

**- INTERNATIONAL -**  
**PRESS**  
**CORRESPONDENCE**

Vol. 7. No. 15

24<sup>th</sup> February 1927

Editorial Offices and Central Despatching Department: Berggasse 31, Vienna IX. — Postal Address, to which all remittances should be sent by registered mail: Postamt 66, Schliessfach 213, Vienna IX. Telegraphic Address: Inprekorr, Vienna.

**Economics and Economic Policy in the Fourth Quarter of 1926.**

(Concluded January 20<sup>th</sup>, 1927.)

By E. Varga.

**I. The World Economic Position in the Last Quarter of 1926.**

The development of international economy in the last few months of 1926 permits of no uniform characterisation. The following main tendencies, however, may be observed:

In the United States the prosperous business cycle is decidedly on the wane. The two main factors of this cycle when at its height, the building trade and the automobile industry, have for the time being apparently reached a point of satiety. This fact is reflected in the pronouncedly poorer business done in the heavy metal industries and in other lines particularly affected by these two leading branches of the prosperity period. Although American leaders of economy are practically unanimous in predicting good business for the year 1927, it is significant that Hoover should have suggested that the presumable lack of private building activity be compensated for by a vigorous expansion of constructional enterprise on the part the State. It is not yet clear at present whether the deterioration in American business conditions is likely to lead to a general crisis or merely to a short-lived depression, such as recurs regularly in the spring months in the United States. Should a real crisis ensue, the well-known American measures and organisations for the prevention or counter-action of crisis, such as the regulation of credit by means of the Federal Reserve Board, the standardisation of the market, the organisation of distribution by the Trusts, and the systematic allotment of public works, may be put to the test.

In Europe the conclusion of the British coal lock-out formed a turning-point in economic development. The position of British economy rapidly improved, once the coal lock-out was over, and this improvement may be expected to extend over the first half of 1927, since the lock-out has occasioned big gaps in the coal-stocks and in the metal-working industries, which must now be made up for alongside regular production. The general feeling in England is pronouncedly optimistic, and it is hoped that the chronic crisis, which has lasted more or less ever since 1920, will now finally be overcome. Cheaper coal and cheaper cotton, besides better prospects in shipping and ship-building, are the main factors engendering this optimistic outlook.

CONTENTS.

**I. THE ECONOMIC POSITION IN THE LAST QUARTER OF 1926.**

*Development of Unemployment. Currency Conditions. Increase of Production and the Problem of Price Formation in Post-War Times. International Coalescence-Movements. The Anglo-German Coal Struggle. Reparations and Inter-Allied Debts. The World's Harvest. World Economy and Ship-Building.*

**II. SPECIAL SECTION.**

*Germany.  
Italy.  
France.  
Great Britain.  
United States.  
China.  
Dutch East Indies.*

Besides England, it is chiefly Germany that can record a continuous improvement of business conditions, the rate of which has, however, been progressively slowing down of late. The increase of unemployment in December was probably to a great part not to be ascribed to a deterioration of the general business position but rather to seasonal influences. On the other hand it is apparent, that the improvement of the business conditions in the second half of 1926 did not lead to an absorption of the ranks of the unemployed, which were more numerous at the end of 1926 than a twelvemonth earlier.

Over against the improvement of the economic position in England and Germany, there is a decided deterioration in France and Italy. The advantages enjoyed for some years by industry in both these countries as a result of inflation, have now been forfeited by what is regarded as a definite stabilisation. Around New Year, the prices of industrial goods in France and Italy were above the world-market price level. The result is a rapid increase of unemployment, the actual dimensions of which are

but vaguely known in view of the lack of comprehensive statistics.

The end of the British coal lock-out is bound to be felt acutely in the economic condition of Poland and to a lesser degree in that of Czechoslovakia and Belgium. At the commencement of the lock-out, the Polish mining industry began supplying the British market, which it had naturally not been furnishing at all for a long time past. In this it differed from the German coal-mining industry, which attached most importance to furnishing the North European markets formerly supplied by Great Britain. Competition between German and British coal in regard to the markets in question is likely to be very keen. This matter we are discussing in detail in a subsequent chapter.

A cursory survey of the general development of the world's economy during 1926 will lead to the following verdict: **The stabilisation of capitalism has continued, without, however, making any further progress.** In our next survey, we shall furnish data regarding the formation of world production in the year 1926, but even on the strength of the data to hand we may make the following deductions:

The world output of agricultural products is practically the same as in 1925, as is also the output of industrial metals, such as copper, lead, and zinc; on the other hand the output of the heavy industrial products, viz., coal, iron, and steel, slightly falls short of that of the preceding year.

As regards Europe, production in the year 1926, both in agriculture and the heavy industries, was considerably below that of 1925. If we therefore take the course of production as a basis for the development of capitalism, the past year may be considered to have brought retrogression instead of progress.

The fight for markets on the part of the great imperialistic industrial countries has become extraordinarily acute of late. With the aggravation of competition on the world markets, the imperialistic antagonisms and the constant preparations for war naturally also increase.

### THE DEVELOPMENT OF UNEMPLOYMENT.

Developments in the year 1926 plainly showed that wholesale unemployment is becoming a permanent phenomenon of European capitalism. If we compare the percentage of the unemployed in the trade unions or in the total number of insured workers with those in November 1925 (no figures for December being to hand), we shall see that with the exception of Belgium, the percentage of unemployed was far higher in all countries than a year before. In such countries, moreover, as were hitherto spared unemployment by reason of inflation prosperity, as was the case in France and Italy, a rapid rise of unemployment has set in during the last few weeks.

The total of unemployed in Europe may be assumed around the turn of the year again to have reached the six million figure, of which two millions fall to the share of England and two millions to that of Germany, while the balance is distributed among the other countries.

With the deterioration of business prospects in the United States, the number of the unemployed is likely to increase there too pretty rapidly. Since in that country there are again no unemployment statistics, the extent of unemployment can only be deduced from the monthly returns of employed workers as compared with those in 1919. In this manner we get an unemployment total for the United States of between half a million and a million. We subjoin a table showing the percentage of unemployed.

### Percentage of Unemployed among Workers Organised in Trade Unions.

	Great Britain	Gt. Britain (of insur. workers)	Belgium	Holland	Denmark	Norway	Sweden	Germany	Germany (short-time)	United States (degree of occupation in 1919=100)
1925 Nov.	11.0	11.0	7.3	9.1	20.5	19.9	11.8	10.7	16.0	97.2
1926 Jul.	13.2	14.6	2.6	6.9	17.0	20.7	8.6	10.7	16.6	93.5
Aug.	13.3	14.2	4.0	7.2	17.4	22.0	8.3	16.7	15.0	94.4
Sep.	13.6	13.9	3.7	7.5	16.8	—	9.1	15.2	12.7	95.8
Oct.	13.6	13.6	3.3	7.7	18.6	23.5	11.5	14.2	10.2	96.3
Nov.	13.2	13.5	—	—	22.1	—	13.0	14.5	8.3	95.2
Dec.	12.2	11.9	—	—	32.5	—	—	17.2	7.0	—

### CURRENCY CONDITIONS.

The last few months have witnessed an improvement in currency conditions in the sense of an approach to stability or gold-parity.

The return to gold was carried through in Belgium and Denmark through the introduction of the free export of gold and the sale and purchase of foreign bills at par by the respective central note banks.

In Belgium, the return to a gold currency was effected in connection with the introduction of a new name for the national monetary unit, now to be known as a 'belga', equalling five francs. The gold parity of the belga was fixed at one seventh of the original gold value of the Belgian franc. The return to gold was rendered possible by an international loan totalling 100 million dollars, and subscribed in America, England, and the Continental countries, and by the granting of a credit of 30 million dollars to the Belgian note-bank on the part of the other European note-banks. For the last three months, the Belgian currency has indeed, remained stable. The return to gold in Denmark, on the other hand, was effected in the form of a revalorisation of the Danish crown at its original gold parity. Since January 1st, 1927, Denmark has likewise permitted the free import and export of gold. The process of revalorisation was carried out without any special financial transaction. A matter of greater economic importance than the restoration of the gold currency in these two small countries, is the strong upward movement of the French and Italian currencies during the last few months. In the former case, we can speak of an actual stabilisation, since at the close of the year the Bank of France publicly declared itself willing to purchase or sell British or American bills at the rate of 122.20 Francs to the pound<sup>1)</sup>.

Besides the French and Italian currencies, that of Norway has also experienced a vigorous improvement in the last few months and is fast approaching its original gold parity.

Among the extra-European values, that of China, which country has a silver currency, has been depressed in the last few months by the serious drop in the price of silver, which is lower now than it has been for the last eleven years. The reason lies in the increasing production of silver, the impending passing of India from the silver to the gold currency, and also in the Chinese disturbances, which have prevented the import of silver into China in the same extent as hitherto. Below, we show the formation development of the exchange rates of those currencies which are not yet altogether stabilised:

### Foreign Bill Rates in New York.

(In cents per foreign unit.)

Parity	Monthly Average						
	Jan. 1926	May 1926	Sept. 1926	Oct. 1926	13th Nov. 1926	16th Dec. 1926	17th Jan. 1927
France . . .	19.3	3.8	3.2	2.6	2.9	3.2	3.9
Belgium . . .	19.3	4.5	3.1	2.7	2.8	2.8	— 13.9 <sup>3)</sup>
Italy . . .	19.3	4.0	3.9	3.7	4.1	4.1	4.5
Poland . . .	19.3	12.9	9.6	11.0	11.1	12.0	— 11.3
Roumania . . .	19.3	0.45	0.37	0.51	0.54	0.56	— 0.53
Greece . . .	19.3	1.4	1.3	1.2	1.2	1.2	1.3
Denmark . . .	26.8	24.8	26.2	26.6	26.6	26.6	26.6
Norway . . .	26.8	20.3	21.7	21.9	23.6	25.0	25.2
Spain . . .	19.3	14.2	14.5	15.2	15.1	15.1	15.3
India . . .	48.7	37.7	36.3	36.3	36.1	36.1	35.9
Japan . . .	49.8	44.2	46.9	48.4	48.7	49.1	48.9

<sup>1)</sup> Whether this will remain in force as the finally stabilised rate, is a matter of doubt, all the more so since this rate represents no pure multiple of the original gold parity.

<sup>2)</sup> Stabilised de facto since the end of December.

<sup>3)</sup> New currency; Belga = 13.9 cents.

<sup>4)</sup> Returned to gold parity.

## INCREASE OF PRODUCTION AND THE PROBLEM OF PRICE-FORMATION IN POST-WAR TIMES.

Now that the crisis of insufficient production in individual European regions as a result of the war has been finally overcome, the problem of price-formation in post-war times comes up for discussion. This problem is not new, but its discussion in general was formerly rendered difficult by the fact of insufficient production in certain regions. The problem presents itself as follows:

Although the productivity of labour is at present not smaller, both rather greater, than was the case before the war, and although the total production has increased in relation to the population of the world, the general level of prices is on an average 50 per cent. above what it was in pre-war times. The question is, how it is possible for prices to have advanced despite a greater productivity of labour. We have no comprehensive data in regard to this higher productivity of labour though we hope to be able to furnish them at a later date, a task which will require considerable work. But the circumstance itself is confirmed by numerous details supplied by various branches of industry and also by the generally recognised fact of greater technical progress in the course of the last twelve years.

That this price formation is not occasioned by market prices being far in advance of production prices in the Marxian sense as a result of an insufficient supply of goods on the international markets, is proved not only by the generally known fact of the selling difficulties encountered by the world's industry, but also by the returns attained as a result of the investigation by the League of Nations in regard to the output of the most important foodstuffs and raw materials<sup>5)</sup>.

By the inquiries in question it was established that the population of the world in 1925 amounted to 105 per cent. of the corresponding figure for 1913. Over against this, the output of foodstuffs and raw materials figures stood at 118 per cent. of that of 1913<sup>6)</sup>. Even though this total may be taken to include great quantities of "immediate products" in the non-capitalist countries, the production index-figure of capitalist Europe alone is at 105, and is even thus in advance of the population, which in the case of Europe increased to 104. Whatever doubtful factors may be included in the results of this calculation, the fact yet remains that the productivity of labour in the capitalist world has increased in its entirety over its pre-war extent, since we may safely presume productivity in the finishing industries to have grown in a greater proportion than in the regions producing foodstuffs and raw materials.

We are therefore faced with the problem as to why, despite undiminished, nay enhanced, productivity of labour, the price level is 50 per cent. higher than was the case before the war.

In the sense of Marx's theory of price and value, we should be led to assume that this price increase is nothing but the outcome of a corresponding decrease in the production cost of gold, in the general economic equivalent. Now we have not heard of any technical invention, which might during the last ten years have brought about a revolution in the cost of procuring gold. Indeed, that no such revolution has taken place is proved indirectly by the fact that the output of gold has been considerably smaller since the war than in pre-war times. On an average the output between 1911 and 1915 amounted to 691,409 kilogrammes a year and between 1921 and 1924 to only 529,012 kilogrammes a year<sup>7)</sup>.

It is obvious that if a pronounced reduction had actually been made in the cost of procuring gold, this would naturally

<sup>5)</sup> League of Nations, Memorandum on Production and Trade, Geneva 1926.

<sup>6)</sup> The index-figure of production includes the most important foodstuffs and raw materials of the following categories: Cereals, foodstuffs, tobacco, groceries, oliferous seeds, textile raw materials, timber, rubber, fuel, metals, fertilisers, chemicals (annexe 1, p. 42). The manner of compiling the index-figure was such, that the total quantity of goods produced in each particular year (1913, 1923, 1924, 1925) was multiplied with the average price of the year 1913, since goods of such extremely divergent nature could naturally in no other way be reduced to a common index. (annexe 2, p. 43).

<sup>7)</sup> Statistisches Jahrbuch des Deutschen Reiches. International surveys, P. 59.

have resulted in a great increase in the gold output. The reason of the general price rise, therefore, cannot possibly be sought in this direction<sup>8)</sup>. If the change in the value of gold is thus not the reason of the price increase, the latter must lie in the goods themselves. Since the productivity of labour has not decreased, so that no greater quota of labour time can be said to be contained in the product unit, the value of the individual commodities or the total value of an equal quantity of all categories of commodities, which remained the same as in 1913, can obviously not be any higher than it then was. Consequently, the sum total of the prices of these goods, or the prices of the individual goods, must be unchanged — apart from changes in the organic composition of capital in the different branches of production. Thus there can only be a question of a general price increase beyond the actual value, or price of production, of the goods.

It might appear natural to seek the reason in the general formation of monopoly organisations, such as trusts, cartels, syndicates, and the like. But even this does not afford an explanation. It might afford one for the relatively decreased valuation of the products of uncartelled agriculture as against the prices of the products of cartelled industries. The general increase in prices can, however, not be explained by the formation of monopolies.

Firstly, also the prices of all uncartelled commodities are far higher than before the war, and

Secondly, the increase in prices is not most pronounced in those branches of production in which the tendency to form cartels is most predominant.

The raising of a price by reason of some monopoly organisation means that the organisation in question is able to enhance its profits beyond the general rate of profit, that is to say, to absorb a greater proportion of the social surplus value or profit than would come to it according to the dimensions of its capital. The increase of the share of profit beyond the average profit must therefore be accompanied by a diminution of the profit of the other branches.

A general rise of prices which is anything more than nominal cannot be explained in this way, since the total quantity of surplus value is not affected by the rise in prices. It would obviously be a fantastic assumption, that the entire difference between the value of the goods, which in the case of equal or enhanced productivity of labour cannot be greater than in 1913, and the present prices, should have been raked in as surplus profit by the monopoly organisations. This would mean that in the United States, e. g., capitalists would be operating with a surplus profit of roughly 50 per cent. per turnover of capital, which in view of the rapid turnover of capital in operation in the United States would result in a rate of profit of quite unheard-of, and improbable dimensions, a rate which must after a duration of ten years necessarily have been reflected in the dividends, which is certainly not the case.

The bourgeois explanation that the general rise of prices is an outcome of increased wages and shorter working hours, is naturally nonsense when considered from the Marxian standpoint. Since in view of the existing chronic wholesale unemployment there can be no question of wages having risen above the value of labour power, the higher wages merely mean that the value of labour power has increased because the prices of foodstuffs have increased. But an increase in the value of labour power can by no means be the cause of an increase in the value of the product of labour. The value of such a product is determined by the labour time embodied in it, but by no means by the amount of paid labour time embodied in it! The increase in the value of labour power itself, that is to say the increase of wages, would only mean — all other things

<sup>8)</sup> In our personal opinion which, diverging from the orthodox interpretation of the Marxian version, I had occasion to expound 13 years ago in the "Neue Zeit" in opposition to the attitude of Kautsky, Otto Bauer, and others, the alterations in the cost of gold production in modern times cannot possibly have the effect of causing a general rise of prices, while a cheapening of the cost of producing gold makes itself felt in the development, i. e. the increase, of mining profits. The experience of post-war times appears fully to confirm my theoretic suggestion.

being equal — that the rate of the surplus value, and consequently also the average rate of profit, had fallen.

The phenomenon of a general price rise, therefore, can be explained neither by a presumed reduction in the cost of procuring gold, nor by a decrease in the productivity of labour, nor yet by extra profits on the part of the cartels. In our opinion the solution of the problem lies in the fact that the price increase is really only nominal, being based on the increase of market prices at the commencement of the war above the production price of the moment; these higher market prices, occasioned by the shortage of goods, subsequently sterilised, passing into the production costs with each new turnover of capital. In the case of this interpretation, however, we must abandon the assumption that it is the present cost of procuring gold that determines the current level of prices, conceiving of the latter rather as a phenomenon of gold inflation.

Below we cite index-figures in illustration of the price formation.

### Wholesale-Price Index-Figures.

(On the basis of 100 to represent the price-level of 1913/14)

	U. S. A. Bur. of Lab.	Gr. Brit. "Econom."	Germany Stat. Reichsamt	France	Italy	Poland
1925 November	158	161	141	606	712	137
1926 January	156	156	—	634	708	142
" July	151	150	133	837	724	167
" September	151	158	135	788	731	177
" October	150	157	136	751	712	177
" November	149	155	137	675	709	179
" December	—	148	137	620	681	—

  

	Sweden	Switzerland	Sov. Union Gosplan	Japan	Brit. India	China
1925 November	150	—	179	197	160	158
1926 January	150	147	190	192	163	164
" July	148	146	182	179	145	157
" September	146	145	179	176	146	164
" October	148	147	178	174	144	171
" November	148	148	178	171	146	174
" December	—	146	—	—	—	172

### INTERNATIONAL COALESCENCE MOVEMENTS.

The attempts on the part of various groups of capitalists to regulate production and raise prices by international agreements, have also been continued during the last few months and have led to certain definite results. In particular, a series of supplementary arrangements have been made in connection with the international crude steel cartel, as well as with regard to the crude-iron cartel between Germany, France, and Luxemburg, the union of Central European enamel works, the international cartel for the manufacture of rails (which likewise includes the respective British works), the wire cartel, etc.

Little by little, more detailed accounts as to the activity of the European Steel Cartel have appeared in the Press. Most information on the subject may be culled from a report which appeared on December 18th, 1926, in the "L'Usine", the organ of the French heavy industry. The report in question says that the total contingent was originally established at 25.2 million tons, but was raised to 27.2 million tons on October 1st, and to 29.2 million tons on November 4th. On December 10th, after lengthy negotiations, the contingent for the first quarter of 1927 was reduced to 27.7 million tons. The report also gives some account of the struggles existing within the cartel itself. The Belgians, whose quota in the contingent remains unchanged up to a total amount of 30 million tons, opposed the reduction of the contingent; while the object of the Germans was in the first place to use the cartel for the purpose of raising and stabilising prices, the Belgians were already making concessions

so as to be able to maintain their full share in the contingent. The resolution regarding the reduction is nevertheless said to have been passed unanimously.

As we already pointed out in our last report, the German heavy industries have incurred great sacrifices for the purpose of securing the establishment of the international cartel. In compensation of the fact that they had contented themselves with a modest quota on the occasion of the original distribution of the contingent, they were promised that in the case of an extension of the contingent, their ration of increase would be far higher than that of the other participating countries. The following table<sup>9)</sup> affords a concise survey of the situation;

Country	Total Output in Year		In the case of an increase by:				
	1st Q. o. 1926	in 1000 t	1 mill.	2 mills.	3 mills.	4 mills.	
			percentage				
Germany	10,227	40.46	48.5	63	80.5	12,645	43.18
Belgium	3,180	12.58	3.0	3.0	4.0	3,405	11.63
France	8,066	31.91	38.8	27.2	12.4	9,133	31.19
Luxemburg	2,160	8.55	9.7	6.8	3.1	2,411	8.23
Saar Dstr.	1,645	6.50	—	—	—	1,684	5.77
	25,278		100	100	100	29,278	100

Nevertheless, the organisation of the cartel still remains a matter of conjecture for the public, especially as regards the customs treatment of iron imported into Germany from France, Luxemburg, and the Saar district. On October 13th, Mayrisch, Chairman of the Crude Steel Cartel, declared that:

"From a practical standpoint it is possible to conceive of a community in regard to crude steel only if the Franco-German commercial treaty really materialises"<sup>10)</sup>.

On the other hand, Curtius, German Minister of Economy, speaking at a joint session of the Reichstag committees for foreign affairs and commercial politics, respectively, announced that "no manner of conditions or obligations attached to the German Government towards the iron industry in the matter of iron duties"<sup>11)</sup>.

Naturally, some such obligation exists and, though it may not have been put down in black and white, is sufficiently guaranteed by the political influence of the heavy industry. How the matter is proceeding at present, however, is carefully kept from the public.

In the cartel agreements it is consistently maintained that the common trust is without influence on the price policy exercised by the individual cartels of the different countries. All the same, the formation of the combine entailed a sharp rise of prices.

The "fictive foreign prices" of the German heavy industry, the so-called "basic prices" on which the home consumer is allowed a rebate, have, since the formation of the cartel, figured as follows for certain important commodities<sup>12)</sup>:

	Basic Price		Rate of Rebate November
	November	July	
Crude Ingots	95	76	11
Heavy Ingots	100	80	11
Billets	105	83	12
Section Iron	116	93	15
Rod Iron	118.5	96	17
Band Iron	124	120	15
Tubes	310	310	55
Boiler Sheets	152.5	140	22
Thin Sheets (less than 1 mm)	155	155	15

"In the period under review, the rebate rates have declined in the same proportion as the prices have risen."

The difference in the price accretion of the individual goods may be attributable to British competition, which is most pronounced in those varieties which have not risen in price.

<sup>9)</sup> "Berliner Börsen-Courier" of October 26th, 1926.

<sup>10)</sup> "D. A. Z." of October 13th, 1926.

<sup>11)</sup> "D. A. Z." of November 23rd, 1926.

<sup>12)</sup> "Frankfurter Zeitung" of November 3rd, 1926.



It must be borne in mind that the crude steel cartel, though international, is not world-wide. The output of the Franco-German-Belgian bloc comprises about 30 per cent. of the world production, of which 50 per cent. is contributed by the United States, while the balance comes from England and some other European countries. Of the latter, Czechoslovakia, Austria, and Hungary have (with the exception of two factories) already joined the cartel, whereby the total contingent of the combine rose from 100 to 107.2 per cent. Negotiations with the Polish iron industry have hitherto led to no tangible results, since the Poles demand a privileged contingent in regard to the orders to be expected from Russia. Steps are now being taken to get into touch with the Swedish iron industry, while Italy and Spain, as iron-importing countries, are hostile to the cartel.

Whether the cartel will succeed in securing for itself a monopoly on the world market, depends on the participation or non-participation of England. Numerous signs seem to indicate that Great Britain is preparing to enter the steel cartel. A British commission has already been appointed for the purpose of getting into touch with the organisation.

"We must be patient, however, and reckon with the possibility of an abstention on the part of England, though it would be a benevolent abstention (abstention bienveillante)<sup>13)</sup>).

According to a report in the "Börsen-Courier" of January 6th, the British iron industry is to be invited to take part in the next session of the steel cartel.

"There is no lack of goodwill on the part of England to join the steel cartel (says the report). The difficulties still obtaining in this connection consist mainly of the question of quotas. The yearly quota originally demanded by the British, which is said to have ranged from 10 to 12 million tons of crude steel, will probably not be allowed, the quota accorded them being presumably somewhat less than 9 million tons."

The willingness of the British heavy industry to join the international steel cartel is an outcome of the serious crisis which the British iron industry has now been undergoing for a matter of five years. The leading British iron works have for several years been unable to pay dividends; this applies to Bolckow, Vaughan & Co. and the Fleet Iron Co. for the last five years, and to the Dorman-Long Co. for two years, while the Baldwin Co. has for five years paid no dividend on deferred stock and for the year 1925/26 was not even in a position to distribute a dividend on its preference shares<sup>14)</sup>. For this reason, the heads of these big firms are far more inclined than was formerly the case to form a combine within the country, which would be the necessary preliminary to joining the international cartel. (We shall have occasion in our special section to discuss the recently effected combination of firms in the British coal and chemical industries.) If the British heavy industry were to join the international cartel in the near future, the result would indeed be the formation of a world monopoly, since the American metal industry is for the time being only working to a very small extent for export purposes. Nor is there any doubt but that in such a case an agreement would be reached between these two giant organisations. Addressing the American Steel Institute, Cary, Chairman of the American Steel Trust, recently remarked that there has of late been much mention of

"an imminent competition between the steel industrialists of the United States and their foreign competitors. I believe that should this prove necessary, an international conference would be held between all the interested parties, and that a completely frank discussion would open the way to a fair understanding<sup>15)</sup>".

It therefore seems that there is some possibility of an agreement extending to all the prominent countries of the world. Whether such an agreement could be of any longer duration in view of the serious differences existing between the countries concerned, is naturally a moot point.

The development of output in the most important countries is shown in the following table:

### Iron and Steel Production (In Thousands of Tons)

	England	Belgium	France	Germany	Luxemburg	U. S. A.
<b>Crude Iron</b>						
Monthly Average 1913	869	207	434	1609	212	2601
Monthly Average 1925	528	212	706	848	195	3082
1926 July	18	307	792	768	211	3275
August	14	318	814	850	210	3252
September	13	313	785	880	215	3212
October	13	320	816	935	223	3388
November	13	310	790	983	216	3288
December	58	—	—	1065	232	3146
<b>Steel.</b>						
Monthly Average 1913	649	205	396	1578	101	2564
Monthly Average 1925	626	201	618	1016	174	3741
1926 July	33	311	718	1019	192	3710
August	53	318	704	1143	184	4079
September	97	312	706	1144	189	3994
October	94	317	742	1174	195	4158
November	98	309	714	1257	194	3782
December	319	—	—	1303	209	3392

The International Copper Syndicate. The beginning of October saw the formation of the International Copper Syndicate, the American commercial commission having declared that the purposes of the copper trust did not contravene anti-trust legislation. According to American statements, the new trust will control about 90 per cent. of the copper output of the world. The most prominent producers of the United States, Great Britain, France, Germany, and Africa are members of the trust, which is said to aim at "stabilising copper prices", eliminating international speculation in copper, and selling straight to the consumer.

Hitherto, the big consumers of copper in Europe had covered their requirements by purchases mainly from German and English metal dealers. The cartel now requires of the consumers that

"All payments must be made upon delivery of the goods; the consumers to undertake on no condition to resell to third parties the quantities received by them."

In contradistinction to the crude steel cartel, the copper cartel can really be said to constitute a world monopoly.

The Franco-German Potash Cartel. The new contract recently signed between the French and the German potash mining interests modifies the agreement of the spring of 1926 in France's favour. The home markets of the two countries, and in the case of France also the French colonies, are reserved entirely for exploitation by the contracting parties. In regard to foreign markets, the agreement originally provided for a 70 per cent. participation on the part of Germany and a 30 per cent. participation on the part of France. This ratio was altered in the new agreements<sup>16)</sup>, exports to be divided up between the contractors on a 50:50 basis as from January 1st, 1931. Should the amount to be exported reach the extent of 8.4 million double hundred weights prior to this date, the equal-share arrangement will automatically come into force when that limit is reached. This change in the ratio of participation is in keeping with the actual developments of late years. The French potash industry has developed most vigorously and returns higher output figures month by month, while the German home consumption in 1926 and in general the entire sales of German potash products show a marked decline, figuring, at the close of 1926, 15 per cent, below the level of a twelvemonth earlier.

<sup>13)</sup> "L'Usine" of December 18th, 1926.

<sup>14)</sup> "Economist" of November 13th and December 11th, 1926.

<sup>15)</sup> "Journal of Commerce" of September 25th, 1926.

<sup>16)</sup> Press reports in this connection fail to agree, so that it is not apparent whether the alteration in distribution refers to the entire quantity or only to the surplus exceeding the 8.4 million tons.

The Franco-German potash cartel possesses an almost exclusive world monopoly, seeing that the gigantic potash resources of the Soviet Union are not yet opened up. True, some potash is mined in the United States and in Poland, but this quantity can hardly be taken into consideration in comparison with the Franco-German output.

The existence of the potash cartel has been greatly attacked by the United States, the largest purchaser of potash. A report by J. Klein, Director of the Foreign Trade Bureau of the United States, calculates that the price increase effected during the last two years represents a burdening of the American consumers to the amount of \$ 1,200,000<sup>17)</sup>.

**The International Aluminium Cartel.** Some weeks ago an agreement was concluded between English, French, German, and Swiss producers of aluminium with reference to price regulation, interchange of technical experience, and division of the markets. The new syndicate represents about 47 per cent. of the world production of crude aluminium. The Italian and Austrian aluminium producers are in connection with the cartel by means of a community of capital with France or Switzerland, respectively. The other 53 per cent. of the world production is in the hands of the American aluminium trust<sup>18)</sup>.

**The International Superphosphate Cartel.** In the middle of December the entire superphosphate industry of Europe was combined in a cartel, which it is said aims at technical collaboration and propaganda for the use of superphosphates.

**Combinatory Movements in the Platinum Industry.** During the last few weeks there have been frequent reports in the Press in regard to an international platinum cartel. Since the most important producer of platinum is the Soviet Union, no such cartel can possibly be formed without Russian participation. These rumours must therefore be looked upon as attempts to induce the Soviet Union to adopt a definite attitude in the platinum question.

**Cartels in Agriculture.** The cartels hitherto discussed all refer to mining products. These are indeed best adapted for merging into cartels, for when the mines are in the hands of members of the cartel, it is not very likely that there will be outside competitors. Another category of cartels which have acquired importance of late, are those formed among agricultural producers. Such combines as these can never hope to acquire a world monopoly. They content themselves with controlling an important proportion of the annual crops, which is quite sufficient for price regulation for the following reasons: Firstly, agricultural production has generally a turnover period of one year. Secondly, the yearly output and the yearly consumption coincide save for a negligible balance. Thirdly, an extension of output can only take place after the lapse of a year, and generally only at an increased cost of production. Fourthly, the products in question are practically indispensable, so that a monopoly over a considerable portion thereof suffices for the purpose of raising the price level in general.

**International Wheat Cartel.** The nucleus of the international wheat trust to be formed is given by the Canadian pool, which this year controls 60 per cent. of the Canadian wheat harvest and vast quantities of other varieties of grain. The leaders of the Canadian pool are at present endeavouring to induce Argentina and Australia, the other two great wheat exporters outside the Soviet Union, to form pools and to take part in a great common action on the world market. H. W. Wood, Chairman of the Wheat Pool of Alberta (Canada), is at present in Australia for the purpose of negotiating with the leaders of the pool-movement there. In Australia there are four different wheat pools. It is Wood's task to co-ordinate the activity of these bodies and to adapt them to the system of the Canadian pool. Another prominent member of the Canadian pool is at the present time in Argentina on a similar mission, and it is reported that on March 16th, 1927, an international conference will be held in Canada with Australian and Argentinian farmers with a view to extending the pool-movement and to promoting uniform proceedings on the world market<sup>19)</sup>.

**Keeping up Cotton Prices.** In our last report we discussed in detail the drop in prices caused by the gigantic American cotton harvest. The formation of a cartel with the support of the Government appears not to have materialised in the United States. It is hoped that by a drastic restriction of the area under cultivation, in which every cotton planter will be called upon to co-operate, it may be found possible to reduce next year's harvest to desirable limits. In Egypt, the British Government is proceeding very severely in this direction. Though the Egyptian planters were granted advances to the amount of four million Egyptian pounds, so as to prevent them from realising their crops at far below normal prices, the Government has insisted that between 1927 and 1929 not more than one third of the area in each individual concern may be planted with cotton and has established serious penalties for the infringement of this rule.

**Maintenance of price of Raw Silk in Japan.** For the purpose of bolstering up the raw-silk prices, which have declined very greatly of late, 30,000 bales of silk have, with the aid of the Japanese Government, been withdrawn from the market and placed in store. Silk producers are to receive an advance of 750 yens at an extraordinarily low rate of interest (6½%) from a Japanese bank operating on the strength of a Government guarantee<sup>20)</sup>.

**Restriction of Raw Sugar Production in Cuba.** According to a decree issued by the President of Cuba, who is in fact nothing but the executive organ of the United States sugar capitalists in the island, the sugar output of Cuba was restricted for the year 1926/27 to 4½ millions tons. In 1925/26, the output was 4.9 million tons, or roughly the fifth part of the entire world production. Of the total, 3.3 million tons was sold on "permanent markets", i. e. in the United States, while 1.6 million tons had to be placed on the contested world market.

According to interesting statistics compiled by the "Journal of Commerce" (October 23rd, 1926), the world production in 1925/26 figured at 24.4 million tons, distributed as follows:

	Million tons
Consumed in the countries of production . . . . .	12.6
Sold on permanent markets . . . . .	9.3
Sold on contested markets . . . . .	2.5

These figures show that Cuba has a two-thirds share of sales in the contested markets. Since the agreement among the sugar-producing countries failed to materialise, Cuba could only avoid a sharp fall in prices by a drastic curtailment of output.

#### THE STRUGGLE ON THE RUBBER MARKET BETWEEN THE SELLING AND CONSUMING TRUSTS.

As we had occasion to point out in former surveys, there has for years been a struggle in progress between Great Britain and the United States in regard to the fixation of the price of crude rubber. Great Britain, which by reason of its plantations in Farther India possesses practically an exclusive world monopoly, introduced what is known as the Stevenson Regulation for the purpose of maintaining the high price level, which means that the quantity of crude rubber exported every year from Farther India is regulated according to the price formation. For the coming year, i. e. November 1926 to October 1927, the following regulation is in force: In the first quarter, 80 per cent. of the "standard production" may be exported; if the price in London rises above two shillings a pound, the export quantity will be raised to 100 per cent., if it falls below one ninth of a shilling, the exports will be diminished by 10 per cent. By no means must they exceed 100 per cent. or fall short of 60 per cent. The present price of rubber is about one eighth of a shilling as against three ninths of a shilling at the commencement of 1926. The reason of this acute fall in price is the diminished consumption on the part of the United States. In the financial year 1924/25, the latter imported 367,000 tons of crude rubber; for the following financial year imports were to have amounted to 400,000 tons. As a matter of fact only 367,000 tons were actually imported, stocks increasing by 25,000 tons, so that an economy of 60,000 tons was effected<sup>21)</sup>. This

<sup>17)</sup> "Journal of Commerce" of December 14th, 1926.

<sup>18)</sup> "Times" of November 16th, 1926.

<sup>19)</sup> "Journal of Commerce" of October 21st and November 20th, 1926.

<sup>20)</sup> "Japan Chronicle" of November 13th, 1926.

<sup>21)</sup> "Journal of Commerce" of October 24th, 1926.

economy resulted mainly through the exploitation of old material. However, the rubber consumers of the United States were not satisfied with this result, but are attempting in two ways to break the rubber monopoly of Great Britain.

In the first place, they are attempting to establish rubber plantations wherever there is the least chance of the plant thriving, e. g. in Liberia, Southern Florida, the West Indian islands, Panama, etc.

Secondly, they have endeavoured to unite all the great consumers in a purchasing trust.

This combine was founded early last December in the shape of a joint-stock company with a capital of 40 million dollars. It comprises all the big tyre-works of the United States, besides a number of the big motor-car factories. The purchases of all these consumers are to be effected by means of a single buyer, the General Rubber Co. Great stocks are to be accumulated, for the purpose of counteracting any possibly undesirable price formation owing to British restriction measures<sup>22</sup>). The entire undertaking is being financed by some leading American banks, the Chase National Bank and the National Bank of Commerce<sup>23</sup>). In this way, the British selling monopoly is faced by an American purchasing organisation. It must be remembered, moreover, that neither of these cartels possesses an absolute monopoly, controlling only some 75 per cent. of production and consumption, respectively.

According to the calculations of the American Department of Commerce, the Americans last year paid 270 million dollars more for their rubber than the "fair price" forming the basis in the Stevenson Plan. The matter at stake in this struggle between the two organisations is therefore an annual extra profit of more than fifty million pounds sterling, which suffices to explain the keenness of the struggle.

#### THE ANGLO-GERMAN COAL STRUGGLE.

Even after the end of the British coal lock-out the situation on the European coal markets remains highly favourable for capitalists. A gap of roughly 140 million tons in the British coal output ensures both the German and the British coal trade a very brisk sale of their entire production for months ahead. Nevertheless, the fight for markets, or for a possible understanding in this regard, is already in progress.

The situation of the German coal mining industry is favourable, inasmuch as it has succeeded in disposing of all its old stock and also, by means of long-termed contracts, in securing sales on markets formerly controlled by the British.

It is not yet apparent to-day how the competitive capacity of the British coal mining industry is destined to develop now after the defeat of the miners. By virtue of the new agreements, the working day in all British coal mines has been lengthened from seven to eight hours — in certain areas only to seven hours and a half. All other circumstances being equal, this means a lessening of production costs by roughly 10 per cent<sup>24</sup>).

The development of wages, however, is a matter which cannot be so easily pursued. In the British mining industry there are three sorts of wages:

1. **Subsistence wages**, representing the minimum to be paid to the miners even in the worst of pits; no reduction of these rates appears to have taken place.

2. **Basic wages**, which, together with a variable percentage addition, form the regular wages of the British miners. The reports on individual arrangements allow of no clear survey as to whether and by how much these wages have been reduced. We have the general impression, however, that until the spring of 1927, pretty much the same wages will continue to be paid as before the lock-out.

3. **Distribution of Proceeds** between capitalists and workers. A system obtains in British mining, according to which the basic wages and percentage additions are only paid provisionally,

while the definite wages are determined after the lapse of the business year, the proceeds being divided, after the defrayment of material expenses, between the capitalists as profit and the workers as wages. The ratio of division varies between 84 per cent. for wages and 16 for profit and 87 per cent. for wages and 13 for profit. By reason of this system, it only appears at a later date whether the miners have received too much or too little at the provisional distribution of wages, and in accordance with these final results they either receive a supplementary payment or become indebted to the employer. This means that the struggle between miners and the mine-owners is not yet concluded, since it is bound to be renewed in the spring or summer after the lapse of the arrangements for the provisional continuation of the pre-lock-out wages. The British mine-owners are in a position to pay another five or six months of higher wages, seeing that the price of coal is still considerably higher than it was before the strike.

The most decisive factor for British mining, however, is the export of coal. And in this connection there is acute friction between British and German coal-mining interests.

In our former reports we had occasion to state that the British trade union leaders, including Cook, designated an international price arrangement as the only solution for the British mining crisis. There can be no doubt but that both in German and in British mining circles there is an inclination to an international agreement. Before such an agreement can materialise, however, the British are desirous at any rate of regaining the ground they have lost in export business. Therefore a violent struggle may be expected in the near future. As a matter of fact, the German press is full of reports of very cheap British offers of coal, made not only to northern Germany, which always purchased British coal, but also to southern Germany<sup>25</sup>). In Italy and France a struggle is proceeding between British and German interests.

The German mines, meanwhile, are attempting also by technical innovations to oust the British coal at least from the German markets. Two great schemes exist:

1. The construction of a great shipping canal from the Rhine to Hamburg, or possibly to Berlin, so that a cheapening of freight rates may tend to make German coal capable of competing with British in the German coastal regions and in Scandinavia.

2. The long-distance distribution of gas, which by competing with the local gas-work, which use British coal, is intended to oust the British gas-coal from Germany.

In this connection serious differences are in existence in Germany itself. On January 1st, 1927, the "Deutsche Bergwerkszeitung" published a letter by Ernst Körting, the manager of the German Gas Company in Berlin, which had already appeared on December 7th, 1926, in the "North Mail and Newcastle Daily", the organ of the gas-coal trade in Great Britain. In this letter, Körting calls upon the English purveyors of gas-coal to supply the German market as cheaply as possible in view of the threatening competition of the long-distance gas supply scheme.

"I therefore appeal to the British coal industry (he writes) with the request that in this dangerous crisis the British purveyors of coal may do their utmost in the way of cheap quotations for gas-coal intended for Germany, and in this way strengthen the position of their hard-pressed German friends. More I need hardly say. The extraordinary conditions justify the extraordinary measure of a direct appeal. However the matter may develop, the British purveyors who have been supplying our enterprise for a century, will not have been left without fair warning."

The "Bergwerkszeitung" violently attacks this procedure, which it calls "treason towards German economy".

Along with these preparations for struggle, however, there is also an increasing number of rumours regarding negotiations between German and British coal-owners, in which connection the Germans appear to have taken the initiative. Naturally this is officially denied. The report of the Ruhr Coal Syndicate, which was published at the close of the year, contains the following passage:

<sup>25</sup>) It is an interesting fact that quite recently the German State Railways purchased 70,000 tons of British coal, since the Ruhr mines would not, or could not, quote an acceptable figure.

<sup>22</sup>) "Journal of Commerce" of December 3rd, 1926.

<sup>23</sup>) "Bulletin Quotidien" of January 5th, 1927.

<sup>24</sup>) According to the "Bergwerkszeitung" of December 29th, 1926, the relative increase of output in Scotland as compared with pre-war times, figured at the beginning of December at 17 per cent., while the average of all British miners showed a relative increase at the same time of only 5.2 per cent.

"England is very naturally striving to regain its former markets and is offering certain qualities at extremely cheap rates. We must therefore consider carefully as to how far we can imitate the cheap British offers without contributing on our part to an undue depression of the price level on the world market as a result of mutual undercutting. We assume that the British coal exporters are debating in the same way, and are not waging an unscrupulous price war merely for its own sake, as we might be led to believe by Press reports.

"At the same time, both sides recommend that an Anglo-German agreement be brought about in regard to the coal market question. In our opinion this will not be possible for some time to come. For more than a year no negotiations have taken place in this regard, in which connection it must be pointed out that at that time the suggestion was put forward by England. Great Britain now finds itself faced with the task of reconquering its old position on the world market. We have therefore made no proposals anent an agreement, nor do we intend to take so hopeless a step. But between a convention on the one hand and a competitive fight to the uttermost upon the other, there should be no lack of ways and means, and we hope that a state of equal balance may result between British and German coal exports in the way of moderate competition<sup>26)</sup>."

The hope that the British coal mining industry will not wage too relentless a war, is often repeated in the columns of the "Bergwerkszeitung".

"It is hardly to be assumed that the British mine-owners will be so unreasonable as to unsettle the coal-market again by a war to the knife. The Ruhr mines desire no such fight, and they must also realise that their present position on the world market, which is owing to abnormal circumstances, cannot be maintained for any length of time. At the same time, it is their duty to maintain against all odds the place which is theirs by right and from which before the lock-out they were ousted through the British policy of subsidies<sup>27)</sup>."

Röchlin likewise advocates an agreement, on which subject he writes as follows:

"There is hardly any other course open than that of a clear understanding between the individual groups of coal-mining countries, as to the degree in which the output is to be curtailed uniformly for all, so that the demand should be covered but not more than covered<sup>28)</sup>."

British mining interests do not appear at the moment to contemplate entering into any arrangements so long as they have not regained their former position by means of a keen competition.

The "Rote Fahne" of December 1st, 1926, quotes the following utterances of British mining circles:

"Daily Telegraph": "On the contrary, the British mine-owners are fully determined to recapture the lost markets from the Germans, and that without regard for the costs incurred."

Westminster Gazette: "We shall not dream of considering the possibility of compromise. As soon as the mines are working normally again, a campaign will be started by the exporting areas of South Wales, Durham, and Northumberland. The British mine-owners are fully determined to recapture those markets at any price. Doubtless the Germans are willing to come to an understanding with us. But, unfortunately for the Germans, we are resolved to fight for our lost markets."

It thus seems that for some time to come a keen fight between the German and the British mining interests is inevitable. The costs of such a fight will have to be borne mainly by the German and British miners. The British mine-owners will again attempt to reduce the miners' wages in the spring in view of the low price of coal on the world market and the very great

unemployment which is to be expected. The German mine-owners will draw attention to the longer working hours in Great Britain and will attempt to lengthen the working hours and depress wages in Germany. Only when this has been effected — assuming the plan not to be frustrated through the resistance of the miners — will serious negotiations ensue with a view to an international agreement.

## REPARATIONS AND INTER-ALLIED DEBTS.

No change has come about in the reparations question within the last few months. Germany's reparation payments and their transfer to the Allied countries have been effected smoothly. This is acknowledged with satisfaction by the Agent General for Reparation Payments in his report for the second Dawes year<sup>29)</sup>.

"As regards reparations payments, Germany carried out all its obligations promptly and loyally in the second year, as it did in the first, the main difference being that in the second year it did so out of its own funds in the manner set forth in the Dawes Plan. At the same time, experience has been acquired regarding the transfer problem and the Transfer Committee has succeeded in transmitting the sums received by Germany in their entirety to the Powers entitled to receive them. Within its own particular sphere, the Dawes Plan has created an atmosphere and an increasing tradition of loyalty and amicable understanding<sup>30)</sup>."

The report itself constitutes one of the best possible surveys of the German economic situation. How far Germany is still under the control of the Entente Powers, is shown by the severe criticism which the Agent General, one of the best-informed men in regard to German economic matters, utters in regard to various economic measures of the German Government.

It only appears questionable whether it is really true that the transfer of the reparation payments was effected out of Germany's own means. True, the "Konjunkturinstitut" succeeds in showing a positive balance of payments for Germany despite the reparation payments. This view is also taken by the Agent General<sup>31)</sup>. Nevertheless the fact remains that in the first ten months of 1926, no less than 1329 million gold marks were received by Germany in the way of foreign loans<sup>32)</sup>, while the amounts put down to Germany's credit on the Reparations account outside the country are shown by the Agent General's statement to have totalled 1072 million gold marks. Whether the short-termed goods-credits, granted by Germany to its foreign buyers, exceed this sum so far as to permit of a positive payment balance, is a moot point in view of the doubtful bases of all such calculations.

In our last survey we made mention of the fact that the possible sale of the German railway debentures to an amount ranging from 1,500 to 2,500 million gold marks, was discussed at Thoiry between Briand and Stresemann. This transaction, 52 per cent. of the proceeds of which would have passed into the hands of France, would very much have facilitated the stabilisation of the French franc. This plan has up to the present not materialised, mainly on account of the objections raised by Great Britain and the United States. In the latter country it was openly declared that the French Parliament would have to ratify the Mellon-Béranger agreement before the United States Government could give its consent to the sale of the German railway debentures in America<sup>33)</sup>.

The Agent General for Reparation Payments points out in his report that the question of a sale of the German railway and industrial debentures is a matter depending on the Reparations Commission, and that the Transfer Committee and the Agent General possess certain rights in this regard, so that such a sale could not take place save "under the advice" of the Transfer Committee and the Agent General<sup>34)</sup>. In April 1925,

<sup>29)</sup> "Report of the Agent General for Reparation Payments."

<sup>30)</sup> "Report", p. 106.

<sup>31)</sup> "Report", p. 82.

<sup>32)</sup> "Report", p. 58.

<sup>33)</sup> "Journal of Commerce" of October 8th, 1926.

<sup>34)</sup> "Report", p. 20.

<sup>26)</sup> "Börsen-Courier" of December 30th, 1926.

<sup>27)</sup> "Börsen-Courier" of December 19th, 1926.

<sup>28)</sup> "Börsen-Courier" of December 25th, 1926.

this question was raised before the Transfer Committee, which at that time declared itself agreeable to the suggestion on principle. Since then no more has been said. It is therefore obvious that the question of selling part of the railway debentures has not matured sufficiently for the necessity to have arisen to consult the Transfer Committee.

That the matter has, however, not been altogether dropped, is shown by an interesting leading article which appeared in the "Bulletin Quotidien" on December 28th, 1926, and obviously reflected the opinion prevalent among the big bourgeoisie of France. It contained the following passage:

"In the course of the Franco-German discussions at Thoiry, the question of a mobilisation of part of the German debentures was brought up. The discussion appears to have been held up in view of the argument that such a step could only be effected with the aid of the American market, which co-operation was dependent on the ratification of the Washington Agreement in regard to the consolidation of the French debts to the United States.

"For our part, we do not believe that this argument will hold water. Ample financial means would doubtless be forthcoming on the European market to permit us to solve our currency problem.

The claim we have on the German debentures certainly entitles us to undertake a credit operation abroad. It is a question of finding the practical manner of proceeding which will fit into the mechanism of the reparations system. This should not prove impossible."

It would therefore seem that the big bourgeoisie in France has not given up the hope of aiding the stabilisation of the French franc by a mobilisation of the German debentures.

No alteration is reported during the last few months in regard to inter-Allied debts. The French debt agreements have not been ratified. On the occasion of a visit of Churchill to Paris, he is reported by the "Daily Telegraph" to have made use of the occasion to call on Poincaré and to intimate to him that Great Britain expected a speedy ratification by France of the agreement arrived at between himself (Churchill) and Cail- laux in view of the very marked decline in the revenue of the British Treasury. Poincaré, however, was not to be induced to give any definite reply<sup>35)</sup>.

Public opinion in the United States is gravitating, though very slowly, towards granting further concessions in the matter of inter-Allied debts. M. T. Herrick, United States Ambassador in France, recently said at the New York Bankers' Club that some patience ought to be shown in dealing with France.

"Just think what it would mean to us if six million of our young fellows had died and we were in a tight place in regard to credit into the bargain. What on earth should we do in such a case?<sup>36)</sup>"

The inclination for a new standpoint in the question of inter-Allied debts is most clearly reflected in the memorandum of the professors of Columbia University, which was published on December 20th. The memorandum advocates the convening of a new debt conference and the granting of very substantial concessions on the part of America. It is pointed out that the material interest of the United States as regards the recovery of their outstanding claims is at bottom very small:

1. The yearly revenue would for the next four years amount to less than five per cent. of the annual import or export figure of the United States.

2. The payments in the next few years would figure at less than one third per cent. of the national income of America, and even in later years at not more than one half per cent.

3. If these sums were employed for the purpose of reducing the American personal income tax, they would not amount to more than two dollars a year to the benefit of a typical tax-payer with a net income of 5000 dollars.

All this is very true, and we ourselves on former occasions frequently pointed out that the material aspect of the question is of no significance to the United States. The professors of

Columbia University, however, seem to forget that we are living in an imperialist age and that the inter-Allied debts and the question of their collection or remission constitute an important weapon of the United States in international politics. For this reason Coolidge hastened to snub the professors by unofficially declaring the very next day:

"We are striving to work out this problem in a way which will be of advantage not only to ourselves but also to the debtor nation. The President doubts whether the action advocated by the professors would lead to satisfactory results at the present time<sup>37)</sup>."

The American Government is counting on the final ratification of the agreement by the French Parliament, since, if this has not been done by 1929, France will be obliged to pay a lump sum of 400 million dollars of capital, the price of the military stores left behind, a sum which it will hardly be able to raise. The United States Government is not inclined to abandon such an important weapon in the international imperialist struggle.

### THE WORLD'S HARVEST.

The final returns are now to hand in regard to the harvest of the northern hemisphere, besides the first estimates for the further development of grain prices in the most important countries of the southern hemisphere, viz., Argentina and Australia.

The harvest in these regions (not including the Soviet Union) figures as follows<sup>38)</sup>:

	Wheat (in millions double hundred weights):			
	1926	1925	1920/24	1909/13
Europe (25 countries) . . .	338	378	298	368
North America (3 countries)	342	296	323	244
Asia (6 countries) . . .	103	104	107	106
Africa (6 countries) . . .	25	29	24	26
Argentina . . . . .	59	52	53	40
Australia . . . . .	42	31	37	25
Total (42 countries):	909	890	842	809

This table shows that the development of European wheat production has suffered a relapse, the output being 40 million double hundred weights less than in the preceding year and 30 million double hundred weights below the pre-war average. Since the population of the capitalist countries of Europe has in the meantime increased, the supply of bread from home production has become less, all the more so seeing that the rye yield has suffered a yet much greater decline.

	Rye (in millions of tons):			
	1926	1925	1920/24	1909/13
Europe (23 countries) . . .	201	235	181	247
America (3 countries) . . .	14	17	24	10
Total (26 countries):	215	252	205	257

In this case the deficiency in comparison with pre-war amounts to 41 million double hundred weights, while the difference as against 1925 is 37 million double hundreds weights.

The deficiency in the harvest of Europe in regard to bread cereals is more than made good by the greatly increased yields of America and Australia. Argentina and Australia, taken together, have, in particular, the prospect of so great a harvest, viz., 101 million double hundred weights as has hitherto only been realised on a single occasion, i. e. in the year 1923/24.

The outcome of this year's harvest is thus an increased dependence of Europe on grain supplies from overseas, which naturally means a shifting of the financial and foreign trade balances in favour of oversea countries.

Taking into consideration the expected increased export of grain from the Soviet Union, the alimentation of the world

<sup>35)</sup> "D. A. Z." of December 28th, 1926.

<sup>36)</sup> "Journal of Commerce" of October 22nd, 1926.

<sup>37)</sup> "Times" of December 22nd, 1926.

<sup>38)</sup> Bulletin of the Roman Agrarian Institute, December 1926.



with this commodity may be said to be on the same level as last year. The fodder crops are somewhat smaller, as will be seen from the following figures:

#### World Output in Millions of Double Hundred Weights:

	Average			
	1926	1925	1920,24	1909/1
Barley . . . . .	255	270	228	245
Oats . . . . .	523	550	489	491
Maize . . . . .	867	904	868	847

The European crops are somewhat larger, the oversea crops slightly smaller, than was the case in 1925.

As regards price formation, the substantial rise in freight rates by reason of the British coal lock-out caused a corresponding increase in the difference between the prices quoted by the oversea exporting countries and those paid in the importing countries of Europe. The following table illustrates the price development in gold francs:

#### Grain & Cotton Prices in Gold Francs per Double Hundred Weight:

	Average	Sept. 1925	Early Dec. 1925	Sept. 1926	Dec. 1926
	1913	1925	1925	1926	1926
<b>Wheat</b>					
Winnipeg . . . . .	16.76	29.90	31.57	27.73	25.64
Chicago . . . . .	17.19	29.94	34.23	24.90	27.16
Argentina (Baletta) . . . . .	19.03	—	34.61	—	26.77
Liverpool (Manitoba) . . . . .	20.90	32.15	36.93	30.99	33.60
Berlin (Brandenburg) . . . . .	24.28	30.85	31.85	32.35	33.64
<b>Rye</b>					
Minneapolis . . . . .	11.55	17.85	19.59	18.77	19.08
Berlin . . . . .	20.51	21.84	20.12	25.31	28.70
<b>Barley</b>					
Winnipeg . . . . .	10.95	16.43	14.40	14.07	13.58
Chicago . . . . .	12.14	15.47	15.95	12.38	13.81
London (American) . . . . .	15.18	21.37	20.16	19.46	21.72
<b>Oats</b>					
Winnipeg . . . . .	11.43	17.91	16.47	16.37	18.46
Buenos Aires . . . . .	12.08	17.29	16.29	13.91	11.86
London (La Plata) . . . . .	15.57	21.50	21.61	17.81	22.41
<b>Maize</b>					
Chicago . . . . .	13.11	20.61	16.37	16.07	15.51
Buenos Aires . . . . .	11.48	18.95	17.57	14.02	11.02
London (La Plata) . . . . .	14.19	21.77	21.14	17.14	17.67
<b>Cotton</b>					
New Orleans . . . . .	144.98	249.76	222.34	202.46	123.46

In general, the price level on the world market shows a sinking tendency as compared with the preceding year. Germany, where the price-augmenting influence of the grain duties and of the export-permit system did not make itself fully felt until the year 1926, forms an exception.

The attempts to influence wheat prices by the formation of extensive selling organisations in oversea countries will be discussed in another section of this report.

#### WORLD SHIPPING AND SHIPBUILDING.

The long coal lock-out brought unexpectedly good business for shipping. The freight index of the "Economist" shows the following development:

	(1913 = 100)	
	1925	1926
April . . . . .	104	88
September . . . . .	98	113
October . . . . .	99	157
November . . . . .	102	169
December . . . . .	105	—

For the first time during the last five years, the freight index, thanks to the lock-out, exceeded the wholesale index and rendered possible a profitable exploitation of the available bottoms. Thanks to the exceptional business conditions, the idle

tonnage was greatly reduced, receding in England alone from 859,739 on July 1st to 371,000 on October 1st.

This improved state of affairs is not likely to be of very long duration, since there are far more available ships than before the war, while the world's commerce has diminished. On the other hand, the ships grow older; indeed, most of the ships in use are at present far older on an average than was the case before the war. An increasing number will therefore have to be scrapped.

This process is accelerated by the progress of technical science, which makes the new vessels more economical to run than the old ones. We are therefore faced with a threefold development:

Firstly, the owners of the old ships appear to recognise that, during the presumable existence of the latter, shipping is not likely to be so exceptionally good as to allow of a profitable employment of these antiquated vessels. They are therefore willing to weed them out and scrap them.

Secondly, there is a very extensive tendency towards amalgamation, both among the shipyards (in Germany) and among the steamship companies in existence in Germany. In England, a few weeks ago, the White Star Line was repurchased from Morgan by the Royal Mail Line for seven million pounds sterling. By the purchase of this line, possessing and controlling a total tonnage of 800,000, the Royal Mail Line has become one of the greatest steamship companies of the world, since it now possesses or controls 2.5 million tons of shipping.

Thirdly, shipbuilding is looking up slightly, since international competition necessitates a renewal of the bulkheads. The building orders issued both to British and to German yards grew considerably during the last few months.

Concentration of enterprises, a writing off and scrapping of old tonnage, and the new construction of up-to-date ships for the purpose of keener competition among the companies, are the salient characteristics of the present situation.

## II. Special Section. Germany.

### A YEAR OF PROGRESS?

A year of progress — that is what the annual report of the "Magazin der Wirtschaft" calls the economic year 1926 for Germany. And most of the bourgeois and Social Democratic reviews echo this opinion. Nevertheless, the number of unemployed in receipt of relief figured as follows:

Close of 1925 . . . . .	1,486,000
Close of 1926 . . . . .	1,745,000

While the bourgeois press, therefore, speaks of a year of progress, unemployment figured far higher at the close of the year than at its commencement. It was a year of progress for the capitalists, a year of continued misery for the German working class.

If we consider the development of German economy in 1926 in general and in the last five or six months in particular, we can indeed speak of progress from a capitalistic standpoint. Production increased in practically all branches. So did unemployment, whereas wages remained unchanged, so that the exploitation of labour and with it surplus value also increased. The cases of bankruptcy and public controller-ship were fewer in number than before the war. The rates of securities on the Stock Exchange have for a year past shown an almost uninterrupted rise. In the first few days of 1927, the bank rate was reduced to 5 per cent. In short, there are, or would appear to be, all conditions for ensuring high profits to the German capitalist class. We subjoin certain figures in illustration of this development.

#### Coal, Iron, and Steel Production.

Monthly average	Hard Coal	Lignite	Coke	Iron	Steel
	Millions of Tons			Thousands of Tons	
1925 . . . . .	11.1	11.6	2168	858	1016
1st Quarter 1926 . . . . .	11.1	11.7	2079	679	852
2nd Quarter 1926 . . . . .	10.9	10.4	1966	708	916
3rd Quarter 1926 . . . . .	12.9	11.5	2100	832	1101
October 1926 . . . . .	13.5	13.2	2390	935	1174
November 1926 . . . . .	13.5	12.8	2570	983	1257
December 1926 . . . . .	—	—	—	1065	1303

No comprehensive data are to hand in regard to the finishing industries, but there appears to be no manner of doubt but that output has increased in these branches, too.

#### INCREASED EXPLOITATION OF THE WORKERS.

The larger output in German industry was effected with a reduced number of operatives by a pronounced augmentation of productivity and before all of the intensivity of labour. Some figures serve to show the increase in working output in comparison with the preceding year and with pre-war times.

In the Ruhr mining industry the following quantities, in kilogrammes, were raised per shift and per head of the total staffs:

1913 . . . . .	943
1925 . . . . .	946
June to September 1926 . . . . .	1135

This represents an increase over the preceding year of roughly 20 per cent.

**Crude Iron Output.** The daily output per worker in the autumn of 1926 stood at 126 per cent., on the basis of 100 to represent the level of January 1925.

**Crude Steel Output.** As compared with January 1926 (= 100) the autumn of the same year showed an output of 133 per cent., or an increase of from 25 to 33 per cent<sup>39</sup>).

**Textile Industries.** In the summer of 1926, the Union of Christian Textile Workers of Germany instituted an inquiry into the state of affairs in the spinning and weaving mills. The main returns published in this connection we here reproduce from the columns of the "Rote Fahne" of December 23rd, 1926.

#### Cotton Spinning Mills.

Number of Concerns Surveyed . . . . .	21	
Number of Spindles:		
1914 . . . . .	654,234	
1926 . . . . .	737,016	Increase 82,782 = 12.5%
Number of Operatives (Men and Women):		
1914 . . . . .	13,624	
1926 . . . . .	13,906	282 = 2.0%
Number of Clerks:		
1914 . . . . .	639	
1926 . . . . .	895	256 = 45.0%
Number of Managers:		
1914 . . . . .	22	
1926 . . . . .	32	10 = 45.0%

#### Cotton Weaving Mills.

Number of Concerns Surveyed . . . . .	41	
Number of Looms:		
1914 . . . . .	20,914	
1926 . . . . .	21,964	1,000 = 5.0%
Average No. of Revolutions of Looms per Minute		
1914 . . . . .	155	
1926 . . . . .	165	10 = 6.5%
Average Efficacy of Looms . . . . .		+ 72.0%
Number of Operatives (Men and Women):		
1914 . . . . .	16,542	
1926 . . . . .	16,980	438 = 2.6%
Number of Clerks:		
1914 . . . . .	874	
1926 . . . . .	1,168	294 = 33.0%
Number of Managers:		
1914 . . . . .	33	
1926 . . . . .	42	9 = 27.3%

We see from the above figures that the increase of the working output was far greater in the heavy than in the textile industries, which is probably to be attributed to the fact that of

<sup>39</sup>) The figures are taken from the "Bericht der Reichskreditgesellschaft" in Berlin.

late no important technical innovations have been introduced in the latter branch of economy, while in the case of the heavy industry the efficacy of the furnaces has been greatly enhanced. In an average month of 1913, 204 furnaces produced about 10 per cent. less steel and iron than 104 furnaces in November 1926, which means an increase of the output per furnace by 100 per cent.

Despite this greater intensity of work, wages are, even according to bourgeois calculations, only a little higher now than a year ago. On an average the weekly wage in the case of a regularly employed worker, on the basis of 100 to represent the level of 1913, stood at:

	Skilled Worker	Unskilled Worker	Cost of Living
October 1925 . . . . .	127.7	141.5	143.5
October 1926 . . . . .	131.4	145.7	142.2

Taking into consideration the tendency of all bourgeois reports to show the position of the worker in a better light, we may safely say that the real wages of the workers are no higher to-day than they were a year ago, and that the working class of Germany receive no share from the increased productivity and intensity of the work itself, quite apart even from the great volume of chronic unemployment.

We are again and again faced with the question as to how such a development is to end. This is at the same time a question as to the effects of "rationalisation" and as to the future destiny of the German working class.

Fritz Naphtaly, a bourgeois writer in close touch with the Social Democrats, writes as follows on this problem in the "Frankfurter Zeitung" of December 28th, 1926:

"Wherever the system of rationalisation is put into effect, it invariably puts workers out of employment. If, however, by way of a lowering of initial costs it works out at a lowering of prices, it will lead to the extension of marketing possibilities and thus to an increase in total production, which again absorbs the unoccupied workers, though possibly changing their field of activity. The rapidity with which this process of a translation of rationalisation into a reduction of prices and enhanced production can be effected, is perhaps the most important factor among the crisis phenomena of the labour market."

As a matter of fact, however, the system of rationalisation proceeds under circumstances which prevent a diminution of prices, for the reason that

Firstly, the main element making for price reduction, viz. competition, is lacking, seeing that the bulk of German industrial production is carried on in monopoly organisations, and

Secondly, price reduction is, and has been, hindered by the protective duties, which at the same time exclude a competition of foreign products on the German market and, in the form of agrarian duties, increase the ground rents and artificially force up prices. Thus we may see that during the last year the total index of prices has hardly altered. While the prices of agrarian products have risen by 10 per cent. by reason of the agrarian duties, the finished industrial products have only grown cheaper by about 6 per cent., a reduction which is by no means likely to bring about any radical changes in market conditions as would lead to the re-absorption of the unemployed masses.

#### Wholesale Price Index of the Statistische Reichsamt.

On the Basis of 100 to represent 1913)

	Total Index <sup>40</sup> )	Agrarian Products	Finished Industrial Products
December 1925 . . . . .	139.5	130.7	135.8
July 1926 . . . . .	133.1	128.7	128.4
September 1926 . . . . .	134.9	134.1	129.9
October 1926 . . . . .	136.2	139.7	128.5
November 1926 . . . . .	137.1	142.8	128.3
December 1926 . . . . .	137.1	143.8	128.4

#### Unemployment.

The unemployment figure, which showed a downward tendency as from February 1926 onwards, has, as pointed out above,

<sup>40</sup>) New system of calculation.

been growing rapidly during the last few weeks, and in November already exceeded the level of a year ago. The number of workers in receipt of unemployment benefit was as follows:

1925	1926					
Dec.	Febr.	July	Sept.	Oct.	Nov.	Dec.
(in thousands)						
1486	2057	1652	1395	1308	1369	1745

The actual number of unemployed is naturally much greater. Besides these unemployed workers in receipt of benefit the "Reichsarbeiterblatt" of November 15th makes mention of 124,000 on relief work. Apart from this, the number of those who have run out of benefit or accorded emergency relief, and of such as had received no support at all, amounted to several hundred thousands. Certainly the number of the fully unemployed round the end of the year must have figured at more than two millions<sup>41)</sup>. No comparative pre-war data are to hand, but according to the calculations of the "Konjunkturinstitut" in regard to the unemployment in the trade unions, there must have been an average degree of unemployment of 200,000 or 300,000 persons.

The bourgeoisie seems to accept the fact of great unemployment with considerable equanimity, basing its hopes on its own generally satisfactory position and on the tendency towards improvement in economy as seen by itself. We may here quote a few figures from the very reliable sources of the Reichskreditanstalt<sup>42)</sup>. The formation of proprietary capital in Germany figured somewhat as follows in millions of gold marks, reckoned on a basis of present values:

1913	11,900
1925	6,400
1926	6,300

"According to this estimate, the present formation of capital is about half that of the latest pre-war year."

In the first ten months of 1926, savings deposits increased on an average by 110 millions monthly. At the close of 1926, the total of savings could be estimated at somewhat more than 3,000 million marks, or almost the double of what it was at the close of 1925.

The emission of inland securities in 1926 amounted to about 4,316,000 million gold marks, or four times the pre-war figure.

"The emission activity was greater this year than it has ever been since the stabilisation, and even allowing for monetary depreciation barely falls short of the average of the last five pre-war years, if the smaller territory of the country is taken into account."

In the first nine months of the year, securities were issued in Germany for foreign countries to the value of 31 million marks. This means a recommencement of the export of capital, even if on a very moderate scale, since in 1913/14 securities to a total value of no less than 751 million marks were emitted in Germany for purposes of capital exportation. As against the modest capital exports of 1926 there stand capital imports to the value of 1778 million marks. The total of foreign loans entering the country was therefore this year almost 500 million marks greater than in 1925, in spite of which fact there is said to be an exportation of capital of roughly 1000 million marks in 1926. This was caused mainly by the fact, that, in its exportation transactions this year, German industry allowed credits of from three to twelve months, in some cases even longer.

Even more than by these signs of an undoubted improvement in German economy, the German bourgeoisie is encouraged by two other significant factors, viz.

<sup>41)</sup> On December 15th. the number of persons seeking work at Labour Exchanges as keep a record there of, amounted to 2,007,435. Several dozen Exchanges issued no reports. It may be presumed that under the present circumstances few workers already in employment report at the offices for work, so that this number may be taken to represent the actual number of the then unemployed.

<sup>42)</sup> Deutschlands Wirtschaftsfrage an der Jahreswende 1926/27 (m. s.).

Firstly, the very pronounced decline in the number of insolvencies and control of undertakings by creditors since March 1926. In the month of December there were only 446 insolvencies and 119 cases of control by creditors, this number being far smaller than the corresponding figure for 1913, when there was an average of 800 insolvencies monthly.

Secondly, the uninterrupted boom in all securities, especially industrial shares, throughout the year. The quotations of practically all shares doubled during 1926, and in many cases trebled, apart from which they are far higher now than at the commencement of 1925.

This vigorous upward movement of the Stock Exchange rates is a reflection on the one hand of the increased exploitation of the workers and of increased production of surplus value, on the other hand of the fact that the rates of interest charged for loan capital receded more and more in the course of the year under review which also influenced the rates of shares and of securities with a fixed rate of interest. At the same time, there is a strong speculative element in the development, as is best revealed by a comparison of the real rates of interest of the shares of various industrial enterprises. The actual interest at the close of 1926 was as follows:

In the case of land-mortgages and industrial debentures 7—8.5%.

In the case of shares with fixed rates of interest where the last dividend is taken as a basis, e. g.:

I. G. Farbenindustrie	3,1%
Deutsche Erdöl	2,3%

A number of enterprises which paid no dividend at all last year, are now far above par, e. g.:

Dynamit Nobel	154
Köln-Rottweil	158
Schering	230
Rütgerswerke	132
Holzmann-Bauindustrie	163
Deutsch-Luxemburg	170
Gelsenkirchen	172
Harpener	190

On the other hand, there are enterprises with a rate of interest of 8 per cent, as e. g.:

Continental Kautschuk	8,8%
Miag Mühlenbetrieb	8,1%

These figures betray the decidedly speculative character of the boom of 1926. The profits to be made in the future by means of the increased formation of trusts have already been anticipated in the rates of the shares. This fact also characterises the fundamental tendency of the development in Germany of late, which is favourable to the capitalists at the cost of the working class and the petty bourgeoisie.

## THE FORMATION OF MONOPOLIES.

The general tendency towards the formation of monopolies has made further progress in the course of the last few months. A number of new cartels have come into being, among them a combine of rolling-stock works, extensive amalgamations in shipping and shipbuilding circles, a combine of German rotation-machine manufacturers and the like.

A circumstance of special interest in this connection is the simultaneous development in two directions. On the one hand, the enterprises of the same branch of industry combine horizontally to form cartels; on the other hand there is within these cartels a trustification among the individual undertakings, so that certain combines subsequently govern the entire cartel. A typical instance in point is the union of steel works, which, by means of the combination of the Central German works Linke-Hoffmann and Lauchhammer to form the Mitteldeutsche Stahlgesellschaft, and by the subsequent merging of some other enterprises, is to-day practically in the possession of a majority in the iron and steel cartel. There is thus a double tendency to monopoly building, domination of the cartels by the combination of enterprises in the same branch. The same development may be observed in the potash cartel, in which two trusts are at present contending for domination.

### AGRICULTURE.

The final official estimates in regard to the German harvest of 1926 show that the crops fell far short of those of 1925 and still further short of the pre-war yield. The actual returns, calculated for the present territory of Germany, are as follows<sup>43)</sup>:

Thousands of tons	1926	1925	Average 1911/13
Wheat . . . . .	2,598	3,217	3,765
Rye . . . . .	6,406	8,063	9,585
Oats . . . . .	6,325	5,585	7,680
Barley . . . . .	2,131	2,282	2,870
Sugar-Beet . . . . .	10,495	10,326	13,986
Clover . . . . .	8,589	9,051	7,535
Lucerne . . . . .	1,699	1,515	1,193
Irrigated Pastures . . . . .	1,627	1,635	2,110
Other Pastures . . . . .	21,631	20,968	20,579

In agriculture, a process of differentiation appears to be in rapid progress. The increase of the agrarian duties and the re-introduction of the system of export licenses has forced up grain prices, bringing about reversed "scissors" in the case of Germany. This mainly benefits the large landed proprietors and richer peasant farmers, who at the same time take advantage of the present lack of employment for the purpose of systematically pressing down wages, and further increase their profits by employing the yet cheaper Polish workers.

On the other hand, the situation of the small peasants appears to be very unfavourable. Under the heading "Disastrous Figures", the "Bergwerkszeitung" of November 2nd, 1926, writes as follows:

"Within the last six months, no fewer than 138 peasants' farms in Brandenburg have come under the hammer as a result of the insolvency of their proprietors. In the Province of Saxony matters are still worse, for in a single one of the thirty-nine circuits, that of Oschersleben, there are 65 peasant undertakings the proprietors of which had to quit their holdings on account of bankruptcy."

These are only promiscuous figures, since comprehensive data will not be available until the publication of the next statistical yearbook.

### FOREIGN TRADE.

Germany's foreign trade has in the last six months again resulted in a deficit. True, exports have been pretty considerable during the last few months, imports, however, have risen yet more.

Imports & Exports (Goods Only) in Millions of Marks.

(Present-Day Values)

1926	Imports	Exports	Balance
I. Quarter . . . . .	2014.3	2501.4	+ 487.1
II. " . . . . .	2217.8	2267.8	+ 50.0
III. " . . . . .	2672.1	2491.6	- 180.5
October . . . . .	990.1	879.8	- 110.3
November . . . . .	999.7	876.3	- 123.4
December . . . . .	1059.5	832.5	- 227.0

If the foreign trade is divided up into foodstuffs, working materials, and industrial articles for exportation, it will be seen that the surplus in the case of the exporting industries has grown continually smaller of late. The export surplus of these industries has shown a constant decline since March. We reproduce the following figures<sup>44)</sup>:

The Export surplus of the exporting industries amounted to:

January . . . . .	243.8	July . . . . .	211.8
February . . . . .	282.4	August . . . . .	196.5
March . . . . .	442.6	September . . . . .	156.1
April . . . . .	294.2	October . . . . .	101.3
May . . . . .	256.8	November . . . . .	82.2
June . . . . .	188.9		

<sup>43)</sup> "Frankfurter Zeitung" of December 17th, 1926.

<sup>44)</sup> "Deutsche Allgemeine Zeitung" of December 22nd, 1926.

The value of exports in these industries have changed very little, amounting on an average to 700 million marks, whereas imports rose between February and May from about 400 millions to 624 millions."

This brings up the question as to the further development of German economy. In our last report, we dealt with this matter in great detail and came to the conclusion that it was only either a spasmodic spurt on the part of German economy in advance of that of its competitors, or else an all-round improvement of European economy that could enable Germany, by an increase of its industrial exports, to procure the necessary means of subsistence for its growing population and to pay off its reparation debts. Satisfactory as the development of German economy in 1926 may appear, it is not decisive for the solution of this fundamental problem of economics. On the contrary, the above figures show that Germany has not succeeded in increasing its share in the industrial exports of the world nay, that it has, indeed, receded not inconsiderably of late.

The result of this situation is a pronounced lack of clarity in the economic aspirations of the German bourgeois classes. For a time, part of the German industrial bourgeoisie appeared to be in doubt as to whether it would not be more advisable that the alliance between industry and agriculture for the purpose of common customs protection should be replaced by a reduction of the agrarian duties with a view to a further decrease of wages and an increased competitive capacity of German industry on foreign markets. This idea, however, appears to have been dropped again latterly. On the other hand, there are serious differences of opinion within industrial circles in regard to the manner of dealing with the labour problem; part of the industrialists desire some form of class collaboration with the trade unions and to co-operate with the Social Democrats, so that with the help of these factors wages may be maintained, or rather kept down, at a level in keeping with the requirements of the German capitalists. Another section of the big-bourgeoisie would be glad to return to the pre-war method of a non-recognition of the trade unions and to develop the system of yellow company unions. A similar uncertainty prevails in the matter of foreign loans. While Schacht has declared against the raising of foreign loans for "unproductive purposes", other economists, e. g. Julius Hirsch and the "Frankfurter Zeitung" (of October 23rd, 1926), are of opinion that the raising of foreign loans will continue to be an advantage for Germany, since the profit to be derived in the country itself by means of the imported capital is greater in their opinion than the interest due to foreign countries, while the question of transfer is a matter for the Transfer Agent but not for the German capitalist to decide.

The rapid succession of Government crises is the outward reflection of the fact that the ruling classes in Germany are uncertain and tentative by seeking their way in regard to their economic policy in the near future.

The problem of German economy is by no means solved, and the great increase of unemployment around the end of the year proves how badly off Germany still is in an economic respect in general, even if the bourgeoisie feels that the past year has been a profitable one for it.

### Italy.

It is very difficult to form a clear conception of the economic situation in Italy under the Fascist regime. Not only the reports of the Italian press, but also the articles of the Italian correspondents of foreign newspapers are tuned to the same key; they constantly reproduce the same details and views, which have obviously been dictated to them by the Fascist Government. And even the foreign correspondents fear for their lives if they dare to criticise the Fascist economic policy. It is only in a few individual cases that here and there, hidden between the lines, one can discern any other view than the official view.

Italy is at present in the early stages of the stabilisation crisis. Between the end of August and the end of October, the rate of the lira rose by about 33 per cent. Sterling was quoted in August at 150 lire, by New Year it sank to 100, and is at present oscillating around 110 (112 on January 21st). It is not easy to make out in what way this strengthening of the lira was brought about. The Fascist Government expresses the

opinion that the appreciation is a natural result of the sound economic and financial condition of Italy, and the depreciation in the summer of 1926 was merely a parallel phenomenon to the fall of the French franc. Of the concrete measures taken by the Italian Government for the support of the lira (transfer of the Morgan fund to the Bank of Italy, provision of State advances for the Bank, etc.), we had occasion to speak in our last report. Further measures of the same kind were the restriction of the commercial credits, general attempts at throttling monetary circulation, and the like.

During the last few years, the note circulation has developed as follows<sup>45)</sup>:

#### Note Circulation

	Bank notes		Additional State (Token) Money	Total
	to Acc. of Commerce	to Acc. of State		
Close of 1922 . . . .	9,935	8077	2267	20,279
Close of 1923 . . . .	9,492	7754	2428	19,674
Close of 1924 . . . .	10,871	7244	2400	20,514
Close of 1925 . . . .	12,287	7062	2100	21,450
End of Oct. 1926 . . .	12,921	4229	1880	20,030

As these figures show, the decrease in the note circulation is insignificant; great quantities of banknotes, however, are reported to have been hoarded by the population in expectation of a further rise. These hoardings are said to have amounted to 3000 million lire<sup>46)</sup>.

The improvement and stabilisation of the exchange rate of the lira is attributed to the more favourable development of State economy and of the balance of payments. According to the statements of Volpi the Italian Minister of Finance, the Italian State budget figured as follows in the various financial years, ending respectively on June 30th:

#### Budget of the Last Few Years.

In Millions of Lire.

Financial Year	Revenue	Expenditure	Surplus (+) or Deficit (-)
1922-23 . . . . .	18,803	21,832	- 3029
1923-24 . . . . .	20,581	20,999	- 418
1924-25 . . . . .	20,440	20,023	+ 417
1925-26 . . . . .	21,043	18,775	+ 2268

The compilation of these figures is obviously fraudulent.

That the situation of Italy's finances is by no means so favourable as it is officially made out to be, is proved by the collection of the so-called Lictorial Loan. This was neither more nor less than a forced loan. Not only were the financial institutions obliged to employ part of their means for subscription purposes, but the population was actually terrorised into subscribing. In the schools, the children were forced to subscribe 100 lire each; the State officials, clerks, and workers had part of their earnings deducted to this end; very severe pressure was brought to bear on the merchants, and despite all these efforts no more than two thousand million lire were subscribed in all.

The raising of the compulsory loan was rendered necessary by the very precarious position of the Italian Treasury. In the course of the last month, the total of short-termed bonds presented for redemption exceeded by far the new subscriptions or the prolongations. The Finance Minister was thus forced to recognise the existence of a "continuous latent danger".

"An unforeseen situation or a caprice on the part of the creditors might in such circumstances entail great disorder in the State Treasury<sup>47)</sup>."

Even newspapers favouring the Fascists, such as the "Deutsche Allgemeine Zeitung" (of January 10th, 1927), declares that

"the yield of the loan could only serve in general to replenish the current funds of the Treasury."

<sup>45)</sup> "Börsen-Courier" of December 29th, 1926.

<sup>46)</sup> "Frankfurter Zeitung" of December 9th, 1926.

<sup>47)</sup> Quoted in "L'Information" of January 5th, 1927.

It would therefore seem that the financial position of the State is by no means so favourable as is represented in the official reports<sup>48)</sup>.

As regards the trade balance, this figured as follows during the last few years:

#### Trade Balance in the Last Few Years.

	Millions of Paper Lire.		
	Imports	Exports	Balance
1922 . . . . .	15,765	9,302	- 6463
1923 . . . . .	17,189	11,086	- 6103
1924 . . . . .	19,388	14,318	- 5070
1925 . . . . .	26,173	18,276	- 7897
1926 (9 Months) . . .	20,076	13,032	- 7043

From this we see that, even according to official figures, the deficit in the trade balance is on the increase.

#### THE RESULTS OF STABILISATION.

The effects of stabilisation make themselves felt in the first place in a rather severe lack of interest-bearing capital.

"The official rate of discount has remained unchanged at 7 per cent., the Bank of Italy restricting its discount business more than ever by means of a qualitative selection. On the other hand, the private discount rates are very high, ranging to over 10 per cent.<sup>49)</sup>"

This development is in keeping with the unusually violent drop in the quotations of Italian securities, of which we may quote some instances<sup>50)</sup>:

#### Movements in the Rates of Italian Securities.

	Nominal Value	February 1926	December 1926	Latest Dividend
Bank of Italy . . . . .	600	1964	1820	60
Commercial Bank . . . . .	500	1600	930	65
Italian Credit Bank . . . . .	500	1008	604	50
General Italian Navigation Co. . . . .	500	835	504	50
S. N. I. A. Viscosa (art. silk) . . . . .	200	455	128	25
Montecatani (fertilisers) . . . . .	100	296	178	18
Fiat (automobiles) . . . . .	200	555	310	30
Edison (electricity) . . . . .	300	880	490	42
Liguria Lombarda (sugar) . . . . .	200	799	430	24
Beni Stabili (constr. co., Rome) . . . . .	200	1183	550	30

The following index, compiled by Professor Bachi and showing the rates of industrial shares on the basis of 100 to represent the rate of December 1913, demonstrates even more strikingly the pronounced fall of these securities in the course of the year under review.

#### Movement in the Rate of Industrial Shares.

	Cotton	Wool	Silk	Automobiles	Electricity	Chemicals
December 1925	1391.9	442.6	1014.8	898.8	196.3	178.8
June 1926	1098.6	311.8	718.7	807.0	173.0	157.8
September 1926	928.1	358.0	517.2	639.7	169.3	135.7
October 1926	763.3	345.4	366.9	501.1	154.9	116.3
November 1926	780.2	352.6	357.3	510.3	154.2	115.4

This table shows that it is just the shares of the typical export industries like cotton, silk, motor-cars, which have suffered the most serious drop.

<sup>48)</sup> According to private information, the Treasury is said to have been in possession of no more than 60 million lire on the day of the attempt on the life of Mussolini.

<sup>49)</sup> "Wirtschaftsdienst" of November 19th, 1926.

<sup>50)</sup> "Economist" of January 8th, 1927.



Since then the rates have receded yet further, so that the last dividend distributed on industrial shares already figures at 10 per cent. of the quoted value. The fall in the rates is owing to a double cause, firstly, lack of funds, and secondly, the deterioration of the business position as a result of stabilisation. No numerical data are to hand in this connection as yet, though we have a series of individual indications. The Italian industry, fostered by inflation, low wages, and special subsidies on the part of the State, will now, similar to the French industry, be obliged to prove its viability under conditions of a stable currency. The stabilisation crisis has certainly set in in full force.

The number of officially returned unemployed is rapidly increasing. Expressed in thousands, it figured as follows:

June	July	August	September	October	November
83	80	83	89	113	149

The actual number of unemployed is probably far greater. Instead of a discharging of workers, very many firms are introducing short time. On January 6th, 1927, the pro-Fascist "D. A. Z." wrote:

"The economic crisis has become acuter of late. The cotton and silk industries have decided to restrict production. In other branches of production too, as e. g. in the automobile industry (Fiat) and in the rubber industry (Pirelli), workers have been discharged or short-time has been introduced. The only industry which is still well occupied is shipbuilding, thanks to Government aid."

The "Bergwerkszeitung", which is likewise pro-Fascist, made the following statement on January 5th, 1927:

"Aggravation of the Italian Economic Crisis. The Congress of Lombard Cotton Spinners has resolved on the foundation of an Italian cotton trust for the purpose of eliminating the acute overproduction prevailing in the Italian cotton industry and of regulating the ratio of production to consumption. To this end, the introduction of short-time work is contemplated, in the same way as it is already in practice in the automobile industry. At the same time, representatives of the Lombard cotton industry waited upon Mussolini with an appeal for measures for the prevention of a serious economic catastrophe. The Ministry of Economy has worked out a decree providing as far as possible for the elimination of foreign competition in Italy. In all orders and in the invitation of tenders, preference is under all circumstances to be given to the home industry."

According to reports published in the "D. A. Z.", during the last two months the crisis has also spread to the iron and steel works and the rolling mills (January 4th, 1927). On December 30th, 1926, the Union of Wool Spinning and Weaving Works resolved to reduce the working week from 48 to 40 hours.

The Italian industrial bourgeoisie is extremely loth to renounce its increased opportunities for competition abroad, which it owed to the slow inflation of the lira. This class is therefore attempting to persuade Mussolini to change his currency policy.

"Several deputations have recently been sent to Mussolini from Upper Italy and have returned home with the impression that the dictator is not impervious to the necessity of certain restrictions to the appreciation of the lira as an object of economic policy in favour of other essential factors, such as export trade and the provision of capital abroad<sup>51)</sup>."

In other words, this means that Mussolini is inclined to yield to the pressure of the Italian industrialists in regard to the development of the valuta. Possibly the deterioration of the Italian exchange rate, which ensued during the first few weeks of the new year, is to be attributed to this same pressure.

Prices are slow to follow the changes in the currency rate, and wages lag yet further behind prices, so that even according to the obviously exaggerated figures in official returns, the wages of the Italian workers are still from 10 to 20 per cent. below the pre-war level. The following table, which is taken from the new monthly publication of the Office of Statistics,

contains some indications as to the proportion between currency, wholesale prices, retail prices, and wages.

	Gold Value of Lira	Wholesale Price (1913 = 100)	Retail Price Milan (1st half 1914 1914 = 100)	Wages (1913 = 100)
January . . . . .	477.9	658.6	665	I. Quarter: 552
April . . . . .	479.6	636.4	642	II. Quarter: 567
July . . . . .	575.7	676.7	649	III. Quarter: 584
August . . . . .	589.2	691.3	652	
September . . . . .	528.1	682.8	647	
October . . . . .	470.9	654.6	672	
November 15th . . . . .	468.3	645.2	—	

In one of our next surveys, we shall attempt to enter in greater detail into the results of the Fascist regime as regards economics, supposing this to be at all possible in view of the lack of reliable material.

## France.

The present economic situation in France may be looked upon as the commencement of the stabilisation crisis, in which connection a very marked difference is to be observed in comparison with the development in Germany. We here reproduce the figures relative to the currency development.

	Sterling in Paris (monthly av.)	Note circulation (millions)	Discount & Hypothecation Rate (France)	Advances to State	Bank Rate	Wholesale Index (End of Month)
July 24th (peak) . . . . .	240	57,260 <sup>52)</sup>	—	—	—	—
July . . . . .	199	56,020	8.99	37.6	6.0	854
September . . . . .	170	55,010	8.01	36.9	7.5	804
October . . . . .	166	54,580	7.47	36.0	7.5	767
November . . . . .	141	53,330	7.41	36.9	7.5	698
December . . . . .	123	52,910	6.49	36.2	6.5	641
Jan. 1927 (stable) . . . . .	122.5	52,810	—	34.2	—	—

The above table reveals the following facts:

1. The fiduciary circulation is declining.
2. The credits granted the business world by the note-bank are on the decrease, though in a somewhat smaller measure than the appreciation of the franc.
3. The Government has succeeded for the first time in actually putting through the annual redemption of two thousand millions provided for in a law of the year 1920.
4. The fall in prices remains very far behind the improvement in the exchange rate of the franc.

## REVALUATION OR STABILISATION.

The pronounced appreciation in the rate of the franc encouraged most rente holders to hope that France would be able to return to gold parity, as Great Britain, Holland, and Scandinavia had done. Poincaré was altogether silent on this point. He needed the sympathy of "public opinion". But in the business world a violent reaction soon set in against a further deflation. The cry was heard that "the appreciation of the franc would endanger stabilisation"<sup>53)</sup>. Fougère, Chairman of the powerful "Association Nationale d'Expansion Economique", voiced this sentiment as follows:

"The restoration to its original level of a currency which has lost six sevenths of its value, is a delusion, and the attempt is bound to have the most serious consequences for economy. It is only stabilisation that is desirable"<sup>54)</sup>

The economic crisis entailed by the appreciation of the franc has given the opponents of revaluation, and that is to say practically the entire big-bourgeoisie, the upper hand. The adherents

<sup>52)</sup> Maximum circulation on January July 5th, 1926.

<sup>53)</sup> Z. B. Bonnet formerly French Finance Minister, "Börsen Courier" December 30, 1926.

<sup>54)</sup> "Information" December 30, 1926. The Association itself expressed the same view on 10th December.

<sup>51)</sup> "Frankfurter Zeitung" of January 6th, 1927.

of revaluation retired to the standpoint of a "gradual return to original values", which means that the rate is to be stabilised at a certain level, which will, however, be abandoned later on. A fresh revaluation will then ensue, followed by another stabilisation at a higher level. This would be repeated until the gold parity was regained.<sup>55)</sup> The theory obviously aims at pacifying the rentiers, who have lost four fifths of their fortunes, and at inducing them to support a provisional stabilisation.

Since December 23rd, the "actual stabilisation" provided for by the Committee of Experts has been in force, the Bank of France since that date negotiating sterling at an exchange rate of 122.50 francs to the pound, and dollars at a corresponding rate. Whether this rate represents the final stabilisation figure it is impossible at present to say.

### THE STABILISATION CRISIS.

The crisis of stabilisation has set in in full force. It is based on the price level attained by revalorisation, a level above that of foreign countries. In the second half of the year, the price index figured as follows:

At the close of the respective months of:

	July	August	September	October	November	December
Home Produce . . .	733	722	743	744	698	648
Imported Goods . . .	1074	902	912	808	700	628

The "scissors", which in July showed more than 300 points (50 per cent.) in favour of France and formed the basis of the clearance-sale business so largely carried on, discontinued in November, and changed in December into "scissors" working in favour of foreign goods. This led to the crisis.

The following statements of the "Usine" are characteristic of the high inland price level<sup>56)</sup>. A French constructional firm had turned down the tender of a French factory (150 francs per 100 kilogrammes) and had ordered the goods from Belgium. The Belgian firm, however, had to pay 12 francs freight and 34 francs customs on 100 kilogrammes, so that the net price which resulted for that quantity was less than 104 francs! In supplying rolling stock to England, the French were underbid by the Belgians by 20 per cent.

So that export trade should not artificially be rendered yet more difficult, the turnover tax on exported goods was repealed provisionally until the end of December in response to an appeal by the bourgeoisie.

Added to the high prices, there are high rates of interest. Curiously enough there is no mention of these latter in the French press. The Paris correspondent of the "Journal of Commerce", however reports<sup>57)</sup>:

"The Bank of France is now charging 9½ per cent. for loans on first-class security, while the lowest rate charged by other banks is as a rule 10½ per cent. French business people, who are more than ever in need of credit at present, offer their banks 12 or even 15 per cent. interest, but are turned down on the plea that there is an acute stringency of money."

The price drop has also led to serious internal difficulties. The merchants are refusing to take the goods ordered at a higher price level. This is particularly the case in the textile industry, where business is consequently coming to a standstill. The "Association Nationale d'Expansion Economique" was forced on December 10th to appeal to the "traditional honesty" of the French business world<sup>58)</sup>.

All this has been of little avail. Business is becoming worse and worse, and the reports are gloomier from week to week. At the beginning of December there was talk of a "perceptible slowing down of retail trade" and of the petering out of orders

in industry. There were great stocks of goods everywhere, but in view of the uncertainty as to the further price development, everyone was chary of buying<sup>59)</sup>.

Early in January, the crisis was already in full swing.

"The decline in the degree of activity in industry is not equally divided among the various branches. The textile industry appears to be hardest hit. Besides the silk industry, it is the wool trade which suffers most under the results of the revalorisation crisis, since it has had to close down a number of works. Short-time or intermittent work has also become the rule in the cotton and linen branches, since new orders come in very sparsely and the old ones are mostly worked off. In the lace-making industry, short-time work is estimated at 35 per cent. In the shoe and leather industry, there are numerous concerns laid idle, while the rest are working intermittently. In the Paris industrial district various smaller or luxury trades have substantially reduced their activity. The Parisian outfitting trade, in which home-work greatly prevails, has found it relatively easy to cut down its production, thus adapting it to the smaller demand, though it was also obliged to dismiss some of its workwomen. The glass industry in the North of France is having a hard fight against Belgian competition. The small demand has forced the glassworks to close down for one or two days every week. In view of well-known reasons, viz., the British coal lock-out and the European crude steel cartel, the iron-producing industry has had less to suffer under the present crisis. Seeing, however, that the British ironworks are recommencing to put their products on the international market, while the French market is wholly crippled, it seems probable that several furnaces will have shortly to be closed down. Engineering, on the other hand, is far harder hit. The export of machinery appears to have come to a standstill. The automobile industry has greatly restricted its output. Not very many workers have as yet been discharged in this branch, but short-time work appears to be generally in vogue. In the Paris district, this industry employs about 250,000 workers, of whom some 15,000 have been dismissed, while the working hours have been shortened by about 7 or 8 per cent. of their normal length<sup>60)</sup>."

All other German and English reports on the French situation are similar in tone, whereas the French press endeavours to make out that the crisis is of smaller importance and dimensions.

The crisis has certainly not yet found particular expression in the somewhat belated publication of the production and foreign trade statistics:

	Output in Thousands of Tons			Foreign Trade	
	Coal <sup>61)</sup> Crude	Iron	Steel	Imports Millions of Francs	Exports
August	5500	814	704	5235	5543
September	5518	785	706	4625	5197
October	4569	316	742	5106	6103
November	5738	790	714	4994	5329
December	5945	—	—	5123	5395

We here see the curious case of rising exports till October (despite the franc appreciation) over against normal imports. Probably this was chiefly due to consignments on orders placed at an earlier date. It is only after the lapse of a certain time that the crisis can be reflected in figures such as these<sup>62)</sup>.

### UNEMPLOYMENT.

After a lapse of many years, France is once more experiencing a serious degree of unemployment. What its dimensions actually are cannot be well ascertained, for in France neither the Trade unions nor the State set up statistics on this score which could be compared to those kept in Germany or England. Accord-

<sup>55)</sup> The main advocates of this senseless theory, which would lead to a perpetuation of the crisis, are L. Romier in the "Figaro" and Professor Nogaro. For demagogic reasons, Poincaré refrained from rejecting this nonsensical idea.

<sup>56)</sup> "L'Information Financière" of January 4th, 1927.

<sup>57)</sup> November 17th, 1926.

<sup>58)</sup> "Le Temps" of December 10th, 1926.

<sup>59)</sup> "Bulletin Quotidien" of December 4th, 1926.

<sup>60)</sup> "Frankfurter Zeitung" of January 14th, 1927.

<sup>61)</sup> With the Saar District.

<sup>62)</sup> On the other hand, the crisis is reflected in a violent drop in foreign securities and inland shares. The rate of the French securities, with a fixed interest, meanwhile, have naturally risen through the appreciation of the franc.

dung to the indications of the Ministry of Labour<sup>63</sup>), at the beginning of January 8 out of 31 urban and 61 out of 233 rural relief pay offices were functioning! The number of unemployed receiving benefit from these few offices was<sup>64</sup>)

on January 6th . . . . . 17,178  
on January 13th . . . . . 27,952

These figures are merely of importance for the purpose of showing the rate at which unemployment increased, since the actual number of unemployed is incomparably larger. On the basis of a circular enquiry, the C. G. T. at the end of December returned 50,000 unemployed in the textile industry, 10,000 in the building trade, and 10,000 in the leather industry. The "Humanité" publishes numerous details in regard to the discharge of workers in factories with the names of the factories in question. The total of unemployed probably amounts to 200,000 or 300,000.

Unemployment is already being made a pretext for wage reductions.

"A certain motor-car factory," writes the bourgeois "Intransigent" of December 6th, "has reduced its output, but is re-engaging workers at lower wage rates than it has paid hitherto."

The great unemployment is also reflected in the sudden re-emigration of foreign workers; in the Hungary of Horthy large "quarantine camps" have been established for the purpose of receiving the numerous workers returning from France, where they are examined as to their political opinions, those who are suspected of Bolshevism being interned.

#### State Revenue: The Effects of Poincaré's Taxation Policy.

In spite of Herriot's participation in the Poincaré Government, the Left Bloc has been newly constituted in France during the last few months. The tax-revenue returns, however, prove the full victory of the big bourgeois financial policy over that of the petty-bourgeois elements of the Left Bloc.

Expressed in millions of French paper francs, the French State revenue figured as follows<sup>65</sup>):

State Revenue	1925	1926
September . . . . .	1,770	3,040
October . . . . .	2,890	5,020
November . . . . .	2,860	4,180
December . . . . .	3,620	3,840
Last 4 Months . . . . .	11,140	10,080
Whole Year . . . . .	28,370	38,350

In the last four months of the year, roughly 5,000 millions more were collected in taxes than in the preceding period; still more, indeed, since the revenue of the tobacco monopoly has since October no longer been indicated in the list of State revenue items, but passed direct to the redemption fund. In comparison with 1925, the surplus revenue amounts to roughly 10,000 million francs; in gold francs, however, the increase is far smaller.

The social character of the Poincaré regime, meanwhile, is typified by the following facts. Of the increased revenue of 10,000 millions, 7,400 millions were derived from indirect, and only 2,600 millions from direct taxation. In December, the direct taxes formed roughly one third, and the indirect taxes two thirds, of the State revenue (without counting the revenue from the tobacco monopoly). Thus the French system of taxation has altogether returned to what it was before the war.

As already pointed out, the Government has succeeded in repaying 2,000 million francs to the Bank of France. Besides this the Government is said to have such a large stock of foreign bills at its disposal, as will cover all the foreign liabilities of the State in the year 1927<sup>66</sup>). The Redemption Fund has suspended

the further issue of bonds of from one to three months' validity and is redeeming all those that mature, so as to attain a greater freedom of action. The Government, on the other hand, is accepting deposits at 5 per cent, on one month's notice, a somewhat strange procedure which actually amounts to a concealed inflation<sup>67</sup>).

It is easy to see that there are still many points in French financial politics which remain unclear.

A renewed inflation is by no means excluded<sup>68</sup>), so long as the stabilisation is not propped up by a large foreign loan, which will obviously not be possible until after the ratification of the inter-Allied debt agreement. The imminent and definitely predicted leasing-out of the French match monopoly to the "Swedish" (or, as a matter of fact, American) trust is presumably to be made the basis for an extensive loan.

## Great Britain.

The British miners have returned vanquished to the pits. The British mineowners, vigorously supported by the sham neutral Baldwin Government and by the Right Wing trade union leaders have completely gained their objects, viz.:

1. The Miners' Federation has ceased to be the centre for negotiations in regard to working conditions. There is no longer any "national agreement" and in many parts not even any district agreements. As the Kent Miners' Secretary writes<sup>69</sup>):

"The men were being compelled to work on dictated terms posted at the individual pits, and the owners were refusing to meet the accredited representatives of the men to discuss an agreement."

2. Working hours have everywhere been lengthened, either by a full hour, or, in the more profitable districts, by half an hour.

3. In most of the districts, wages have for the time being been reduced either not at all or only very slightly; it is in February and in the summer that the drastic wage reductions are expected to ensue<sup>70</sup>).

Trade union leaders, bourgeois social-politicians, and hypocritical capitalists unanimously declare that the reason of the defeat was the incompetent leadership of the miners. Had they immediately accepted the Samuel Report, they would have received much better conditions. This is a shameless perversion of facts. The Samuel Report itself says that if its suggestions were carried out most of the British mines would be working without any profit and some of them even at a loss. Who has the audacity to assert that the British coal capitalists would for any length of time have consented to work without profits or at a loss? The result of "good leadership" would have been that the miners would not have been defeated in the struggle but that the same conditions would gradually have been imposed upon them within the same time, without a fight. For the position of the British coal mines is so difficult that even despite the cheaper conditions of labour now attained it is very doubtful, as we pointed out in the general section of this report, whether they will be able to hold their own on the world markets.

The British miner is defeated, but not broken. In spite of the defeat, the miners' struggle represents substantial progress in the revolutionising of the British working class. One illusion which held back the development of the revolutionary self-recognition of the British workers: the belief in the State and the Government as institutions standing above classes, has been scrapped. Although the struggle was to the greatest part financed by means of the poor law relief granted to the families of the locked-out miners, it has become apparent to every intelligent worker that the Government was impartial only in word, but in fact supported the capitalists with all its power, as was only to be expected.

<sup>67</sup>) "Economist" of December 25th, 1926.

<sup>68</sup>) The Paris correspondent of the "Frankfurter Zeitung" (January 15th, 1927) deduces this from the fact that sterling is quoted higher if negotiated for later delivery.

<sup>69</sup>) "Daily Herald" of January 7th, 1927.

<sup>70</sup>) A survey of the contents of all new district agreements is to be found in the "Economist" of December 11th, 1926. As we pointed out in the general section, the wage regulations are so complicated, that the actual reduction of wages is not apparent to any one other than a specialist in this line.

<sup>63</sup>) "Le Temps" of January 16th, 1927.

<sup>64</sup>) The unemployment relief is a mere pittance, viz., 4.50 francs a day for the father of a family, still less for the wife and children, the maximum per family being 12 francs.

<sup>65</sup>) The numeric material is taken from "Le Temps" of January 16th, 1927.

<sup>66</sup>) "Bulletin Quotidien" of January 7th, 1927.

The recognition of the class-character of the British bourgeois Government is the most important result of the tremendous struggle. But the British proletariat has still two great lessons to learn before it is ripe for a mass Communist Party led for revolution. It is placing its hopes on the ballot box, on

Labour Party majority in the next Parliament, on a Labour Government "not only in office but also in power". Even the most honest Left workers, — the non-Communists — entertain this hope. This hope, this ideology of the ballot box, can only be destroyed by experience, the experience that the Parliamentary majority of the Labour Party means no difference worthy of mention in the relation between the working class and the capitalist class, by the experience that the Labour Party, of which millionaires like Mosley and Baldwin jun. are members and in which open adherents of class harmony, such as MacDonald, Thomas, and the like, have the lead, must needs, even if it is in office, conduct a policy for the capitalists and against the proletariat.

The ideology of a peaceful general strike, however, and the belief of many class-conscious trade-unionists that an honestly led peaceful general strike would be calculated to lead to victory over the capitalists, must be proved to be a fallacy by experience. Experience must show the British proletariat that if a general strike is honestly led it must lead to armed revolt, if it is not to be doomed to failure in advance.

For half a century the British proletariat has lived the life of a labour aristocracy. The mentality of this past period weighs heavily on the minds of the British workers. It must be overcome by experience in combat.

### THE CRY FOR "PEACE IN INDUSTRY".

In spite of its victory in the coal conflict, the British bourgeoisie apprehends the danger of a revolutionising of the workers. Hence the slogan "Peace in industry". The slogan of a direct fight against the trade unions, as advocated by Joynson Hicks, Home Secretary and leader of the ultra-Conservative Fascist wing of the bourgeois party, has for the time being been relegated to a place of secondary importance. The problem raised by Joynson Hicks during the coal struggle<sup>71)</sup>: "Who is to govern Great Britain and with what aims is Great Britain to be governed — in the interest of a special branch of industry and a special class of society, or in that of the nation as a whole?" has been put aside for the present to make way for the slogan of peace in industry.

The entire capitalist press is working feverishly for the purpose of holding back the workers from fresh struggles. For the price of victory was too high! The fight cost hundreds of millions of pounds. Great Britain was ousted from its markets. The deficit of the State budget in the first nine months amounts to 146 million pounds, or 22 millions more than last year. The number of unemployed is a million and a half, that of the paupers almost two millions. In regard to the export of capital, the United States greatly superseded England in the course of the year under review. Great Britain's colonial Empire is faced with numerous difficulties. In China Great Britain has been forced to haul down its flag at Hankow and to hand over its extraterritorial settlement to the Chinese. The British bourgeoisie needs peace so as to carry on an active foreign policy. Hence the campaign for peace in industry.

It is being cleverly carried on. The "Times", for instance, publishes the following statistics<sup>72)</sup> in regard to the working days lost by labour differences in comparative periods of six years each:

	Working days in millions
1900—1905 . . . . .	16.8
1906—1911 . . . . .	38.7
1912—1917 . . . . .	71.6
1918—1923 . . . . .	183.8
1924 . . . . .	8.4
1925 . . . . .	8.0
1926 (first nine months) . . . . .	125.0

The tremendous losses to the "nation" occasioned by labour troubles are enumerated, and so forth.

<sup>71)</sup> "Times" of August 22nd, address to the motor manufacturers.

<sup>72)</sup> "Times" of November 9th, 1926.

The House of Lords has passed a motion of Lord Weir's<sup>73)</sup>, according to which "the improvement in the position of Great Britain must be brought about by a more vital comprehension of their own responsibility on the part of employers, employees, and trade unions." Similar propaganda is carried on by bishops, scientists, etc.

Naturally the trade union leaders immediately conform to the wishes of the capitalists. They also desire no fight. They are therefore glad to agree to the suggestion of the capitalists, and zealously work for peace at home and a "central working community". We may cite the two most flagrant cases. In the December issue of the "Railway Review", Thomas addresses the railwaymen as follows:

"You are faced with a serious common responsibility, that of reconstructing an important public service. This can only be done satisfactorily by team work, each category of workers throwing its whole weight into the balance in a spirit of co-operation."

In true return for which he requests the railway companies to take back the victimised men.

Mr. Henderson is already taking organisational steps. In a speech on January 11th, 1927<sup>74)</sup>, he suggested that the Prime Minister should invite the Speaker of the House of Commons to preside over a conference consisting of representatives of the National Joint Council of Trades Union Congress and Labour Party and representatives of the National Confederation of Employers' Associations. This conference, said Mr. Henderson, should meet for "an informal non-committal discussion of the whole industrial situation", and should decide the question how far the existing machinery for regulating the relations of employers and workpeople was effective, and whether new machinery might not prove even more effective for bringing about a better state of affairs. He thought the question was ripe for consideration as to whether some permanent national body, an Economic Council or Parliament of Industry, could be established.

A "central Workers' and Employers' collaboration", therefore, according to all the rules of the game. Henderson, Thomas, & Co. certainly know how to satisfy the wishes of the bourgeoisie.

### OPTIMISM FOR THE FUTURE.

In spite of the serious economic position, the capitalist press is developing a great degree of optimism for the future. The annual reports are tuned to this tone. The "economist" heads its leading article for the New Year "A Prosperous New Year". The coal dispute, it says, cost the country 400 million pounds sterling and set back economy by a twelvemonth. But the coming year will be better. Three conditions, however, must be fulfilled:

1. Peace in industry and effective collaboration at home.
2. Peace and stability abroad.
3. A secure economic basis for trade among the nations.

But, alas, the article ends in a Jeremiad. "Year by year, ever since the armistice, the basis of lasting progress appeared to have been laid, and again and again befooled us or whether the year 1927 will at length once more the case, and we are curious whether Fate will again be fooled us or whether the year 1927 will at length be a year devoid of any bolts from the blue."

The phenomena of declining and decaying capitalism appear to this best organ of the world bourgeoisie in the light of unpleasant and inexplicable accidents.

### NO REASON FOR OPTIMISM.

The next few months will undoubtedly entail better business for British economy. The great gap occasioned during the lock-out period in the output of coal, iron, and steel has to be made good. A certain improvement is apparent in shipbuilding, in which connection some new orders have been received. But it is highly doubtful whether this will suffice to put British

<sup>73)</sup> "Times" of December 15th, 1926.

<sup>74)</sup> "Daily Herald" of January 12th, 1927.

economy on its feet again. For years past the profits of British industry have shown a downward tendency. The following table is of considerable interest:

Profits of Joint-Stock Companies on  
Paid-up Capital<sup>75)</sup>.

(In a Percentage Calculation)

	Average			
	1920/23	1923/24	1924/25	1925/26
Engineering . . . . .	10.6	6.5	5.5	6.9
Coal, Iron, and Steel . . . . .	5.1	4.8	2.6	2.3
Electrotechnical Industry . . . . .	8.8	6.8	9.9	10.3
Electricity Supply . . . . .	8.2	13.3	11.9	11.2
Cotton . . . . .	8.1	12.2	12.6	7.9
Wool . . . . .	8.0	10.1	6.1	1.9
Shipping . . . . .	8.6	5.6	6.3	5.0
Chemical Industries . . . . .	9.4	11.2	11.2	11.6
Soap . . . . .	8.4	9.7	9.7	9.7
Rubber Plantations . . . . .	2.0	5.5	8.3	28.5
Tea . . . . .	16.4	33.2	38.2	42.1
Petroleum . . . . .	27.8	9.9	13.4	13.1
Brewing and Distilling . . . . .	15.6	15.2	19.2	17.1

In judging this table, it must be borne in mind that numerous enterprises watered their capital heavily during the prosperous business cycle just after the war. Nevertheless, the table well illustrates the prosperous situation of the electricity and chemical industries, the tremendous profits of the colonial enterprises (rubber, tea), and the decline of the old-established English industries, coal, iron, and textiles.

In the meantime, unemployment continues to be enormous.

Number of Unemployed Recorded by the  
Ministry of Labour.

	Number	Percentage of all Insured	Percentage of all organised in Trade Unions
1925 November . . . . .	1,243,087	10.4	11.0
1926 April . . . . .	1,093,829	9.2	10.0
June . . . . .	1,751,133	14.6	12.9
September . . . . .	1,648,322	13.7	13.6
October . . . . .	1,635,886	13.6	13.6
November <sup>76)</sup> . . . . .	1,496,100	13.5	13.2
December <sup>77)</sup> . . . . .	1,495,800	11.9 <sup>78)</sup>	12.2

In the above figures the coal miners who have not yet found employment, the juvenile unemployed, and those not in receipt of unemployment benefit are not included. The number of unemployed in receipt of unemployment benefit was larger at the end of the year than had been the case since 1922. The actual total of unemployed is probably something like two millions, out of a total number of workers of about 15 millions.

Added to this, we have the mass of paupers, figuring as follows<sup>79)</sup>:

Beginning of January . . . . .	1,439,810
End of October . . . . .	2,249,816
End of November . . . . .	2,175,097

The marked increase is a result of the mining lock-out and will partially disappear again. But even if we reckon only the minimum number at a million and a half of unemployed receiving unemployment benefit and as many paupers with their families in receipt of relief, we still have an army of five or six millions, the sixth part of the population of "merry England".

The main problem with which Great Britain is faced is the same as that confronting Germany, that is to say, the question as to how capitalism can provide work and bread for its wage-slaves.

The British bourgeoisie is itself ignorant in regard to the solution. The most important branches of industry have been hard hit by the mining dispute.

The weekly coal output, in thousands of tons, was as follows:

January . . . . .	5,095
February . . . . .	5,401
March . . . . .	5,338
April . . . . .	4,900
May to October . . . . .	500 <sup>80)</sup>
November . . . . .	1,926
December . . . . .	4,306 <sup>81)</sup>

At present the output has about regained the pre-lock-out level. There is likely soon to be difficulty in regard to sales. True, British coal has regained the South German markets, the first two consignments arriving in Germany on January 6th<sup>82)</sup>. Offers are even being sent to southern Bavaria. But without first ousting German competition, the British coal mines cannot make any headway. And the Germans will not allow themselves to be ousted. The prospect is therefore that of closing down the inferior pits and of unemployment for some hundred thousand workers.

The iron industry started relighting several furnaces in December. The deficiency in production during the lock-out is shown by the following figures:

Iron and Steel Production  
(in Thousands of Tons)

	Iron	Steel
Monthly Average 1925 . . . . .	528	626
Monthly Average 1st Quarter 1926 . . . . .	543	721
1926 April . . . . .	548	672
May . . . . .	90	46
June . . . . .	42	35
July . . . . .	18	33
August . . . . .	14	52
September . . . . .	12.5	96
October . . . . .	12.5	94
November . . . . .	12.7	97.5
December . . . . .	58	319

We had occasion in the general section of this report to emphasise how serious the position of the iron industry really is. An especially striking instance is the case presented by the moratorium of Armstrong Whitworths, an enterprise of the very greatest importance. This firm, which has 24.6 million pounds of share and debenture capital and of floating debts, could only avoid bankruptcy in the middle of December by applying for a moratorium of five months in regard to almost all its debts plus interest. The transaction in question will presumably be carried through by the Bank of England.

A particularly precarious position is that of the third staple industry of Great Britain, the textile trade. Exports decline from year to year, and short-time labour has come to be a chronic institution. The attempt at restricting competition in cotton spinning by shortening the weekly working hours had to be abandoned on December 17th, 1926, it having been resolved on December 3rd, that the 24-hour week be given up in favour of the 35-hour week. It had become apparent that the "recommendations" of the Committee, which has no authority to inflict penalties<sup>83)</sup>, had not been adhered to by all the factories. Recourse was had to an "anarchic" state of affairs, every factory working as much as it could.

The abandonment of the short-time working system has already for several months been advocated by Keynes, who reproaches the British cotton industry and the British coal industry with the fact that their policy is

<sup>80)</sup> By Estimate.

<sup>81)</sup> Week ending December 4th, 1926: 3,226,100; December 11th: 4,467,900; December 18th: 4,878,900; December 25th: 4,651,500.

<sup>82)</sup> "Bergwerkszeitung" of January 7th, 1927.

<sup>83)</sup> "Manchester Guardian Commercial" of December 30th, 1926.

<sup>75)</sup> "Times" of November 1st, 1926.

<sup>76)</sup> November 29th.

<sup>77)</sup> January 3rd, 1927.

<sup>78)</sup> December 20th.

<sup>79)</sup> "Times" of December 29th, 1926.



"based on the fallacy, that if only the industries can 'pull through', normal times must return, in which they can hope to occupy their entire existing plant and their working staffs to the full under profitable conditions"<sup>84</sup>).

This, he says, is a mistake. The policy of short-time work in practice since 1921 is senseless. Since that year the exports of Lancashire have remained between 59 and 63 per cent. of their 1913 level, although the world's consumption of cotton has not declined<sup>85</sup>).

Export of Finished Goods  
(in Millions of Square Yards).

1913	1920	1921	1922	1923	1924	1925
7075	4425	2902	4182	4140	4444	4434

These figures are remarkable and most depressing. Can it safely be assumed that the pre-war level is "normal", and that the fairly uniform figures returned since 1922 are "abnormal" and transient?

Is it true that Lancashire has suffered owing to causes of an international character, which have affected all producing countries equally?

World's Consumption of Cotton of all Kinds (in Thousands of Bales)

for the Years ending on July 31st

1913	1921	1922	1923	1924	1925	1926
23,000	17,595	21,167	22,143	20,430	23,294	24,681

The total returns of 1912/13 and 1925/26 may be analysed as follows:

	In thousands of Bales	
Great Britain . . . . .	4,274	3,022
Germany . . . . .	1,728	1,148
France . . . . .	1,010	1,179
Russia . . . . .	2,509	1,752
Italy . . . . .	789	1,037
India . . . . .	2,177	2,064
Japan . . . . .	1,588	2,816
United States . . . . .	5,786	6,395
Other Countries . . . . .	3,139	5,268
<b>Total</b>	<b>23,000</b>	<b>24,681</b>

"These figures show quite obviously that in the last two years at any rate there has been no standstill in the consumption of cotton, but rather quite sound progress, and that Lancashire has suffered a definite loss in trade since the war, partly because its customers now produce largely for themselves, and partly because Japan has absorbed part of the Lancashire trade. Is Lancashire not deceiving itself if it tries to explain the state of affairs in any other way?"

The writer goes on to say that the decline refers exclusively to coarser numbers, whereas in fine yarns Lancashire has held its own, since the respective plant has been kept fully occupied.

The result is lower wages and longer working hours — 118 hours weekly in two shifts in Japan against 28 hours weekly in Lancashire — and above all fewer overhead charges in view of full occupation. Added to this, the special reason is the return to gold parity in England.

France, Belgium, Italy, and Switzerland, too, are, moreover, doing full-time work.

"The result is that the degree in which Lancashire forfeits its trade (always excepting the finer production) is only limited to the measure in which other producers are in a position to install new spindles<sup>86</sup>."

The present low price of cotton renders it possible for Lancashire to return temporarily to full-time work. During this respite, it ought to work out and put into effect a thorough plan of reorganisation.

<sup>84</sup>) „Wirtschaftsdienst“ Nr. 12.

<sup>85</sup>) „Wirtschaftsdienst“ No. 45.

<sup>86</sup>) „Wirtschaftsdienst“ of November 12th, 1926.

Keynes<sup>87</sup>) suggests as practical measures the adaptation of production to demand, the elimination of the indebted concerns, and the effectuation of systematic measures of thrift, all this being done by the merging of all British cotton-working factories in a cartel under the title of the "Cotton Yarn Association". The cartel would establish the minimum selling prices, determine the quota of production, exact penalties in the case of non-observance of its enactments, hypothecate the finished products of the member-firms, etc.

"It will have practically all the authority vested in a typical Continental cartel."

THE FORMATION OF A MONOPOLY AND THE RESTRICTION OF OUTPUT AS EXPEDIENTS.

Keynes by no means stands alone in his advocacy of the formation of a monopoly. British capitalism, once proud of its individualist character, is forced to-day to follow the example of the United States and Germany. The Manchester school sees its days numbered. The champion of monopoly formation is Sir A. Mond, one of the most efficient of the big industrialists of England, who has already succeeded in the chemical industry in forming a trust with a capital of 60 million pounds<sup>88</sup>). Trustification is welcomed as enthusiastically by the leading "Socialists", e. g., Snowden, as it is in Germany by Hilferding, who on one occasion called the trust-forming capitalists "Marxists of action".

At the general meeting of the South Durham Steel and Iron Co., the wellknown industrialist, Lord Furness declared in favour of the formation of a trust in the heavy industries. The investigatory committee instituted by the Samuel Commission is predominantly in favour of a selling agency for coal. Three leading coal-mining concerns with an aggregate capital of about 10 million pounds, have already combined. Mond is engaged in negotiations aiming at the combination of all anthracite mines. The process of combination in the heavy industries is likely to be accelerated by the necessity of either fighting against, or coming to an understanding with, the Ruhr Coal Syndicate and the Continental European Steel Trust. Thus we see Great Britain on the way to a trust system similar to that in Germany.

FOREIGN TRADE AND PAYMENT BALANCE.

Great Britain's foreign trade has for the last few months still been wholly under the influence of the mining lock-out. It figured as follows:

	Exports	Imports	Import Surplus
	(in Millions of Pounds)		
September . . . . .	50.7	93.6	42.9
October . . . . .	53.2	100.7	47.5
November . . . . .	53.1	102.3	49.2
December . . . . .	49.7	101.8	52.1

The result of foreign trade in the year 1926 is very unfavourable.

Exports amounted to 777.5 million pounds, or 150 millions less than in 1925, which means a decline of 16.1 per cent. Since 1918, exports have never been so low.

Imports stood at 1242.9 millions, or 78 millions less than in the preceding year, representing a decline of 5.8 per cent.

The import surplus was thus 465.4 million pounds, the highest deficit recorded since the war.

Naturally the question is being generally discussed, whether the invisible exports, i. e. income from foreign investments, the proceeds of shipping, banking, and international trade, may suffice to cover the foreign trade deficit. The Board of Trade estimated Great Britain's profit from these invisible exports in 1925 at 429 million pounds. This resulted in a balance available for capital export purposes of 28 millions. The sums reckoned to be available for capital exportation were:

<sup>87</sup>) "Wirtschaftsdienst" of January 7th, 1927; similarly in a speech to the Lancashire bankers ("Times" of January 5th, 1927).

<sup>88</sup>) Naturally there were also some trusts and cartels in Great Britain before the war, e. g. the Tobacco Trust (capital, 35 millions), Lever's Soap Trust (66 millions), Coats' Thread Factories (18 millions), but yet the individual concern formerly remained the ruling type of enterprise.

Millions of Pounds:

1923	1924	1925	1926
153	63	28	?

It appears very doubtful whether there is a surplus in the case of the year 1926; it could, indeed, only be quite trifling<sup>89)</sup>.

The recession of exports is before all a consequence of the mining lock-out, but it may also be attributed in part to political reasons. Thus the British Chamber of Commerce at Shanghai published a report on December 21st, stating that 70 per cent. of the textile imports of China are derived from Japan and only 30 per cent. from Great Britain, while two years ago the proportion was reversed. Of 150 million taels' worth of textiles, Japan supplied 100 million taels' worth and Great Britain only the equivalent of 36 million taels<sup>90)</sup>.

The connection between the mother country and the colonies gets looser and looser, as was clearly shown by the course taken by the Imperial Conference. Both the old basis of British imperialism and the economic foundations of the position of the British working class as a labour aristocracy have been shaken. There is no other expedient for the British industrial bourgeoisie than "rationalisation", an attempt to press wages down to the Continental European level, the formation of monopolies, in short the expedient of following the example of Germany. The decline of British imperialism is naturally no simple process, and it is still likely to be interrupted by transient periods of prosperity. But in the main the grade is a downward one. The British bourgeoisie is very rich, and possesses great reserves in the colonies and in foreign capital. But the industrial bourgeoisie of the mother country in particular is on a steep downward gradient.

### The United States.

"Prosperity! Prosperity for Ever! Prosperity for All!" that is the slogan proclaimed by the foremost leaders of the American bourgeoisie, by Coolidge, Hoover, and Mellon.

"Never was a people so rich as the American people. Never did a working class live so well. Never had a working class such a share in the profits of capital, as the American working class has. There is no end to its prosperity." That is what one hears on every side.

Let us listen a moment to the main mouthpiece of the big-bourgeoisie in America, to Hoover as he expressed himself in his official report<sup>91)</sup> on the economic year 1925/26.

"This year was the best year in our history in regard to the volume of our output and consumption, to the physical quality of our exports and imports, and to the height of wages.

"There was practically no unemployment, while further progress was made in efficiency of management and labour. As was the case in former years, there were also some less satisfactory points, such as the textile industry in New England, certain sections of agriculture, and coal mining. But on the whole the country was in a position to maintain the highest standard of living in its whole history, a standard far in advance of that in most countries of the world either now or in any former time."

This increase of production is reflected in figures as follow:

#### Economic Index.

(On the basis of 100 to express the level of 1919.)  
Economic Year ending June 30th.

Volume of Production (Quantity, not Value)	1923	1924	1925	1926
Industrial Output	116	115	118	126
Mining Output	119	133	129	132
Electric Power Output	136	148	158	179
Building Contracts (in square feet)	107	108	112	142
Railroad Freights (in ton-kilometres)	109	110	110	120

Parallel with this increase in production, we see the transformation of the United States into a typically imperialist country. In regard to the export of capital, it took the lead among the nations last year, leaving Great Britain far behind. The

<sup>89)</sup> "Times" of January 12th, 1927.

<sup>90)</sup> "Bulletin Quotidien" of December 29th, 1926.

<sup>91)</sup> "Financial & Commercial Chronicle" of December 4th, 1926, p. 2827.

excess of exports over imports gets smaller from year to year; the United States are beginning to derive income from foreign countries. At the same time it is more and more predominating over the whole American Continent, which is subjugated partly only by means of economic penetration, as is the case in regard to Canada, and partly by open military intervention, as in Nicaragua. In spite of the reiterated love of peace and of suggestions for disarmament, the United States are, from a military standpoint, at present the best equipped country in the world.

One of the means of their imperialist warfare is inter-Allied indebtedness. Therefore the suggestion of the Professors of Columbia University, that the inter-Allied debts be newly regulated at an international conference, was most decidedly and emphatically turned down by the spokesmen of American imperialism. The well-known manifesto of the bankers regarding the plan of a customs reduction, met with just as severe a refusal. In a series of big speeches, Mellon<sup>92)</sup> pointed out that the prosperity of the United States was based on the high industrial tariffs. Coolidge endorsed this view. The banking bourgeoisie had to give way to the pressure of the industrial bourgeoisie, and Morgan is reported to have retracted his signature from the manifesto after its publication.

It would necessitate a far more detailed investigation, such as we hope one day to undertake, to show what are really the foundations of the gigantic prosperity of American capitalism. Certain factors are easy to determine. One is the natural wealth of the soil, which in view of the sparse population is still only slightly exploited<sup>93)</sup>. Then there is the tremendous wealth of mineral production, which renders possible an output at small costs; the fact that the American population has been formed by a selection of the most efficient inhabitants of the old Continent; that there are no remnants of feudalism, either in the political superstructure or in ideology etc.

The present rapid enrichment of the bourgeoisie is partly owing to the exploitation of the farmers. The share of agriculture in the value produced annually gets smaller and smaller, both relatively and absolutely. According to the official data of the Department of Agriculture, the value of the total vegetable products of agriculture figured as follows:

	Millions of Dollar
1924	9334
1925	8949
1926	7802

That this is not the outcome of a mere general reduction of prices, is shown by the index figures published in the same report.

#### Index Figures of Farm Prices.

(On the basis of 100 for the average of 1909—July 1914.)<sup>94)</sup>

	Dec. 1925	Nov. 1926	Dec. 1926
Grain	140	121	120
Fruit & Vegetables	194	142	137
Cattle for Slaughter	136	142	140
Milk & Poultry Products	163	157	161
Cotton	139	83	81
Others	92	97	91
Price Index of Farm Products	143	130	127
Wholesale Prices for Products other than Agricultural (Bureau of Labour)	165	161	—
Purchasing Power of Farm Products	87	80	—

<sup>92)</sup> "Journal of Commerce" of October 20th, and 24th, 1926.

<sup>93)</sup> How little the soil of the United States is as yet exploited, is proved by an interesting book recently published, viz. "Florida in the Making", by F. B. Stockbridge and J. H. Perry, New York 1926 (350 pages). Though the book is not devoid of the nature of an advertisement, it shows that in this State there are still some 20 million acres of untouched and extraordinarily fertile soil. This area was not exploited so far, probably for reasons connected with the history of colonisation or also in view of the very warm climate, although the average value of production per acre in Florida is 110 dollars as against only 12 dollars in Iowa or Illinois and 13 dollars in Ohio (p. 50).

"There is no agricultural land in Florida which does not easily yield two harvests in the year, while in most parts there are three or four crops." (p. 66).

<sup>94)</sup> Cited from "Journal of Commerce" of December 28th, 1926.

These figures show that the position of the farmer has deteriorated by about 20 per cent. as compared with that of industry since pre-war times. This is all the more remarkable, seeing that, thanks to the gigantic technical progress achieved and to the growth in the productivity of labour, the cost of production has certainly fallen far more in industry than in agriculture, so that a reversed proportion might have been expected. The price formation as regards the industrial products, however, has certainly been shifted to the disadvantage of agriculture by reason of the extensive formation of monopolies. It is certainly more than a coincidence that all industrial trusts should in the last few years have been pouring out tremendous dividends, that a few weeks ago the Steel Trust should have allotted its shareholders 226 million dollars' worth of shares gratis by way of an extra-dividend, and the like. A great part of the gigantic profits come from the exploitation of the farmers.

As regards the working class, it cannot be doubted but that the real wages of broad strata of the workers have greatly increased since the war. This improvement in the standard of living, however, was purchased by an extraordinary increase in the intensity of labour, accompanied by an absolute monotonication of the working process which has now been specialised and divided down to the smallest detail. It is, moreover, a gross exaggeration when Hoover affirms that there is no unemployment in the United States. The occupation returns of the Federal Reserve Board clearly show that in comparison with the year 1919 there must indeed in the last few years have been a fair amount of unemployment in the United States.

We may therefore repeat that the foundations of the gigantic profits of the American bourgeoisie are in the first place the exploitation of the farmer, secondly an increase in the intensity of work in the factories, and thirdly colonial profits and the exploitation of foreign countries.

#### PRODUCTION IN THE LAST FEW MONTHS.

Though in the last few months there have been signs in various quarters of an abatement in the business-prosperity of the United States, the slowing down of business is only reflected in a very slight degree in the available output returns. The general characteristics of the business development are as follows:

	Basic Index of Industrial Production (Fed. Res. Board)	Index of Degree of Occupation of Workers	Laden cars monthly (1000*)	New Building Orders (Millions of Dollar)
1925 November	115	97.2	923	475
1926 July	118	93.5	4701	601
1926 August	116	94.4	4802	600
1926 September	121	95.8	4959	562
1926 October	122	96.3	5216	515
1926 November	124	95.2	5300	488
1926 December	—	—	4500	—

The slowing down in business is slightly more apparent in the output returns of certain important branches of business:

#### Production Returns for the Most Important Industries.

	Coal Mill. Tons	Iron 1000 Tons	Steel 1000 Tons	Auto-bites 1000's (05)	Cotton Consumed 1000 Bales	Petrol. Million Barrels
1925 Nov.	50.8	3023	3903	329	543	—
1926 July	47.1	3223	3651	316	416	6.5
1926 August	49.5	3200	4005	379	501	66.5
1926 Sept.	52.1	3136	3931	351	571	65.2
1926 Oct.	57.3	3334	4093	290	569	65
1926 Nov.	60.6	3227	3722	219	584	64
1926 Dec.	—	3091	3400	137	605	64

The recession is thus quite obvious in the steel output and in the automobile industry.

\* Passenger Cars.

An interesting feature is the great shifting of industry from North to South, the latter being the country of cheaper labour. This is to be seen most clearly in the development of the cotton industry. According to the returns of the Department of Commerce, the position is at present as follows:

	Number of Spindles	Spindles Working	Total of Hours wk'd. in Novemb.	Average Hours per exist. Spind.
In Millions				
United States	37.4	32.6	8480	227
Cotton-growing States	17.9	17.4	5501	307
New England States	17.8	13.7	2658	149
All other States	1.7	1.5	321.7	188

These figures show that the number of existing spindles is divided pretty equally between the cotton-growing district and the old seat of the American textile industry, the New England States. While in the cotton districts the spindles were almost all working, no fewer than four million spindles were idle in New England. The number of spinning hours in November was almost double in the cotton growing States of what it was in New England, and the average per spindle was more than double. Under such conditions it is quite understandable that the removal of the industry is constantly progressing, although the cities of New England are doing their utmost to prevent the transfer of the factories. The whole process shows at the same time how false the entire ideology of Hoover, Ford, and such men is, who always point to high wages as the basis of the prosperity of the United States.

In general, the business development of the last three months has evinced a downward trend, though it cannot be ascertained at the moment whether this will lead to a regular crisis. There is a certain empiric probability that this will be the case, if we consider that the prosperous business cycle has been in uninterrupted progress ever since the middle of 1924, that is to say for almost three years, and that the depression in the spring of 1924 was no actual crisis, so that we can in fact speak of a prosperous period ever since the close of 1921.

That a deterioration of the business development has taken place is proved in the first place by diminished production in the steel industry, which at the beginning of January was working to 65 to 70 per cent. of capacity, as also by the poor business being done in the automobile trade. The number of cars produced stood at the end of December at a lower figure than since 1921. This was partly attributable to a temporary closing down of numerous factories, but according to an estimate by the "Automotive Industries" the conditions are not such as to make a resumption of work to anything like its full degree at all probable.

#### THE PROSPECTS OF THE COMING YEAR.

In conjecturing the business of the year 1927, we can detect a divergence in the opinions of the theoretic and the practical class of economists. While the various theoretical organs express doubts as to the continuation of the prosperous business cycle, prominent economic men are, on the whole, still very optimistic. They are headed by Mellon, who is not only United States Secretary of Finance, but also one of the biggest capitalists, the actual head and main member of the aluminium trust. He says,

"Our economic position is propitious and we may expect another satisfactory year."

Gary, Chairman of the Steel Trust, states:

"There is no reason why prosperity should be interrupted in the year 1927. Neither is there any sign that this is likely to be the case. If business should indeed seriously fall off during the coming year, this would be in consequence of our own mistakes and not the fault of natural conditions or owing to a lack of foresight and proper handling on the part of the Government."

Lammot du Pont, Chairman of the Pont de Nemours Co.:

"At the close of 1926 we see no element in the economic or industrial situation liable to indicate depression or disturbances ahead."

W. Stroul, Chairman of the Southern Pacific Co.:

"All signs indicate that the extension and financial results of traffic in 1927 will be equally favourable to what they were in 1926."

E. White, Chairman of the Armour Co.:

"In 1927 the meat industry expects to realise a rather larger turnover than in 1926<sup>90</sup>."

Such and similar utterances are to be found in a yet greater number in the American press. Naturally they prove nothing. Too often it has happened that the practical capitalists have looked upon the situation as favourable at a time when the crisis was already approaching. Nevertheless, it cannot be denied that the very pronounced formation of trusts in industrial production, the immediate distribution of the product down to the ultimate consumer by numerous trusts, and the excellent output and trade statistics, enable the capitalist to gain a far better survey of the market situation than would be possible in any other country in the world.

### CAPITAL EMISSION AND CAPITAL EXPORTATION.

Details are to hand in regard to the capital emission and exportation during the first 11 months of 1926. In comparison with the preceding years, they figure as follows<sup>97</sup>:

	1926	1925	1924	1923	1922
	Mill. Dollar				
Total Emissions without Conversions . . . . .	5758	5537	5174	3927	4041
Thereof: Canada . . . . .	141	82	95	30	37
Canadian Munic. Loans . . . . .	61	39	132	26	99
Other Foreign Countries (private) . . . . .	413	341	132	24	80
Foreign Governments . . . . .	434	541	560	187	416
Total Capital Exportation . . . . .	1049	1003	919	267	632

These figures show that about one fifth of the capital emitted goes abroad. Meanwhile, that part which is immediately invested as productive capital in the form of shares grows larger and larger. The first emission of shares took place in 1925. The total amount was then only 26 millions, rising in the first few months of 1926 to 103 millions. Roughly one tenth is therefore invested in the form of shares and not of debentures.

Altogether different data are supplied by M. Winkler, Vice-Chairman of Moody's Investor Service<sup>98</sup>), who calculates on the basis of home and foreign statistical material that in the year 1926 the United States exported a capital of

1907 million dollars,

distributed as follows:

Canada . . . . .	500 millions
South America . . . . .	402 "
Central America . . . . .	115 "
Europe . . . . .	813 "
Thereof: Germany . . . . .	436 "

If these figures are correct, the United States have far surpassed Great Britain in the exportation of capital, since the British capital export figure in 1926 can certainly not have exceeded 300 million dollars. Which calculation is the more correct will be seen later on.

In the endeavour to depict the distribution of capital and income in the United States as exceedingly democratic, the Morgan bank made an inquiry as to who are the purchasers of foreign loans. This inquiry related to five loans, viz. the Austrian League of Nations Loan, the Japanese Government Loan of 150 millions, the German Reparations Loan, the Argentinian Government Loan of 45 millions, and the Belgian Loan of 50 millions. An investigation was made in 24 provincial banking institutes, which negotiated the loan for Morgan direct to the "savers", as to the average dimensions of the quotas subscribed in each

case. The result was as follows, the five loans figuring in the same sequence as above:

2994 Dollars	
3905	"
3194	"
4335	"
3808	"

The conclusion is drawn that the purchasers of these foreign securities are the actual small "savers" and not big capitalists, a deduction which is altogether incorrect, since these same people, who buy from 1000 to 10,000 dollars' worth of certificates of one single loan, have naturally also invested their capital in innumerable other foreign and inland securities. This is, however, part of the intentionally developed ideology, according to which every man in the United States can save a fortune.

### FOREIGN TRADE.

The foreign trade surplus has been increasing during the last few months, figuring every month at about 100 million dollars. The increase is in the first place to be ascribed to the larger exports, whereas imports have remained fairly stationary. The increased exports were to no small degree owing to the British coal lock-out.

#### Foreign Trade in Millions of Dollars.

	Exports		Imports		Surplus	
	1925	1926	1925	1926	1925	1926
August . . . . .	380	386	340	336	40	50
September . . . . .	420	448	350	343	70	105
October . . . . .	491	456	374	378	117	78
November . . . . .	448	481	376	376	72	105
December . . . . .	459	466	397	358	62	108
Year . . . . .	4710	4810	4227	4433	483	377

Summing up, we can establish the fact that the last few months of 1926 saw a deterioration in the successful business development of the United States. It cannot, however, be foretold at the present moment whether this is only a transient depression or the beginning of a crisis.

### China.

The general interest centring at present on China makes it no more than natural that we should occupy ourselves at greater length with the economic position of that country. Unfortunately, there are insuperable difficulties in the way of such a task. China is larger than the whole of Europe and its population is not far inferior in numbers to that of Europe. In the individual districts, therefore, the prevalent conditions are naturally very different, according to the outcome of the harvest or the progress of military events. There are, moreover, practically no statistics which refer to the entire territory, with the exception of the foreign trade returns issued by the maritime customs administration. Under such circumstances it is impossible to do more than make some few fragmentary remarks.

The economic position of China has doubtless deteriorated during the last few years, and that for the following three reasons:

1. The war.
2. The poor harvest.
3. The drop in the price of silver.

Meanwhile, both the poor harvest and the drop in the price of silver are in themselves more or less consequences of the war against imperialism or rather against the military despots in imperialist pay. Chinese agriculture is predominantly a culture of irrigation combined with a refined horticultural technic. If the dams of the natural and artificial water-courses, which are often on a higher level than the surrounding country, are not kept in order, inundations ensue and destroy the harvest in entire districts at a time. If the water supply is not well regulated, great damage may result. If due attention is not paid in regard to the time and treatment of the three or four successive field crops in the year, an entire harvest may be lost. If the human manure from the towns cannot be transported to the fields, the crops are likewise ruined. This complicated structure of the

<sup>90</sup> Cited from the "Journal of Commerce" of December 27th, 1926.

<sup>97</sup> "Financial & Commercial Chronicle of December 18th, 1926, p. 3099.

<sup>98</sup> "Bergwerkszeitung" of January 9th, 1927.

Chinese system of irrigation has had to suffer far more heavily through the destruction wrought by war than would be the case in regard to the technically more primitive European tillage. The impoverished peasants of China, used to privations as they are, are now in many regions exposed to the greatest misery.

Added to the ravages of the war, there was in many districts acute drought in 1926. The crops are estimated at no more than 70 per cent. of normal.

The drop in the price of silver is to a great part also a result of the civil war in China, though it is partially caused by other factors, such as the imminent transfer of India to the silver currency. Since the Chinese currency is based on silver, the drop in the price of this commodity means a depreciation of the Chinese currency.

For one tael, or one ounce of silver, the following quotations, in shillings and pence, figured on the London Stock Exchange:

	1922	1923	1924	1925	1926	1927 Jan
Tael Rate . . . . .	3/9	3/6	3/8	3/6	3/2	2/4
Silver Rate (early January) . . . . .	35	32	34	32	32	25

In the course of the year 1926, there was a depreciation of roughly 20 per cent. If we also take into consideration the valueless paper money and the copper money coined in great quantities by the different military rulers, it will be easy to comprehend how grievously Chinese economy has been injured by the currency chaos<sup>99)</sup>.

The war naturally does not engender quite uniform results in all parts of China. On the territory of the Canton Government the state of affairs is certainly better, although the war contributions weigh heavily enough on the population. In Manchuria, the region governed by Chang-Tso-Lin, who is the most unscrupulous in augmenting the amount of paper and copper money, the currency difficulties are naturally most acute. Here the Japanese yen is ousting the money of Chang-Tso-Lin, a tendency against which the latter attempts to defend himself by hanging several bankers and forbidding the circulation of the yen, though in this way arousing the hostility of Japan.

There can be no question at the present time of any greater prospects for investment, such as the construction of railways or the regulation of rivers or harbours. Even the most urgent work of repair and maintenance is not undertaken in the actual war districts.

## FOREIGN TRADE.

In spite of the serious fights between the imperialist and revolutionary forces, foreign trade has suffered relatively little. Expressed in millions of Haikwan taels, the foreign trade returns were as follows<sup>100)</sup>:

	1913	1920	1921	1922	1923	1924	1925
Imports . . . . .	580	800	933	975	949	1039	948
Exports . . . . .	420	579	628	685	778	793	776

The foreign trade of China struggles valiantly against all odds; if baffled at one issue, it finds a way out somewhere else; if the products of one country are not available, goods of other origin are purchased; should one harbour

<sup>99)</sup> If a city is occupied by a new general, the merchants have hardly any choice but to close their shops. The soldiers appear with big paper notes, buy a trifle, and demand change in silver. Nor are they satisfied if the shopman tries the alternative of offering the goods for nothing. They demand the surrender of silver money against the worthless notes, whereby the merchants are naturally ruined. There is therefore no choice but to close the shops and hide the stock of goods.

<sup>100)</sup> League of Nations Memorandum on Foreign Trade, vol. II, for 1925, Report on the Commercial, Industrial, and Economic Situation of China. A. H. George, Commercial Secretary at Shanghai, London 1926. The figures in these two sources are slightly divergent in some points, since the British returns do not include re-exported goods.

be closed, trade is transferred to another; if railway traffic is suspended, recourse is had to the waterways<sup>101)</sup>.

Even in 1926, foreign trade appears to have suffered less than might have been expected. Full returns are not yet available, but the customs receipts figured at 78.1 million taels, or 8.25 million taels more than in 1925, which should point to an equally high import total, since the customs rate of five per cent. of the value remained unchanged. (Imports were in fact really lower, since the value of the tael depreciated in the meantime.)

It seems, however, that the process of industrialisation has slowed down somewhat during the last few years. The smaller imports of machinery point in this direction<sup>102)</sup>.

Value of Imported Machinery (in Thousands of Taels):

	1923	1924	1925
For the Textile Industry . . . . .	12,029	5,511	3,407
For Electric Power Stations . . . . .	1,516	808	858
Turbines, Boilers, etc. . . . .	1,498	1,963	1,920

The recession in the case of textile machinery is particularly great.

The distribution of foreign trade in respect of countries is of particular interest. (It is here expressed in millions of taels):

	1924		1925	
	Imp.	Exp.	Imp.	Exp.
Total . . . . .	1039	772	965	776
Thereof: Hong Kong . . . . .	244	173	176	114
Great Britain . . . . .	126	50	93	48
Entire British Empire . . . . .	441	257	337	201
Japan . . . . .	246	232	310	221
United States . . . . .	194	105	148	148

These figures show:

1. The very slight participation of England in the foreign trade of China. The trade of Hong Kong is not British trade: according to the estimate of the Commerce Agent, not more than one per cent. of the exports to Hong Kong is forwarded to England, while in the imports through Hong Kong there may be 10 per cent. goods of British origin. Hong Kong is an international trading port, though it is, of course in British hands.

2. The returns clearly show the effect of the boycott against Hong Kong and British goods.

3. By far the largest quota falls to the share of Japan, besides which a large portion of the Hong Kong trade goes to the account of Japan.

4. China's foreign trade is negligible in comparison to its population. The total foreign trade of China (imports and exports) in 1925 can be estimated at roughly 300 million pounds, which would make about 15 shillings per head of the population, as against about £12.10.0 in the case of Germany, for instance.

It is not the present but the future that is being fought for in China.

The reason of this insignificance of foreign trade in China is to be found in the unexploited condition of the country and in the terrible poverty of the population.

As regards wages, there are naturally plenty of isolated data<sup>104)</sup>, but no comprehensive survey. The most extensive material known to me in this connection was collected by the delegation of the Russian trade unions at Shanghai<sup>105)</sup>. The data in question embraced 28 leading concerns (including 19 textile

<sup>101)</sup> Report, p. 27.

<sup>102)</sup> Report, p. 32.

<sup>104)</sup> Especially in the "Monthly Bulletin" of the Peking Office for Economic Research.

<sup>105)</sup> "Worker's China and its Fight against Imperialism" (Russian) Chapter VII.



factories employing 52,000 hands!). The wages in the textile works approximately as follows (in English pence per day):

	Highest Av. Wage per Enterprise		Lowest Av. Wage per Enterprise		Average for all Enterprises		Lowest Wage for Children
	Men	Women	Men	Women	Men	Women	
Japanese Factories	18	16	6	5	9	9	4 <sup>1</sup> / <sub>2</sub>
Chinese Factories	18	20	5	5 <sup>1</sup> / <sub>2</sub>	8	9	4
British Factories	12	11	7 <sup>1</sup> / <sub>2</sub>	5	—	—	4
Other Factories	18	13 <sup>1</sup> / <sub>2</sub>	9	6	11	8 <sup>1</sup> / <sub>2</sub>	4 <sup>1</sup> / <sub>2</sub>

On an average daily wage of 9d., the purchasing power of the home market must naturally be very small, hence also the foreign trade.

Low as these wages are, they are still considerably higher than the earnings of the poor peasants!

An altogether unimpeachable witness, the German agrarian expert W. Wagner, supplies the following calculation<sup>106)</sup>.

A tenant family leasing 25 mous of land in Kiautchow must pay as rent half their income from the sale of the produce attained. For the family consisting of two male and two female workers, there remains, including their consumption in kind, a value of 107.20 taels, or roughly £20 a year<sup>107)</sup>:

In another chapter, the writer says in speaking of leases<sup>108)</sup>:

"The tenant's share in the yield of the property varies considerably according to the degree of economic dependence. The lowest proportion due in lieu of rent is 50 per cent., but the quota to be surrendered can sometimes amount to as much as four fifths of the gross yield. In abnormal cases, when the tenant is deeply in the debt of the landlord, he is not allowed to possess any chattels or implements, and when the payments in kind are high he is nothing else than a menial in the service of the creditor."

It is obvious that in view of such earnings as these, foreign trade cannot be more than insignificant, all the more so seeing that the ground rent is spent by the rich native in the upkeep of a numerous retinue and the accumulation of much treasure (precious stones, pictures, etc.)

THE STRUGGLE AGAINST IMPERIALISM.

We do not desire to repeat here things which are sufficiently well known from the daily press. We only wish to draw a kind of balance.

The imperialists have already lost the following of their positions:

1. The dominion over the customs policy of China. As a matter of fact, the Canton Government has introduced its own customs alongside the maritime customs still collected by the foreign Powers for the service of the foreign loans. Their example has been followed, by the consent of Great Britain, by Chang-Tso-Lin in the North.

2. The Salt Taxes, which are still administered by foreigners, though the revenue accrues to the local rulers.

3. The Railways, which have in fact been taken from the imperialists and serve the various rulers<sup>109)</sup>.

<sup>106)</sup> Wilhelm Wagner: "Chinese Agriculture", Berlin 1926. This book of 668 pages is mainly agronomic but also contains much valuable material from the social and economic standpoint. Unfortunately, the personal experience of the writer extends almost exclusively to the province of Shantung, since he was a professor at the German highschool at Tsingtau.

<sup>107)</sup> P. 647. The customary wages of a farm hand, including board, are reckoned at between £6 and £7.10.0 yearly.

<sup>108)</sup> P. 132.

<sup>109)</sup> The outcome of this development is the fall of the Chinese loans; those which are covered by the takings of the maritime customs are still fairly stable, those based on the salt taxes are far weaker, and those depending on the railways are altogether bad.

4. The Concessions, which, it is true, are only partly lost so far. But at Hankow the British flag had to be hauled down, while Belgium preferred voluntarily to surrender its concession at Tientsin, as Germany and Soviet Russia had done.

These losses of the imperialists to the national revolutionary movement, have produced two very significant results:

1. There is to-day no general and no statesman in China who would dare openly to champion an imperialist Power. Even Chang Tso-Lin calls his army "The Army for the Pacification of the Country" and proclaims the fight against the Bolshevism of the Canton army, while putting forward similar demands in regard to the imperialists as those put forward by the national-revolutionary party.

2. The presence of a strong anti-imperialist army of the people has tended to destroy the unity of the imperialist Powers. Great Britain has so far not succeeded in setting up a united front among the Powers for the purpose of armed intervention. Japan does not wish to hazard the safe possession of Manchuria and is doing all in its power to prevent Chang Tso-Lin from starting on an actual campaign against the South. For if he were defeated there, Manchuria might be lost through a complete victory of the Canton forces. If, on the other hand, Chang Tso-Lin were to be victorious through the aid of Great Britain and to unite all China under his sway, Japan's position in Manchuria might likewise be endangered. Japan is therefore feigning to act on the principle of a "unity of the yellow races." The United States, which have no special interests in China, are pursuing the policy of the "open door", that is to say they desire an equality of competitive conditions in the bourgeois China they expect to see, and are not willing to forfeit sympathies without due cause.

Thus no united front can be formed, since the three parties chiefly interested, viz. the three main imperialist Powers, cannot arrive at a common policy.

Great Britain has quite particular interests in China. These do not lie in the dimensions of the British share in China's foreign trade, which, as already demonstrated, falls far short of that of Japan and the United States, respectively. Nor do the British interests consist in the British share in Chinese railways<sup>110)</sup> or Chinese industries<sup>111)</sup>. They lie rather:

1. In the mediation of foreign trade. At Hong Kong and partly also at Shanghai, import and export trade pass through British hands.

The following were the quotations on the London Stock Exchange:

Chinese Loans	April 30th	December 1st
4 per cent. of 1895	90 <sup>1</sup> / <sub>2</sub>	83
5 per cent. of 1896	93 <sup>1</sup> / <sub>2</sub>	81 <sup>1</sup> / <sub>2</sub>
4 <sup>1</sup> / <sub>2</sub> per cent. of 1898	75 <sup>3</sup> / <sub>4</sub>	59
5 per cent. of 1913 Reorg.	68 <sup>1</sup> / <sub>2</sub>	50
5 per cent. of 1912 (Salt)	62 <sup>1</sup> / <sub>2</sub>	45
5 per cent. Tientsin-Puckow	45 <sup>1</sup> / <sub>2</sub>	17 <sup>1</sup> / <sub>2</sub>
5 per cent. Hukuang	46	25 <sup>1</sup> / <sub>2</sub>

<sup>110)</sup> According to the calculation of Kantorovich ("Foreign Capital and the Chinese Railways", p. 137, Russian), the shares of the individual Powers in the capital of the railways (including the capital of the joint-stock companies, their loans, and the loans to the State railways) figured as follows:

Millions of Chinese Dollars (= 50 Am. cents)

Soviet Union	401	36.6 per cent.
Japan	338	31.0 per cent.
Great Britain	132	12.2 per cent.
France	91	8.3 per cent.
Germany	47	4.3 per cent.
Other Countries	83	7.6 per cent.
	1092	100.0 per cent.

<sup>111)</sup> In the Chinese textile industry there were in 1925 ("Report", p. 23):

	Factories	Spindles	Looms
Chinese	69	2,032,816	13,371
English	4	205,320	2,348
Japanese	45	1,331,334	5,925

The British share in this most important industry is very small.

2. In banking. A great part of the money and credit business is in the hands of Englishmen. (At Hankow, they replied to the occupation of the concession by closing the bank counters.)

3. In navigation, both for overseas, and for coastal and river traffic.

4. In the monopoly of the maritime customs administration, which enables them not only to occupy several well-paid positions but also to gain insight into the business of their competitors.

Hence the great difference in the attitude of the British bourgeoisie of Hong Kong, Shanghai, etc., and that of the middle class in the matter of the Chinese policy. From the standpoint of the British industrial bourgeoisie, Chinese business is possible even without privileges; for the Anglo-Chinese bourgeoisie it is out of the question. The latter therefore urge an "active policy" and "protection of the British flag," which means armed intervention.

But just because the interests of the Anglo-Chinese bourgeoisie are different from those of the bourgeoisie of other imperialist countries, it is difficult to bring about a united front.

Thus the emancipatory fight of the Chinese people proceeds, simultaneously with the development of class differences within the Chinese people. The main question, as to whether the outcome of this anti-imperialist struggle will be a bourgeois China or a China of the workers and peasants, has not yet been decided.

## Dutch East Indies.

The rising in the Dutch East Indies recently attracted the attention of the world to the existence of Holland's colonial empire. In view of the unimportant rôle played by the Netherlands in European politics, one is apt to forget that, after Great Britain and France, they possess the most populous colonial area in the world. The so-called Farther Indian Islands, the remnant of a yet far vaster colonial empire from which Holland has been gradually ousted by Great Britain, comprise a territory of about two million square kilometres, or four times as large an area as that of Germany. Their population amounts to roughly 50 millions.

This population is very unequally distributed. On the island of Java, the centre of the Dutch colonial possessions, more than 35 million people are crowded together on an area of 131,330 square kilometres, which amounts to about 300 per square kilometre, a denser population than in any country of Europe. The other 15 millions are distributed over the remaining territory, which includes very thinly populated and yet uncharted regions, whereas Java is a highly cultured land, traversed by railways and roads.

The Dutch colonies present the old type of colonial exploitation. The fertile land has been entrusted to a small group of plantation companies and colonial capitalists, who come there for a certain time and leave the country again when they have grown rich. The accumulation of wealth and the exploitation of the islands assume unheard-of dimensions, as is best illustrated by the development of foreign trade<sup>112)</sup>:

Foreign Trade in Millions of Dutch Florins<sup>113)</sup>.

	1913	1922	1923	1924	1925
Imports . . . . .	437	691	654	714	—
Exports . . . . .	614	1136	1378	1557	—
Export Surplus . . . . .	177	445	724	843	—

A highly satisfactory trade balance! But what is the economic meaning of these phenomenon? Neither more nor less than that in 1924 the foreign capitalists exported in the form of profits more than half the value of the total exports without affording the country any compensation whatsoever. The actual profit, indeed, was probably still greater, since part of it must certainly have been invested in the country itself. In 1925 and 1926, the profits must be much greater still in view of the very high rubber prices.

<sup>112)</sup> "Jahrbuch für Wirtschaft, Politik, u. Arbeiterbewegung" 1925/26, Hoym ed. p. 882.

<sup>113)</sup> The Dutch East Indies have the same currency as Holland (1 florin = 1s. 8d.)

How large the capital is on which this profit was made, we are unfortunately not in a position to state. Only a few individual returns are to hand<sup>114)</sup>.

Rubber companies possessed a nominal share capital of 108 million florins. Their reserves amounted to 117 millions. The value of the shares, according to the rate in the beginning of 1926, was between 500 and 600 florins.

Sugar Industry . . . . . 700 millions  
Tobacco Industry . . . . . 150 millions

These are the most important branches of production. If we add 200 per cent. to represent the other industries, we get a total nominal capital of at most three or four thousand million florins. The surplus of exports alone indicates a rate of interest on an average of about 25 per cent.

The entire region is adapted throughout to the profiteering interests of the Dutch capitalists (115). Apart from the production of mineral oil and tin, these islands are recognised and exploited as the God-sent seat of the rubber, sugar-cane, coffee, tea, and tobacco plantations.

Exports were made up as follows<sup>116)</sup>:

	1923		1924	
	Mill. Florins	Per Cent.	Mill. Florins	Per Cent.
Sugar . . . . .	499	36.5	491	32.1
Rubber . . . . .	174	12.7	203	13.2
Oil . . . . .	161	11.9	158	10.3
Tobacco . . . . .	86	6.3	124	8.1
Tea . . . . .	76	5.5	94	6.1
Tin & Tin Ore . . . . .	60	4.3	81	5.3
Coffee . . . . .	30	2.1	66	4.3
		79.3		79.4

80 per cent. of the exports consist of prime products of the plantations and mines. They are all the outcome of foreign capital. The share of the "native production" of Java in 1924 was not more than 12 per cent., while in the less exploited outer districts, where the activity of the capitalists is in many cases restricted to buying up the agricultural products, it figured at 50 per cent. No large scale industry working for inland requirements is able to develop, since the natives have no purchasing power and the Dutch import what they need from Europe.

In spite of the fertile soil and the highly propitious climatic conditions, the native population suffers the most acute misery. Slavery has been formally abolished, but it continues to exist in fact in the form of indentured labour. The peasant population, which provides the workers for the sugar factories and other seasonal enterprises, is oppressed by heavy taxes.

In an official report on the position of the natives<sup>117)</sup>, it has been stated that against an established yearly family income of about 225 florins, admittedly requisite for a bare existence, "the average yearly income in many districts in money and kind per head is not even the tenth part of this sum".

As regards wages, we may quote the statements of an unprejudiced witness, E. Helfferich, Manager of the "Straits & Sunda Syndicate" and brother of the well-known reactionary German statesman, Karl Helfferich.

"In order to show how low the standard of living among the natives is and what a difference there is between the native and the European standards, I subjoin the following survey: "Monthly Wages of Natives and Salaries of Europeans in the Plantations.

	Java:	
	Free Labourers (Javanese)	Europeans
	Florins	Florins
Men (casual workers) . . . . .	9 to 12	200 to 1000
Men (regular workers) . . . . .	12 .. 15	
Women (casual workers) . . . . .	6 .. 12	
Children (casual workers) . . . . .	4.50 .. 6	
Clerks . . . . .	15 .. 50	
Overseers . . . . .	25 .. 100	

<sup>114)</sup> Report by the British Commercial Attaché at the Hague, "Report on the Netherlands", p. 67, etc.

<sup>115)</sup> Besides Dutch capital, there is British and American, mainly in the mineral oil exploitation; the Dutch interests, however, are greatly predominant.

<sup>116)</sup> "Wirtschaftsdienst" of October 24th, 1926, p. 1321.

<sup>117)</sup> "Wirtschaftsdienst" of July 2nd, 1926, p. 893.

Sumatra:		
Indentured Labourers (Javanese)	Florins	Europeans Florins
Men . . . . .	15	250 to 1000
Women . . . . .	12	
Clerks . . . . .	25 to 75	
Overseers . . . . .	25 „ 100	

This shows in the first place the extraordinarily low level of native wages. Though we may assume that in each native family as a rule not only the father, but also the mother and one or more of the children work and earn, and though more may sometimes be earned by contract work than by daily labour, we cannot but consider on the other hand that the casual workers in particular work most irregularly, and that the average monthly wage is then lower for the individual than the rate indicated here for the whole month.

Wages are certainly lower here than anywhere else in the world. This brings up another question, as to how these wages compare with the output of work. The working output of the native is small if measured by European standards and transferred to a European climate. Most of the free workers work no more than 5 or 6 hours a day, while the contract workers put in 8 hours' work. In regard to the intensity of labour, the work done cannot be compared with that of a European, but it is continuous work carried on in an oppressive tropical climate. A European worker would be quite unable to perform this physical work in such a climate for any length of time. It is only the Chinese that can do more work under such circumstances, but in their case the greater output is counterbalanced by higher wage demands."

Even the "Vorwärts" says in an Amsterdam report of December 22nd, 1926 (though on the basis of an average wage for workers of 200 florins per annum):

"A nation, the majority of which live on the richest soil in the world more miserably than the poorest peat-cutters on the Drent moors, cannot possibly feel well disposed towards the Dutch, who derive tremendous profits from the said soil."

As a matter of fact, trouble has long been brewing in these colonies of Holland's. Repeated attempts at rebellion have, however, again and again been suppressed. It must be borne in mind that over against 50 million natives there are not more than 200,000 Europeans, or less than one half per cent. The Dutch keep down the natives by means of the natives themselves, as the British do in India.

"The Dutch colonies in the East Indies have their own army with all up to-date categories of arms, with technical formations, and with a separate general staff. The troops are natives from the various peoples of the archipelago, the petty officers partly native soldiers of long standing and partly Europeans, the commissioned officers almost all Europeans. The white members of the army are predominantly Dutchmen, though here and there they are foreigners, especially Germans. Since the coloured soldiers are all stationed at a distance from their homes and among more or less foreign people, and as they are allowed to keep their own wives and children in the barracks, they come very little into touch with the local population. They have hitherto proved very useful and reliable in suppressing rebellions, and will probably be able to cope with the present disturbances."

Thus writes a correspondent of the "Deutsche Allgemeine Zeitung" on December 28th, 1926.

The labour question has been further aggravated during the last few years for various reasons. The great appreciation in the price of rubber caused the natives to have an ample income from

collecting the yield of the wild rubber trees, so that they refrained from working on the plantations. The entire rubber yield was sold to Chinese dealers, who resold it to British India.

This development disturbed the Dutch rubber capitalists in every respect. In 1925, the Dutch East Indies produced roughly 40 per cent. of the world output, exporting 234,000 tons, 85,000 tons of which were independently collected by the natives from the wild trees<sup>118</sup>). The natives, moreover, themselves started planting rubber trees at the rate of about one million a year.

"In the course of the last year (1925), the value of the rubber collected by the natives amounted to 200 million florins against a total production valued at 400 millions. As a result of the tremendous influx of money in the districts of native production, practically no workers are available there; the wealth of the native population in south-east Sumatra causes the production of foodstuffs to be neglected, which may entail a catastrophe in the future<sup>119</sup>."

As we see here, the British diplomat pities the natives, who are in danger of incurring starvation by their high income. The Government of the colony has also done all in its power to protect the natives from such fatal enrichment — and at the same time to provide labour for the plantations. The natives are hindered in their activity in every possible way; while a syndicate has been formed, with the support of the Government, for the purpose of buying up the rubber produced by the natives, so that the latter and the Chinese dealers may both be deprived of their profits. The syndicate in question aspires to the monopoly in this branch of business, though it explains its activity by political arguments which excellently illustrate the relations between capitalists and natives<sup>120</sup>).

"The contact between the Chinese dealers and the natives has been anything but favourable for the mentality of the latter, and the defiant and often impudent attitude which many natives have adopted since the rubber boom, seems in great part to be the outcome not only of their unexpected prosperity owing to the high rubber prices, but also of the influence exercised by the Chinese. One of the objects leading to the creation of this syndicate is that of putting an end to a state of affairs which is so highly undesirable for the Dutch East Indies."

Owing to our lack of knowledge of the Dutch language, we have not been able to collect more than mere fragments of information in regard to the conditions in the Dutch colonies in Farther India. One thing, however, is obvious, viz. that it is here not the case of individual revolts, but of a general emancipatory movement on the part of a numerous population against imperialist exploiters. The struggle will grow all the more acute, since here there appears to be no native bourgeoisie — as there is in China and India — which with its two-sided interests could mitigate the intensity of the struggle<sup>121</sup>). The country is divided into two camps, with 50 million natives on the one side and 200,000 foreigners on the other. **Workers against capitalists. The coloured race against the white. Mohammedans against Christians. Exploited against exploiters. Oppressed against oppressors!** This cleavage reaches from the very foundations to the utmost branches of the ideologic superstructure. Here indeed, no "foreign influence" is needed to provoke revolutionary upheavals.

<sup>118</sup>) "Journal of Commerce" of November 5th, 1926.

<sup>119</sup>) "Report... on the Netherlands" p. 68. The petroleum capitalists likewise complain of "defection of the native workers, who are hard to replace." ("Wirtschaftsdienst" of July 2nd, 1926, p. 896.)

<sup>120</sup>) "Wirtschaftsdienst" of March 12th, 1926, p. 343.

<sup>121</sup>) We hear of native intellectuals in the service of the Dutch exploiters, but of no actual bourgeoisie, only the Chinese dealers occupying a middle-class position.

1927 Inprecor  
p322  
is Blank

mg 2021