1
Japan	2.6	5.5	2.3	4.4
China	0.9	1.2	2.3	4.4

3. Besides increasing in importance as a market for goods, Asia is becoming more and more a market for the investment of capital. Here again two neighbouring imperialist powers, the United States and Japan, have succeeded in taking the lead. England, formerly the largest holder of invested capital in Asia, has now fallen behind America and Japan in the investment of fresh capital. At least so much is to be gathered from the incomplete data at our disposal.

4. A point of special importance is the development of a national bourgeoisie and of a real industrial proletariat in the countries of Asia. In Japan this process is already completed; in India and China it is only beginning. The rise of these new classes imparts a special character to the political life of these countries. The proletariat stands wholly for the idea of national emancipation, which at the same time signifies to a great extent social emancipation. The new national bourgeoisie is vacillating; in its character as bourgeoisie its interests coincide with those of the foreign bourgeoisie against the native proletariat; in its character as national bourgeoisie oppressed by foreigners, its interests coincide with those of its own proletariat, and of the whole mass of the oppressed peasantry. This dual standpoint prevents the bourgeoisie of China and India from leading the fight against imperialism with full force; the possibility thus arises that the young proletariat of these countries may carry out the social revolution simultaneously with the national revolution.

³⁵⁾ "Wirtschaft und Statistik" 1924. No. 8.

We have however too little insight into the actual conditions to be able to form a judgment on this question.

China.

The events of the last few months have caused China, to be the centre of public interest. It is obvious that it is around the Chinese question that imperialist antagonisms will come to a head, within the next few years.

The absence of any reliable statistical data unfortunately renders it hardly possible to give an idea of the economic conditions in China. The sole field of statistics to which any attention has been paid is that dealing with the subject of most interest to the imperialist powers — foreign trade. Under these circumstances we must content ourselves with sketching general outlines.

To us it appears that the main problem consists of the manner in which the vast masses of the Chinese people will react to the intrusion of the imperialist powers. Will the development be analogous to that of the Japanese? That is: **will a Chinese capitalism develop as a reaction to the influence of imperialist pressure, and the Chinese people emancipate itself from imperialist pressure under the leadership of the Chinese bourgeoisie?** Or will China succumb to imperialist pressure? **Will it continue to be dismembered by the various imperialist powers, and be the scene of a mighty struggle for the division of the spoil among the powers concerned? Or will the resistance of the Chinese people against imperialist subjection be led at once by the Chinese proletariat, and national emancipation made to coincide, in some way not yet clear to us, with social emancipation?** These are the great problems on whose solution depends not only the fate of the Chinese people, but to a great extent the further course taken by the revolutionary movement all over the world.

We have just referred to the continuation of the dismemberment of China. It is an actual fact that during the last few decades sections of the great Chinese Empire have been successively torn away from it by the imperialist powers. If we look at the map of China, we find the border areas indicated in bright colours showing that imperialist powers have appropriated this or that part. In the South, France has divided off several provinces under the name of Indo-China. Japan has taken Formosa, Corea, and (if not formally) parts of Manchuria. England has only occupied a few positions on the coast but these are most important from the standpoint of strategy and foreign trade. Tsarist Russia before the war laid its hand upon the whole of Manchuria. Germany had seized upon the Kiao-chou area, where it was supplanted during the great war by Japan. Of all the present great powers, the United States alone have not yet seized upon any part of Chinese territory.

If the United States have abstained up to now from appropriating a section of China, their abstention has not been out of love for the Chinese people. In China the United States pursue the same policy as in Europe, the policy of the so-called "open door." That is, they are not content to take part as equals with the other powers and merely seize upon a piece of territory for themselves; they aim at grabbing the lot. And if of late they have given the impression of siding with the Chinese against Japan and England, in the question of the ex-territorial rights of foreigners in China, they are only doing this in the hope that, when all have equal rights over the whole area, their economic supremacy will enable them to become actual rulers of this vast country. They do not stand for the liberty of the Chinese, but merely oppose special privileges for England and Japan, the chief hindrances to American expansion in China. Their present policy is the consistent continuation of the policy of the Washington Conference, according to which England was forced to dissolve its alliance with Japan, and Japan was obliged to evacuate the former German territory which it had occupied in China, as well as Manchuria.

Besides the districts completely appropriated by the imperialist powers, certain districts of the most important Chinese cities have been occupied by foreigners under the name of concessions, so that in actual practice all centres from whence communication is carried on with abroad are in the power of foreigners.

The enslavement of China by the imperialist powers is of course being carried out under that most hypocritical of pretexts, the introduction of European civilisation.

The Inner Transformation of China.

Despite the meagre information which we obtain with regard to the inner economic life of China, it seems at any rate clear that the process of capitalisation is proceeding at a rapid pace. The lack of order so condemned by the imperialist powers, the absence of a central government controlling the whole realm, the disintegration of the country into separate parts under the special government of separate generals, is by no means inconsistent with this capitalisation. We must not forget that the Chinese population numbers about 400 million human beings, and that even were it divided into ten parts the result would still be States with a population of 40 millions, countries as large as the large states of Europe. What appears to be going on in China is the development of separate states of a size corresponding to the present stage of development of productive forces in China. The former unity of the whole realm was a unity based upon a foundation of feudal economics, and the rapid transition to the methods of capitalist economics renders a return to the old unity impossible.

On the other hand, the imperialist powers are themselves in part to blame for the fact that no central government can be formed in China. The imperialist powers have confiscated the most important and sure sources of revenue of the central government, the duties and salt tax, for the purpose of covering the interest on the foreign loans. On the other hand, they have taken it on themselves to limit these duties to 5% of the values taxed. At the present time there is no state in the whole world with such low duties as China. It is thus the imperialist powers themselves which artificially condemn the central government to impotence, and utilise this fact for the purpose of causing internal confusion in China, to the end that they may buy the separate military leaders, and make further preparations for the division of the great empire among themselves.

Under these circumstances it is no wonder that the present Chinese government is in continual financial difficulties. It is a well known fact that in 1920 the whole of the leading banks of Great Britain, France, America, and Japan combined to form a "China consortium" enabling them to dictate the conditions for loans. For two year new loans have been refused on the pretext of the impotency of the central government, and further loans granted only for special purposes, for instance, railway building, provided the railway is kept under European control.

The development of the railway system is the most important prerequisite for opening up China for its exploitation by foreigners. The lack of means of transport is the greatest obstacle in the way of China's inclusion in the world's economics. The whole of the railways possessed by this huge country are not more than about 12,000 kilometres in length, approximately the same as in Belgium. It is for this reason that in spite of the great confusion in the country, foreign money is still invariably forthcoming for railway building in China.

The process of transformation into a capitalist state is assuming those same forms already known to us in the history of Europe. The descriptions given by Marx of the conditions obtaining at the commencement of English capitalism may be applied almost word for word to the conditions in the Chinese factories at the present day. The detailed quotations given below are free from any suspicion of communism. They are chiefly from Sherwood Eddy's book: "The New World of Labour", London 1924. The author is leader of the American young Men's Christian Association, an organisation standing for the principle of harmony between capital and labour. The author, after first preparing himself thoroughly, spent three months in China, and received full support from all foreign organisations.

"An investigation into the wages, working hours, and working conditions in China, shows these to be worse here than anywhere else in the whole world. The twelve hour day prevails in almost all the new factories. The working day in the primitive Chinese industries is to 12 to 17 hours, in many cases 18 hours, seven days a week. In

* The extracts following are retranslated from the German.

many silk and cotton mills children from six to twelve years old are employed. The wages received by these children vary from about three to 12 cents a day.

There are many hundreds and thousands of apprentices receiving nothing but their food, which costs about 6 cents a day. As a general rule no compensation whatever is granted for accidents or fatalities. The most dangerous machinery is left unguarded in the Chinese factories, and accidents are frequent.

"We visited a match factory under Chinese management in North China. We were told that it was the best of its kind in the town, and its owners demand that all match factories should improve their working conditions in the same manner. We found 1100 workers in this factory, mostly boys of 9 to 15 years old, who worked from 4 o'clock in the morning till half past 8 in the evening, with short breaks for meals. The average working hours are 15 daily, seven days a week, with no Sunday rest. The poisonous gases of the white or yellow phosphorous inflamed our lungs within half an hour." (Page 19.)

"We visited a Chinese weaving mill, where fabrics were manufactured on primitive hand looms. At the present time there are 15,000 boys in this town employed on these looms. In normal times 25,000 were employed, but now many are out of work. One of our guides informed us that in most factories the workers generally work 18 hours a day, from 5 in the morning till 11 at night, with short pauses for meals, seven days a week. The greater part of the boys are apprentices, and received no wages beyond their food. They receive no education.

We visited a spinning mill, where thousands of workers work from 5.30 in the morning till 6 in the evening. Here mothers work with their infants lying beside them on the floor. The children learn to work at the same time as they learn to walk. They manipulate the silk cocoons in hot water, and the employers declare that the nimble hands of the little children are best adapted to this work." (page 22.)

"In a petition sent by the striking miners to the management of the Kailan mine we read:

The administration treats us with the utmost severity, just as if we were robbers. With regard to our dangerous work in the mine we are treated with less consideration than a horse or mule. If a horse or mule is killed, the administration has to pay 100 or 200 dollars compensation; but if a workman is killed the administration does not pay his family ever 50 dollars. If a workman meets with an accident, he is discharged, no concern being shown as to whether he will live or die. But if an accident happens to a horse under the superintendence of a worker, the worker is fined by the administration. The life of the worker is looked upon as valueless." (page 29.)

This representation of the conditions in China is almost parallel to the descriptions which we can read in "Capital". The following demands for reform as regards child labour, brought forward at the beginning of April by a town councillor at Shanghai, show that conditions have not changed during the last two years³⁶⁾:

a) A prohibition is to be issued, valid for five years, against the employment of children under twelve years in a factory or industrial undertaking.

b) After the lapse of four years children under twelve years are not to be employed in industry.

c) Children under fourteen are not to work for longer than twelve hours out of twenty four in industrial undertakings.

d) Children under fourteen are to be granted one full day of rest of twenty four hours at least once every fortnight.

These modest demands were however not granted.

This shameful exploitation of child labour is carried on not only in the Chinese factories, but in the English and Ame-

rican as well. The English seek to cloak the matter by declaring that conditions are better in the English factories than in the Chinese. But even this is not true, as evidenced by an article by Buxton, published by the "Times" on 18. June, showing that according to the data furnished by the English Blue Book on child labour in Shanghai, it is precisely in the English factories in Shanghai that the greatest percentage of children are employed.

A masterpiece of English hypocrisy is the justification of child labour in the factories given by Edward F. Mackay in "The Times".³⁷⁾ He states that the factories owned by foreigners in Shanghai, mostly cotton and silk factories, employ female labour on a large scale, the work being light. The men are mostly employed in the docks or as rickshaw coolies. When the mother goes to work, she finds that she has to take the children with her, as there are no Chinese schools in which to send them. The existing schools are too expensive . . . When the children come into the factory with their mother, the factory owners give them some light occupation, on the request of the mother (!), chiefly to keep them out of mischief (!), but the writer declares that, never in his conversations with foreign factory owners did he find that they were desirous of having children in their factories. What would happen, he asks, to the children to whom the British or other foreign firms would refuse admittance? The mothers would go and work in the Chinese factories, which would gladly engage them. The British factories suffer from their altruistic efforts, and may perhaps be ruined by the excessive working costs, but this would not solve the question of child labour in Shanghai.

We thus see that the exploitation of little children is carried on by the English factory owners for purely humane and educative purposes.

All these data reveal the well known conditions incidental to the transition to capitalism. The question as to where these great masses of workers come from is not quite clear. Large areas of China are as densely populated as the most densely populated districts of Europe, and even the garden like cultivation of the soil does not suffice to sustain this gigantic population. It is not clear how this population maintained itself before the penetration of capitalism. It is probable that up to date textile industry has thrown great masses of former handspunners and weavers out of work, so that there is a great superfluous population. We are unfortunately not in a position to judge whether inner changes have taken place in the agrarian conditions which have also tended to release labour power.

One thing is however certain: there is a great tide of emigration towards the northern border districts, towards Manchuria and Mongolia, where the transition to capitalism is evidently being most rapidly accomplished. It is hardly by accident that of the two great military chieftains **Chang Tso-Lin** has established himself in Manchuria and **Feng in Mongolia**. In a particularly interesting article by the Peking correspondent of the "Frankfurter Zeitung" we read the following:

"What is Manchuria? Manchuria comprises an area of nearly 500,000 English square miles, with a population of more than 28 millions. It still possesses untilled fertile arable land of such a vast extent that even cautious estimates calculate it to be capable of supporting an agricultural population of 80 millions. Agriculture is its economic backbone and will probably remain so. It is a district of China most eminently adapted for colonisation, and its increase in population through emigration runs into the hundreds of thousands yearly. The agricultural output can already be estimated at about 12 million tons of grain and beans alone, of which 20 to 25 % are exported. Agriculture is however entirely in Chinese hands, and is likely to remain so. Here the farmer differs from those in the other Chinese provinces in being a big farmer, seldom putting a hand to the work himself, and possessing more the character of a landowner, having his land cultivated by agricultural labourers, in part season workers from Shantung or Corea. Rudiments of large landowning with attendant tenant farming are also observable. Much capital is accumulated in agricultural circles, and has led to the formation of rural savings

³⁶⁾ "Japan Chronicle", 18. April 1925.

³⁷⁾ Edward F. Mackay in the "Times" of 17. June.

banks and agricultural banks, which advance money on mortgage — another innovation in China — permitting of the expansion, and in future, perhaps, of the intensification, of agriculture.

Thus the agriculture of Manchuria places a powerful force for the formation of capital in the hands of the Chinese population. How effective this force is, may already be seen today in the appearance of the well-cultivated fields and well kept farms, and in the fact that a large number of long distance stations are supplying electric current to villages and farms within a radius of 60 or even 100 kilometres. The accumulation of capital in the agricultural world reacts in many ways to the advantage of the industrial development of the country, and the Chinese share of Manchurian industry is only apparently less than the Japanese, the greater concentration of Japanese industrial activity rendering it more conspicuous. The magnificent Japanese coal mine at Fushun is spoken of everywhere. It is surrounded by dozens of small Chinese mines, but we never hear of these. All the available literature and statistics referring to Manchuria originate from Japanese sources, and since the literature is mostly of a propagandist character, it is quite understandable that it deals almost exclusively with Japanese undertakings. We read, for instance of the importance of the soy bean industry, and we hear of the half dozen great Japanese oil mills, but we are not told that 85 to 90% of the soy bean oil produced in Manchuria is pressed in Chinese oil mills. The same applies to almost every sphere of work. Economic life in Manchuria is much more Chinese in character than might be supposed from all we read and see."

This is the district in which **Chang Tso-Lin** has established himself. The character of these military leaders as factors in capitalist development may be best seen from the fact that Chang Tso-Lin himself is the largest capitalist in Manchuria, and participates directly in all the great industrial, traffic, and banking enterprises.

Feng plays a similar role in the North Western districts of China. We quote the following from a Chinese special report, published 15. May:

"Feng is commissar for the North Western areas of China, and is at the present time specially occupied in bringing the land under cultivation. . . . In Kalgan a bank has been founded by Feng, the North West Bank, opened on 1. April. This bank has received permission to issue banknotes. At the present time it is engaged in founding a large company for the purposes of building means of transport, cultivating the land, building houses, and erecting factories. In the course of a conversation with a representative of an American paper at Shanghai, "The China Press", 5. April, Feng declared:

For the present I intend remaining in Kalgan, for the purpose of having tramways and railways built, to attract settlers here, and to have the land brought under cultivation. A railway line is to be laid from Mongolia to the province of Chinkiang, another from Kalgan via Urga to the Siberian railway. For the realisation of this plan I require foreign capital. The income of the railway and the rolling stock will serve as guarantee for the loans. If necessary, I must employ foreign engineers and place the railway finances under foreign control until the loans are repaid. . . .

Feng is honorary president of the association for building roads in China. The main object of this association is the building of motoring roads. In reality he is acting as intermediary for the investment of American capital in China, and has been publishing a newspaper for two years in which he conducts propaganda for Ford. In September 1924 this newspaper reported that Ford intends erecting a great motor car factory in China."

Both Feng and Chang Tso-Lin are thus conscious agents of capitalist development in China.

Imperialist Antagonisms in China.

We have already mentioned that great antagonisms exist among the various imperialist powers with regard to their

policy in China. The essence of these antagonisms is that the English and Japanese, having a firm political hold, are anxious to apply a policy of force against the Chinese insurrections, to the end that their special rights may be further extended, whilst the Americans would prefer to meet the wishes of the Chinese to a certain extent, at least to all outward appearance. The play of intrigue among the powers, each of which has bought over one or more of the Chinese military leaders, is extremely complicated, and it would go beyond the scope of our task to enter into it. It is clear enough that at the present time Chang Tso-Lin is in England's pay, and is actively participating in the effort being made to crush the revolutionary movement among the masses of Chinese workers and peasants; it is not unlikely that Feng, who is at present endeavouring to create the impression that he is a leader of the anti-imperialist movement in China, will be found to have been acting on the orders of the United States all along, in accordance with the facts mentioned above. The United States appear to be pursuing a far-sighted policy, and do not even shrink from exposing their antagonism to the English and Japanese even before the eyes of the Chinese people. As to the French, they have made use of the present difficult position of the central government in order to carry out an extensive scheme of extortion. The Boxer compensation was to be paid in francs. The French government has succeeded in having this compensation paid in gold francs instead of the paper francs in which it was actually payable. The proceeds are to be employed in rehabilitating the Banque Industrielle de Chine which became bankrupt a few years ago. The action of the French government here is nothing more nor less than extortion. According to the Washington Conference, duties were to be raised from 5% to 7%, or to 12%, at a new conference, provided the Chinese central government succeeded in abolishing the inner duties in China. The assent of all the imperialist powers was required. France refused its consent to the projected increased duties until the conversation of the Chinese paper franc debt into gold francs was acceded to.

The antagonism of interests has found expression in somewhat acute forms during the last few weeks, and has led to an attempt on the part of England to renew the Anglo-Japanese alliance. It is of course difficult to say whether this is meant seriously, or is merely intended to serve as a means of pressure upon the United States. It would appear however that the United States have got their way, and that the decision as to the future organisation of the exploitation of China is to depend on another conference, in so far as that future is in the hands of the imperialist powers. The data of Chinese foreign trade show that the United States are probably right in assuming that their economic supremacy will, in the course of time, enable them to take the lead in China. Unfortunately we have only the data for the year 1922 at our disposal:

	Million Hongkong taels			
	Imports from:		Exports to:	
	1913	1922	1913	1922
United States	35.4	169.0	37.7	9.6
England	96.9	145.3	16.3	38.5
France	5.3	4.6	40.7	40.6
Germany	28.3	24.7	17.0	9.8
Japan	119.3	231.4	65.6	159.8
India	48.3	43.1	6.2	9.8

These figures show us that within one decade the United States have been able to more than quadruple their exports to China, and to leave all their competitors far behind as regards rate of development. We do not know how this will develop further. But the fact that England's investments abroad have greatly diminished during the last few years, and that Japan too has not been able to invest much capital in foreign countries of late years, leads us to believe that the United States must have considerably expanded their economic influence in China during the last two or three years.

At this distance it is impossible for us to judge in what manner this struggle among the imperialist powers will develop further; what form in particular will be assumed by the resistance of the Chinese workers and peasants against

the imperialist yoke. It is however imperatively necessary that all who are in any way active in the revolutionary labour movement should take an interest in the Chinese developments, and that as many definite facts as possible should be published in the labour press.

Japan.

Of all the countries of Asia, Japan is the only one that has fully developed into imperialism. In fifty years Japan has run through the course of evolution for which the countries of Europe required one to two centuries. What is not clear is the manner in which the "original accumulation" has been accomplished in Japan. However this may be, at the present time Japan shows all the characteristics of an imperialist state, with some special features of its own: These, appear to us to be the following:

1. **The natural poverty of the country.** Japan possesses scarcely one of the most important foundations for modern industry: It has very little coal, no petroleum, no iron or other metals; no cotton or wool; none of the raw materials required by the chemical industry. The ground is mountainous, only a small part of it is adapted to agricultural production. Of the territory of Japan proper³⁸⁾, in 1923 388,000 square kilometres were under cultivation as follows:

Rice	3,121,363	hectares
Barley	473,859	"
Rye	557,774	"
Wheat	483,833	"
Beans	581,000	"

Approximately only 13% of the total area!

When we further take into consideration that cattle-rearing is only carried on to a very small extent — the total number of domestic animals does not amount to more than 3 millions, including horses, cattle, and pigs — we see how poor this country actually is.

2. **The density of the population.** Japan proper has a population of 153 to the square kilometre, and its population is thus much denser than that of the other capitalist great powers.

"If we exclude sterile ground from the calculation the number of inhabitants per square mile are as follows:

England	466
Belgium	702
Japan	2688 ³⁹⁾ ("Times". 6. July 1925.)

3. A dense population accompanied by natural poverty implies the necessity of being able to export goods representing a great deal of labour in order to import raw materials and food. As a matter of fact, two thirds of the exports are made up of silk and silk goods, and cotton goods, whilst more than half of the imports are composed of raw cotton, wool, corn and flour, iron and metals.

4. The capitalist development and competitive capability of Japan have been based on **cheap labour power**. The starting point has obviously been the over-population and the emigration of the rural population. 35 millions, in round numbers, out of 60 live by agriculture; there is not more than half an acre of arable land per head⁴⁰⁾. Only 34% of all farmers cultivate only their own land; 40% rent additional land; 28% have hired land only. The tenants have to deliver up 40% to 60% of their crops to the landowners⁴¹⁾. From the remainder they have to pay a large sum for artificial manures; 16% are deducted for taxes! The land is passing more and more into the hands of the "new rich". The tenant farming system is extending. The wretched conditions in the

³⁸⁾ The data, unless otherwise stated, are from the "Financial and economist annual of Japan 1924". Statistical year book of Japan.

³⁹⁾ J. Ingram Bryan: "Japan from within". London, Fischer 1925. Page 117. The author lived 16 years in Japan, as a professor. The book is written in the spirit of English imperialism, but contains much that is interesting.

⁴⁰⁾ Ibid. page 118.

country force the population to seek work in the industries — at very low wages.

5. The lack of raw materials drove Japan very early to imperialist expansion in neighbouring regions. Special emphasis must be laid on the fact that **there is no mass emigration from Japan; this especially applies to the regions dominated politically by Japan**. The number of Japanese living in foreign countries does not exceed 590,000. These are scattered over the most important countries

	Men	Women	
Canada	12,748	6,411	
United States (excluding Hawaii)	82,087	49,270	} 254,393
Hawaii	68,615	54,421	
Mexico	2,301	1,009	
Brazil	24,135	17,639	
South America (excluding Brazil)	10,319	3,240	
Philippines and Guam	6,825	1,565	
South Asia and South Sea Islands	10,526	7,037	
Oceania	3,608	271	
China (without Manchuria)	24,040	24,229	} 227,753
Manchuria (with Kwantung)	94,676	84,808	
Siberia (with North Sachalin)	1,998	1,369	
Europe	3,307	497	

The Japanese would very much like to emigrate to America and settle there, for the high wages obtaining would mean a good income for their modest standard of living. Japanese workers cannot, however, think of settling in China or Manchuria, for here they encounter the competition of the still cheaper and even more unpretentious Chinese. The Japanese do not go as settlers and workers to the continent of Asia, **but as capitalists and their retinue!** Japanese capitalism has been successful in its endeavours to invest capital in China and Manchuria, securing for itself the needful raw materials⁴¹⁾ and **exploiting the even cheaper labour power of the Chinese!**

"A few weeks ago — reports the "China Press", an American Shanghai newspaper — the government of Japan advanced a further loan to the Han-Yen-Ping works, to the amount of 9 million yen. The total amount of capital invested by Japan in these works is estimated at more than 50 million yen. Should this really be the case, and the report appears to be reliable, then Japan has gained complete control of one of the largest industrial undertakings of China. The Japanese capitalists and big industrialists have thereby won an important victory in the markets of the Far East. From now onwards not only a part, but the whole of the production of these works will go to Japan. Japanese enterprise has thus gained a firm foothold in the heavy industry of China, as it has already done in the textile industry by obtaining possession of about 45% of the total number of spindles in China." ("Deutsche Allgemeine Zeitung", 27. May 1925.)

6. The economic development of Japan received great impetus by the world war, in which Japan was able to make use of the advantages both of neutrality and of belonging to the victorious countries. The following figures show the development⁴²⁾:

	Number of industrial undertakings	Those with motor power	Number of employed	Coal mill. tons	Production iron 1000 tons	Steel
1914	15,811	16,334	854,000	22.3	74	15
1919	44,087	26,974	1,612,000	31.3	209	299
1922	46,427	33,669	1,691,000	27.7	478	367
1923	—	—	—	28.9	531	459

⁴¹⁾ The greatest up-to-date iron works in China, Han-Yen-Ping, at Hankow, has been supported for years by Japanese credits:

⁴²⁾ These figures show that up to 1919 development was extremely rapid, but then came somewhat to a standstill.

The present economic situation of Japan.

The causes of the decline in the economic life of Japan are manifold. There is a general tendency to ascribe it in the main to the earthquake disaster. This is wrong. No doubt this misfortune did much damage. The above figures show, however, that the decline had set in before the earthquake.

During the war the competition of European industry in Asia was very weak; Japan enjoyed almost a free hand. But in the post-war period, after competition in the world's markets had regained its old intensity, Japan was compelled to relinquish many a conquest.

Japan's exports in million yen ⁴³⁾:

	1913	1919	1922	1923	1924
United States	184.5	828.1	732.4	605.6	
England	32.9	111.5	54.4	40.4	
France	60.2	66.8	78.7	25.7	
Germany	13.1	0.1	3.7	3.4	
Italy	29.4	6.4	5.1	2.8	
India	29.9	116.9	97.2	99.6	
China	154.7	447.0	333.5	272.2	
Kwantung	29.8	150.1	71.9	67.9	
Whole of Asia	275.9	955.0	672.3	587.4	
Whole of Europe	147.2	195.0	148.0	79.8	
Total Export	632.5	2088.9	1637.4	1447.8	1807

We see that, despite the higher price level, the export to Europe in 1923 had fallen to half of the pre-war export, although the total export had more than doubled. Export to Asia and the United States has also fallen off considerably from its former highest point, reached in 1919 — above all the prices have fallen —, but is still more than three times the pre-war level for America, and more than double for Asia. It is to be seen that exchange of goods is being diverted from Europe, and that around the Pacific Ocean a new centre of international economics is being formed, independent of Europe, and according leading roles to the United States and Japan.

Unfortunately, no detailed data are available as yet for 1924. But all information furnished by the newspapers indicates that the crisis beginning at the time of the earthquake is still continuing, and that extensive unemployment prevails in Japan.

It is of special importance to note that Japan's foreign trade balance, extremely favourable during the war, has become adverse since 1924. The surplus of imports over exports has been as follows:

1923	534 million yen
1924	646 million yen

This latter amounts to 33% of the export. In the first quarter of 1925 the imports amounted to 829 million yen, exports to only 463 million. The ratio has become even more unfavourable since. The competitive capacity of Japanese industry in the world's markets is obviously declining.

The Japanese bourgeoisie is exerting every effort to find a way out of this situation. Cartels are being founded ⁴⁴⁾, shipping and the dye industry are receiving state subsidies ⁴⁵⁾ etc. The Japanese bourgeoisie is accustomed to very high profits; it is characteristic that joint stock companies are only subject to income tax on their income exceeding 10% of their share capital, and that the 52 cotton mills distributed a total average of 16.2% dividends in 1924, besides adding considerable sums to their reserve funds. ⁴⁶⁾

Such high profits as these cannot be obtained without a high degree of exploitation of the workers. As a matter of fact, the expansion of Japanese economics was based upon an unbounded exploitation of the proletariat, which was forced to seek work in the towns by the unhappy conditions obtaining in the country. Japan's natural physical disadvantages are bound to make themselves felt as soon as this unrestrained exploitation, for any reason, comes to an end.

A certain improvement in working conditions does actually appear to be taking place. The Japanese bourgeoisie complains of excessively high wages. The official wage statistics give the following figures ⁴⁷⁾:

Daily wages in hundredths of yen (one yen being about two shillings).

	1914	1920	1922
Male agricultural labourers	47	144	—
Female agricultural labourers	30	92	—
Silk spinners, female	35	89	108
Weavers, female	29	95	—
Tailors (for European clothing)	84	223	249
Shoemakers	72	212	221
Carpenters	80	230	240
Lacquerers	71	201	195
Paper makers	45	144	148
Female servants, per month	259	1557	1649

According to these official returns, wages have about tripled in eight years. Meanwhile, prices have risen by about 100%. There remains therefore an actual rise in wages of about 50%.

These official returns are, however, subject to some doubt. Sherwood Eddy writes for instance ⁴⁸⁾:

"An investigation conducted by Professor Kitazawa, of the Waseda University, has brought to light the fact that the wages actually paid are frequently lower than those published by the government."

Working conditions are rendered worse, by long working hours and capitalist arbitrariness. Nevertheless, a certain improvement is observable. The tenant farmers have organised and obtained better terms as regards their tenure of the land, thus checking the flight into the cities to some extent. The industrial workers are combining in trade unions, thereby obtaining shorter working hours. The Japanese capitalists prefer to transfer a part of their production to China, where they can exploit little children ⁴⁹⁾. Extensive unemployment in Japan is the consequence.

Economic crisis and unemployment in Japan.

In Japan no official statistics of unemployed are kept, and the idea of an unemployment dole is even more unheard of. But the Japanese press is full of reports regarding the enormous extent of unemployment. We quote from various numbers of the "Japan Chronicle":

The "Jamato" writes:

"The economic crisis is as acute as ever, and imports are increasing. Last week there were 60,000 unemployed unable to find work . . ."

The "Osaka Asahi" (semi-official) writes:

"The number of unemployed may be estimated at the present time at 1,700,000, and this number is steadily increasing . . . The increase of unemployment, however alarming it may be, must be accepted as inevitable." (Chronicle. 15. April.)

⁴⁷⁾ Annual page 73. We give preference to categories of workers for which data up to 1922 are available.

⁴⁸⁾ The New World of Labour. London 1924. p. 43.

⁴⁹⁾ The employment of juvenile workers and children is also exceedingly common in Japan. Out of 856,705 female industrial workers in 1922, 233,251 were under 16 years of age; out of 834,319 male workers only 51,904. (Annual. p. 72.) This exploitation does not however approach that in China.

⁴³⁾ See Annual. p. 99.

⁴⁴⁾ Iron cartel "Japan Chronicle", 12. May 1925.

⁴⁵⁾ Ibid. 14. April.

⁴⁶⁾ Ibid. 1. April.

The threatened increase in unemployment induced the government to convene a conference. This decided to take a census of the unemployed in 23 cities, to attempt to organize the emigration of unemployed to Manchuria, and to prohibit the immigration of workers from Korea. (40,000 Korean workers are wandering about Japan looking for work.) (Jonniri" quoted in the Japan Chronicle, 25. May.)

"Foreign Office" estimates the number of unemployed workers at 3,450,000, and the number of "other" unemployed at 350,000. (Chronicle 18. April 1925.) "Home Office" estimates the number at 1,200,000.

These "other" unemployed are chiefly students and officials. The number of students who have left college but have found no occupation has been as follows: 1922: 19%; 1923: 25%; 1924: 40%; 1925: 50%. These form a special source of anxiety to the government, which fears their political influence.

These figures may be exaggerated in some respects — we have unfortunately no means of checking them — but we have the impression that **the economic life of Japan is in the midst of an acute crisis, not to be easily overcome.** This is mirrored in the policy being pursued by Japan, in which we see nothing of Japan's former impudent self-assurance. Japan seeks peace with the Union of Soviet Republics, is very hard pressed in China, has lost its English ally under American pressure, and cannot take up any energetic policy against the United States, being dependent on American loans⁵⁰⁾. There is no trace observable of stabilisation, or of economic revival.

India.

After China, India is the most populous country in the world. At the present time its population is approximately 320 millions, the density of the population being 70 persons to the square kilometre, or about the same as in France. The population is distributed more equally than in China, the great river valleys however being especially densely populated.

India, this main pillar of the British Empire, has been much further opened up to capitalist exploitation than China. The length of its railway lines is five times as great as those of China, and equals that of Germany: 58,000 km. The same ratio applies to the other means of transport. It possesses a well-ordered monetary system, the rate of exchange being 25% under gold par. The sphere of circulation — at least as far as the cities are concerned — bears an ordered capitalist character.

The capitalist development of India is proceeding rapidly. It is, however, distinguished by features closely bound up with India's position as a colony. Domestic industry and handicrafts, developed to a high degree in India, are not being superseded so much by the development of big industry in the country itself as by the import of foreign manufactures, especially from England. The development of native factory industry has for long been successfully checked, and the homeworkers and craftsmen deprived of employment have not been able to find work in native factories. The diminution of the social amount of labour required for a productive unit has not been in any way compensated by an extension of consumption or by sales abroad. The labour released by the changed circumstances has found no place in industry. The people have either simply starved ("The bones of starved handicraftsmen whiten the plains of India.") or have sought to find a refuge in agriculture on the basis of the still existing semi-feudal right to co-utilisation of the soil (similar to the Russian Mir constitution), by which they have been enabled to exchange an immediate death from starvation for a condition of chronic starvation⁵¹⁾.

⁵⁰⁾ The reserve side of the extremely adverse trade balance is the necessity of taking up foreign loans, especially in America. A direct investment of American capital in Japanese undertakings appears to be going on. (Japan Chronicle, 8. May 1925.)

⁵¹⁾ A book by Pandmanabha Pillai, a Hindu, but who writes entirely from the standpoint of English imperialism: "Economic conditions in India", London 1925, estimates the income per head at 30 to 100 rupees = 45 to 150 marks per year, or at most 45 pfennige per head per day. Of this

The conditions here described will probably be known to most of our readers through comrade Roy's excellent book on India. The following statements are intended partly as a supplement showing that the results of the latest census confirm his investigations, and partly to show that the same tendencies are confirmed from purely bourgeois sources.

The employment statistics of India.

The figures of the various censuses cannot be immediately compared, as the principles of classification into the separate categories has not always been the same. An important point is that for 1891, only those appear to have been counted to agriculture who had no other occupation whatever, whilst in 1901 all were counted whose chief occupation was agriculture. Unskilled labour is classified under agriculture, or not, in various ways. The following figures suffice however to demonstrate the main line of development which we desire to follow⁵²⁾.

	Million persons							
	1921	%	1911	%	1901	%	1891	%
Total population	316	100	313	100	294	100	287	100
Agriculture	231	73	227	72	196	67	175	61
Industry	33	10.5	35	11.3				
Transport	4.3	1.4	5	1.6	53	18	57	20
Trade	18	5.7	18	5.7				

These figures show a steady rise in the number of persons living by agriculture, and a decrease of the number living from industry, transport, and trade, while an increase of persons living on trade and a great decrease of persons living from industry is shown. Between 1911 and 1921 alone this decrease was two millions. (The international economic crisis of 1921 may have played a certain part here.)

Despite the impossibility of an exact comparison of the figures given by successive censuses, their significance is none the less clear:

Big industry on factory lines has developed at the expense of the old handicrafts; industrial workers have been rendered positively superfluous, and for lack of other occupation have resorted to agriculture, thus bringing about the state of chronic famine in the country.

These facts are clearly evidenced by an examination into the separate branches of industry. Between 1901 and 1911 the number of persons occupied in the textile industry had decreased by 6.1%, in the leather, skin, and fur industry by 34%.

The causes of decreased employment in the cotton industry, as stated by the "Census Commissionair" for 1911, are as follows⁵³⁾.

"The almost complete extermination of hand-spinning. Hand-weaving also suffers greatly from the competition of machine made goods produced in Europe and in the country itself."

This process was continued between 1901 and 1911. The number of persons living from the textile industry decreased by 449,000, in the wood industry by 186,000, and in the metal

30 pfennigs must be expended daily for rice or bread. A special investigation undertaken in a pariah quarter of Madras, by the professor of economics Ramachandran, showed an average daily income of 22 pfennigs per head!! (page XIII). The director of the Statistics Office of India calculates the average income at the present time to be 53 rupees per year and head = approximately 80 marks or 29 pfennigs per day per person! This appears to us to be nearest the truth. (See Sherwood Eddy, p. 60.)

⁵²⁾ These figures are compiled from a study by professor Brij Narain, Lahore: International economic archives, January 1925: The Census of India 1921: Occupation of the people.

⁵³⁾ Census of India, 1911. Vol. I. part I. p. 439, quoted by Brij Narain p. 13.

industry by 59,000. With very few exceptions, in every branch of industry there has been a reduction in the number of employees. These facts speak such a plain language that even the English hypocrites only occasionally have the face to deny their implication.

The misery suffered by the workers crowded together in agricultural pursuits is indescribable. The land is split up into smaller and smaller portions. In Bengal, for instance, there are only 2½ acres per peasant. And even this is often subdivided into smaller strips. The soil does not suffice to provide the peasant with full occupation, but on the other hand there is no other work to which he can devote himself. The peasants are frightfully in debt; the usurers pay two thirds of the market price for the pledged crops.⁵⁴⁾ According to professor **Dayashankar Duley's** statements

"64 % of the population are chronically undernourished, and receive only 75% of what is absolutely required for the maintenance of their working powers".

In other words, it is plain that two thirds of the population are permanently in receipt of only three quarters of the broad corn which they require.⁵⁵⁾ The chemical constituents taken from the soil are not returned to it, and it becomes poorer and poorer. The primitive wooden plough does not reach the lower strata of the soil. . . . The starving peasantry are periodically driven into the towns, then when industrial work fails again they are driven back once more to the country.

Labour Exploitation and Profits.

It can easily be imagined that under such circumstances the exploitation of the workers by the bourgeoisie, and of the peasantry by the landowners, is bound to assume enormous dimensions. We have already given estimates of the average income of the people.

The profits earned by the factories are enormous. According to Sherwood Eddy, in 1922, a bad year for the whole world, the profits earned by the Bombay factories was 125 %. The year before 170 %. Doubtless these were exceptional years, but during this time the average wages of all the workers remained one rupee per day.

The February number of the periodical "**Capital**" gives the dividends of a number of the textile factories of Bombay in 1920/21:

	1920	1921
Currimbhoy	110	100
Brady & Comp.	160	100
Tata Sons	120	110
R. Harnandri & Sons	160	175
M. Goculdas	200	250
D. M. Petit	65	270

⁵⁴⁾ The problem of rural life in India: The Asiatic Review July 1925.

⁵⁵⁾ Ibid. p. 433.

In 1919/20 the jute factories in Bengal paid 200 to 420 % dividends. The firm of F. W. Heiligers & Comp. paid the following dividends:

1916	110%
1917	200%
1918	250%
1919	250%
1920	400% ⁵⁶⁾

"We paid a visit to some typical jute factories in the vicinity of Calcutta. . . . The Hindu workers had been driven into the factories by starvation, and were anxious to return to their impoverished villages if possible. Most of the Europeans here had come for the purpose of making money and then leaving India as rapidly as possible. The factory appears to be a penal institution for both parties.⁵⁶⁾

We could quote innumerable extracts from this christian-social book, which, though maintaining the standpoint of capitalism, is at least honest, and bears witness of the want and misery suffered by the Hindu workers, the frightful conditions under which they are housed, the exploitation of child labour, etc. But I am of the opinion that what I have already quoted suffices to show that the misery described by comrade Roy, and the chronic state of famine in India, are facts which continue to exist undiminished today.

The Present Economic Conditions in India,

are characterised by a growing cooperation between the English and the Hindu bourgeoisies. English capital is becoming more and more closely interconnected with that of the capitalists of India. Protective tariffs safeguard the profits of the capital invested in India. Thus the iron and steel duties were recently raised. The textile industry has shown a tendency towards stagnation of late years; the surplus demand is covered by increased imports from abroad, especially from Japan. One third of the cotton crop of India is bought up by Japan, which pays freight and duties, and yet contrives to sell the finished goods 20% cheaper.⁵⁷⁾ The Hindu bourgeoisie explains this fact by declaring that in India the law prescribes the ten hour day, whilst in Japan 22 hours are worked in 2 shifts.⁵⁸⁾

It seems on the whole as if economic life in India has not progressed towards capitalisation as rapidly during recent years as during the war. In many districts there has even been a relapse. We shall deal with these questions in detail in the near future.

The other Countries of Asia.

China, Japan, and India constitute the areas of decisive importance in Asia from the economic point of view. We shall endeavour to deal with the other countries: Dutch India, French Indo-China, Persia, and Turkey, in our next report.

⁵⁶⁾ P. 65.

⁵⁷⁾ M. Darbany, Asiatic Review, July 1925, p. 355

⁵⁸⁾ Wirtschaftsdienst 1925, p. 658.

Page 970

of 1925 Inprecor Aug 26 Vols No. 66

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