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The Struggle in Shanghai and its Significance.

By Tang Shin She.

The formation of the anti-bolshevik front on the part of the imperialists for the purpose of annihilating the Soviet Union and colonising China completely, and further, the brutal dictatorship of Tuan She Sui and Tsang Tso Lin in Peking, render it necessary to convert the idea of national revolution into deeds. The front of the national revolution is directed against the foreign imperialists and against their Chinese lackeys: the military rulers and the Compradores (agents of foreign firms and banks).

The revolution in the year 1850, under the leadership of Hung Shu Tzuen expressed the indignation of the South Chinese peasants who were completely suppressed by British and French imperialism. The Boxer rising in the year 1900 was the expression of the indignation of the Northern Chinese people who were heavily oppressed by German, Japanese and Russian imperialism. Today the whole of the Chinese people is crushed and enslaved by international imperialism.

The revolution which broke out in 1850 lasted altogether for 15 years. That it failed is only due to the fact that on the one hand, the manchu government at that time co-operated with the English against the revolutionaries and on the other hand, because the leader, Hung Shu Tzuen, wished to introduce christianity into China and had himself nominated as emperor in Nanking, and that a great portion of the people were not in agreement with him. The reason for the defeat of the Boxer

rising is to be attributed in part to the leaders of the movement (the emperor's widow and the Manchu princes), who were reactionary and acted in a stupid and frivolous manner, and in part to the fact that it was a purely anti-foreign movement, which not only opposed the suppression by the foreigners, but was against all intercourse with foreigners whatever. Owing to its weakness the Manchu government was overthrown in 1911.

The present movement is not simply an anti-foreign movement, but is directed against the imperialists, against the exploiters and oppressors of the Chinese people, no matter whether they be foreigners or Chinese; in fact the Chinese will co-operate with such peoples who treat China as an equal, such as Soviet Russia, and also with the suppressed peoples of all countries.

At the beginning of May, on the 1st, 4th and 7th, there were serious encounters between the Chinese people and the Tuan She Sui and Tsang Tso Lin cliques. The imperialist lackey Tuan She Sui had restricted and partly forbidden the labour celebration of the 1st of May, the observation of the day of freedom, 4th of May (on this day in the year 1919, the Peking students revolted against the government of Tuan She Sui, as a result, new ideas regarding freedom penetrated into the minds of the people inmeshed in the teachings of Confucius) and the anti-Japanese day, 7th of May (this is directed against the 21 demands submitted by Japan in 1915). As a result, on the 7th of May indignation broke out against the government. In

the collisions with the police two students were killed, many wounded and many arrests were made. This partly led to the struggle in Shanghai.

The bourgeois papers in Germany characterise it as a anti-foreign movement and state that the lives of foreigners are endangered. The organ of the Foreign Minister, Stresemann, „Die Zeit“ had an article under the title: „China's Hostility to Europe“. Certain circles even speak of a Boxer rising. The nationalists will probably make use of the occasion in order to take active part in the anti-bolshevist front, with the aim of thereby, perhaps, being able to satisfy their great longing for colonies.

What lies behind this fight against imperialism? The Chinese wish to abolish all unjust treaties. The occupation troops and warships must immediately leave China. All areas in the possession of foreign powers shall be given back unconditionally to China. In short: the Chinese people wish to shake off the yoke of slavery; they wish to live as brothers with equal rights alongside other peoples. The imperialists are already concentrating their warships and troops in China. They do not wish to be deprived of their spoils, on the contrary, they wish to enslave the Chinese people completely.

The weapons of the imperialists in China, apart from the one-sided treaties, are: **Christianity and opium**. By means of the unjust treaties they suppress the Chinese people economically and politically; with christianity they stupefy the minds of the Chinese; with opium they poison their bodies. In spite of the fact that revolts against the imperialists have often been crushed, the people are not intimidated. In every province, in every district, **anti-imperialist and anti-christian societies** have been founded. It is no longer necessary to furnish reasons to the Chinese people why they should fight against imperialism. But they must be shown the ways and the means with which it must be fought. This task has been undertaken by the Party of Sun Yat Sen, the Koumintang, and the Communist Party of China. **The fight in Shanghai is the signal for the commencement of the national revolution in China.**

The London „Times“ published a leading article in which the shootings in Shanghai are described as a great mistake. It urges that the decisions of the **Washington Conference** regarding China shall be carried through as speedily as possible, in order to pacify the population. On the one hand the imperialists, in order „to protect their fellow-countrymen“, dispatch numerous warships to China and strengthen their forces there, and on the other hand they seek to weaken the movement of the Chinese people by pacifying them with honeyed words. The lackeys of the imperialists, **Tuan She Sui and Tsang Tso-Lin**, have several times sent protests to their masters on account of the shootings in Shanghai. **In the whole of China, however, sympathetic strikes have already broken out for the fighters in Shanghai. It is no longer a question of a struggle in Shanghai, but of a struggle throughout the whole of China.**

Mussolini is endeavouring to extend his robber policy in China. At the beginning of this year he sent a thousand troops to guard the **Tientsin-Peking line**. In addition, he demanded that a piece of territory be granted for the establishment of an aeroplane station on the coast in the neighbourhood of **Tientsin**. If this last should be granted to him, it would have the same consequences as resulted when Germany leased **Kiautchow** as a naval base. For the other imperialists would come and likewise demand aeroplane stations. In the present struggle in Shanghai the Italian troops have fired upon the Chinese people just as bravely as the others. Italy will therefore use this opportunity in order afterwards to find support for its policy among the other powers.

It is interesting to note that the **Americans** have now thrown aside their mask. As is known, they came forward as the „protectors“ of China and only acted out of „benevolence“. Not only has the American Consul in the province of **Fukien** had numerous arrests carried out among the students on account of their participation in the anti-christian movement, while on his instructions the governor of **Fukien** has caused several students to be shot, but in Shanghai the Americans are also arming for the fight against the Chinese.

The imperialists are once again trying to cast the blame for the fights in Shanghai upon the Soviet government. The „Times“ writes that **Karachan** delivered a speech in Peking on the Soviet Union and the peoples of the East. This is a fact; but the news comes rather late; for **Karachan** delivered this speech in **March**. The American Ambassador already in **April** lodged a protest against this with the Chinese government; for

Karachan did not deliver his lecture in a Chinese University, but in an American high school which the Americans had founded for propaganda purposes out of the money received on account of the Boxer indemnity. **Karachan** went there on the most urgent request of the students.

The slaves can only win their freedom by a bloody struggle. This struggle has already begun.

HANDS OFF CHINA

Against the Atrocities of International Imperialism in China!

Appeal of the Communist International, the Red International of Labour Unions and the Young Communist International.

Moscow, 8th June 1925.

The Communist International, the Red International of Labour Unions and the Young Communist International have addressed the following joint appeal to all workers and peasants:

World imperialism which is oppressing and exploiting the Chinese workers and peasants and is becoming more and more insolent, has, with a barbarous cynicism worth of that of overthrown Russian Tsarism, fired upon the peaceable crowd of striking textile workers in **Tsindao**, whose only crime consists in the fact that they have ventured to raise their voice demanding an amelioration of their bitter lot, which is filled with heavy toil, inhuman suffering, and ill-treatment and scorn on the part of the foreign capitalists and their hirelings.

For a long time the Chinese working class have endured with compressed lips this intolerable burden of international capitalist oppression, but now their patience and long-suffering has finally come to an end. In **March** last the Chinese workers employed in the **Japanese cotton factories of Shanghai** decided to put an end to their unendurable sufferings, to demand an improvement of their economic conditions, and declared a strike. In **April**, this strike was supported by the Chinese workers in the **Japanese factories of Tsindao**, in the province of **Shantung**. United and organised, as becomes proletarian brothers, the workers of **Tsindao**, inspired by the best feelings of class solidarity, raised their voices in protest against the unheard of exploitation on the part of Japanese capital. The Japanese industrialists were compelled to give way to the pressure of the working masses. The result of this steadfast struggle was that the strike was concluded on the 9th of May with the victory of the workers.

In the meantime however an order arrived from **Japan** to withdraw all the concessions that had been granted. Encouraged by this support, the Japanese exploiters, taking advantage of the weakness of the Chinese government and acting just as they pleased, flooded the factories involved in the strike with their police forces and spies. The Chinese workers have done everything in order to preserve the peaceful character of their movement. They have given the Japanese military clique no occasion for them to resort to the use of weapons. Nevertheless, the bellicose clique of Japanese militarists, on the 29th of May, carried out a **blood bath** among the workers of **Tsindao**, which in its cruelty can only be compared with the action of the **Tsar** when he caused the **Petrograd** workers to be shot down on the 9th of January 1905. Just as this bloody Sunday in **Petrograd** provided a political object lesson to the working class and brought the proletariat of **Russia** finally on the road of revolution, so the blood bath carried out on the 29th of May in **Tsindao** is rousing the million masses of the Chinese workers and awaking to action the powerful revolutionary forces of this people which have hitherto slumbered.

A **huge wave of indignation** has swept over the whole of **China** on account of the shameless firing upon the peaceable crowd of workers. Already on the next day, the 30th of May, a huge crowd of people, numbering many thousands, among them being the revolutionary students from 23 colleges, marched through the streets under the leadership of the **Communist Party** along with the **Koumintang** Party, to give expression to their burning indignation and to protest against the provocative insolence of the imperialists.

The Chinese democracy and intelligentsia, hand in hand with the working and peasant masses, in the same way as the leading intellectuals of the rest of the countries of the East, have for long been conducting a self-sacrificing struggle against international imperialist oppression. It is a matter of course that the

volleys fired in Tsindao have aroused the intellectuals of China and, in the first place, the student youth.

As if by mutual agreement, the English and American police in Shanghai at the same time as the Japanese gendarmes fired on the unarmed workers in Tsindao, undertook the task of firing upon demonstrators who expressed their sympathy with the workers of Tsindao and protested against Japanese militarism, which in "independent China" causes the workers to be fired upon with an unheard of insolence such as it would never have ventured to do in Japan itself. It was not for nothing that the revolutionary trade unions of Japan energetically protested against the new unexampled acts of violence in China on the part of their government.

By this cruel and brutal act the foreign capitalists are seeking to take full vengeance for their recent defeats; they are seeking to compensate themselves with the blood of the workers and students for the unsuccessful attempt to crush the resistance of the trade unions and destroy the trade union movement.

The international imperialists are making use of the Chinese generals in order to conduct among themselves the armed fight for the carving up of China, the throttling of the Chinese workers and peasants and the appropriation of the richest portions of China. Yet when the working masses rise up to fight for their rights, a touching unanimity makes itself apparent in the ranks of the world bandits. At a time when the working class of all countries, without exception, has issued the slogan: "Hands off China!", the robbers of the international stock-exchange, in defiance of this demand of the world proletariat draw the sling round the neck of the Chinese people still tighter.

A detachment of 2000 English, American and Italian soldiers have already been landed in the harbour of Shanghai. Not content with this shameless violation of the independence of the Chinese Republic, the international imperialists are concentrating warships in the Chinese harbours and are preparing to land fresh troops.

This means the commencement of acts of war and the beginning of a new bloody war of open armed intervention. Whilst French imperialism is conducting a war in Morocco, the English, American and Italian imperialists are making war on China.

The excesses of English, American and Japanese imperialism in China and the war being conducted by French imperialism in Morocco, is a signal to the working class of the whole world, that a new danger is approaching: the indisputable growth of aggressiveness on the part of world imperialism in the colonial and semi-colonial countries.

This united front of aggressive imperialism must be opposed by the iron, invincible front of the European and American workers and peasants and the suppressed peoples of the East.

The recent events in China bear eloquent witness as to the uninterrupted growth of the national liberation movement and of the prominent role of the working class in this movement, of the new and unexampled driving force which the development of the revolution in the countries of the East has attained. The stronger the pressure which world capital exerts upon the workers of the West, the more favourable are the prospects which open up for this movement of the suppressed million masses of the East, who from the other end are undermining the rule of capitalism, which is suppressing with equal ruthlessness the working masses of the West and of the East.

Workers, peasants, soldiers, working women and peasant women!

Support with all your energies the fight of the Chinese workers!

Protest, fight against the danger of a new war, which is being eagerly instigated by the capitalists of the bourgeois countries!

Organise campaigns of protest against the abominations of international imperialism in China, Morocco and other countries, demand the withdrawal of foreign troops from China, Morocco and all the other colonial and semi-colonial countries!

Long live the International revolution, which will bring liberation to all the prisoners and slaves of capital of the East and of the West!

**The Executive Committee of the Communist International.
The Executive Bureau of the Red International of Labour Unions.
The Executive Committee of the Young Communist International.**

POLITICS

The Riffain War of Independence.

ABD EL KRIM and THE IMPERIALISTS.

By Ali Kemal Fauladi.

In the far-off days of 1911, when the Imperialist dogs in Europe were straining at the leash for international massacre, Morocco almost furnished an occasion for a premature declaration of the Great War. It was avoided by the hasty summoning in 1912 of the Conference of Algeciras, where Morocco as an independent national unit was dismembered and divided — on the model followed in 1907 in Persia by Grey and Sazonoff — into two "spheres of influence", one Spanish in the North and the other French in the South. Meanwhile Germany — then making its unfortunate debut as a rival to the older imperialist Powers — was given compensations elsewhere in Africa, and England was assured, in return for its neutrality in the Moroccan partition, complete freedom of exploitation of the riches of the Nile Valley. And Italy too — then in the throes of a nascent imperialism — came on the scene with the occupation of Tripoli.

The world has gone through a complete *bouleversement* since those idyllic days when the imperialist Powers could play in that way with the destiny of the peoples of Northern Africa. The Great War has dealt a fatal blow to imperialism and has brought out, and continues to bring out in increasingly acute forms, its inherent contradictions. Northern Africa — like the rest of Africa and Asia in their different degrees — refuses to be the play-ground of imperialist ambitions; and the peoples, so long held in durance vile under the imperialist yoke, are at last conscious of their strength and are revolting, determined to be free. The new war of freedom of the victims of imperialism stretches from China to Morocco; and already the Imperialist front is heavily dented. Of the approaching destruction of imperialism, the guarantee is not only in its internal weaknesses but also in the will to freedom of its outraged victims.

A place of honour on the anti-imperialist front belongs to the valiant peasants of the Riff — numbering not more than 300,000 — who, under the leadership of Abd el Krim, have been fighting. It is now almost half a decade, against the hordes of imperialism. From their little sector of land, stretching from the Mediterranean coast as a triangular wedge between the Spanish and the French zones, the Riffains gave battle to the Spanish army of occupation, and in 1923 won their classic victory of Anual, where a whole Spanish army-corps, with generals and all, was captured held to ransom. In December of last year, when the renewed Spanish offensive under the personal direction of Primo de Rivera had definitely broken itself against Riffain resistance, Abd el Krim chased the Spaniards as far out as the sea-littoral, where the presence of Spanish naval units alone saved the retreating remnants of the army of occupation from disaster.

Meanwhile Lyautey, the French High Commissioner in Morocco, was holding himself in readiness for the proper "political moment" to hurl himself against the Riff. He had asked for and obtained from the successive Governments of Poincaré and Herriot in Paris the necessary reinforcements in men and money for what he will know would soon, once engaged, assume the proportions of a colonial war and not be confined to a punitive expedition against a rebellious tribal chief. For, Abd el Krim — as Lyautey, being on the spot, had good reasons to know — is more than a rebellious tribal chief; he personifies a world-factor in its local application in Morocco; he is the chief of a revolutionary movement of liberation from imperialist domination. If on the moral plane, Abd el Krim and Lyautey represent two antagonistic world-factors, on the technical plane — all allowances being made as between a great military Power like France and the little Riff — Abd el Krim is no less a redoubtable adversary, because his war-strategy and his equipments are modern.

As Lyautey was getting himself ready, the diplomatic preparation in Paris for the French offensive against the Riff was coming to its culminating point after a long and tortuous détour. It was not for the love of Riffain independence that the French Government allowed its citizens to furnish arms and munitions to Abd el Krim to be used against Spain. And if the British Government in its turn allowed the same latitude to its own

citizens, it was equally not from a motive of love. The French Government — working as the occult mandator of French bankers covetously looking to the rich mineral sub-soil of the Riff — wanted Spain to be put out of the way as a possible reversionary owner of the Riff. With Spain demonstrably unable to hold its own in its zone, and thus unable to fulfil the terms of the Algeciras agreement, the occasion would be diplomatically legitimate for France to extend its Moroccan territory to the North, right up to the Mediterranean. While, precisely to avoid this contingency — namely, the appearance of France on the Mediterranean coast facing Gibraltar —, England was forced, by the bankruptcy of Spain as an imperialist Power, to fall back on the possibility of creating a Riffain buffer-state by allowing surreptitious and unofficial help to reach Abd el Krim. So, from diametrically opposed motives, England and France adopted an identical attitude during the Spanish-Riffain war. The tension of Anglo-French Moroccan rivalry would have continued to postpone indefinitely the opening of Lyautey's offensive in the Riff, if some agreement had not meanwhile been reached between the Quai d'Orsay and the British Foreign Office defining more clearly the Mediterranean situation in the terms of a complete British hegemony in Egypt and French freedom of expansion in Morocco.

Once the diplomatic manoeuvring was over, Lyautey found the necessary pretext to declare war against Abd el Krim. The frontier between the Riff and the French zone had been left purposely undefined, though Abd el Krim had on several occasions asked for a proper delimitation. It would appear that Lyautey could not accede to the demand of Abd el Krim because the Riffain leader was not a "juridical entity" with which one could hold "negotiations", but — as recently interpreted by M. Briand — mere "conversations" were possible. However in the vague "No Man's Land" between the two frontiers there is the region of the Ouergha whence the Riff receives a portion of its food-supplies. The appearance of Riffain soldiers in the Ouergha, not with a war-like motive, gave Lyautey the precise point of departure for his long-prepared attack against the harkas of Abd el Krim. All imperialist wars are fundamentally wars of aggression. The French war against the Riff is such a war, both in its motive and the way in which it has been opened by General de Chambrun acting under orders from Field-Marshal Lyautey, himself inspired by the Caillaux-Briand-Painlevé combination evolving, with the support of the Socialist parties, at the Palais-Bourbon a shameless policy of imperialist aggression in the interests of the bandits of high finance.

Abd el Krim has taken up the challenge of Lyautey. The Riffains are fighting with their accustomed valour against heavy odds. As Jacques Doriot of the French Communist Party pointed out in a recent debate in the Chamber of Deputies, the eyes of all Islam are turned on the Riff. Doriot might as well have said that the eyes of all the oppressed peoples of Asia and Africa are turned on the Riff. In that narrow sector of land in the North-West corner of Africa, imperialism is at close grips with its destined enemy. It is the beginning of the pen-ultimate phase of imperialist collapse. The collapse is a historic necessity which will achieve itself in spite of momentary or local respites.

A new element has entered into world-economy to hasten that collapse. It is the consciousness of solidarity which the advanced proletariat of the imperialist countries feel towards the subjugated peoples of Asia and Africa. The solidarity is the invincible solidarity of common interests, because the enemy of both is one — Capitalism and Imperialism.

The French Communist Party, as representing the advanced proletariat of France, has on this occasion taken its stand on the side of the Riffains. In its manifestoes it has proclaimed its complete solidarity with the cause of Riffain independence. From the tribune of the Chamber of Deputies, Communist speakers have vindicated the inalienable right of the Riffain people to self-determination. They have demanded more — they have asked for the evacuation of Morocco altogether. In the Communist press and from Communist platforms, the French proletariat has been reminded that the Riffain people are its fellow-victim of the same oppression. Worthy of its revolutionary conscience, the French Communist Party has sent forth to the French soldiers in Morocco the audacious slogan — "Fraternise with the Riffains!"

World Capitalism and the Soviet Union.

By Karl Radek.

I.

In the course of the last year the following two main phenomena could be observed in the economic development of the capitalist states: the first is the restoration of the system of international credit, the second is the commencement of the restoration of the shattered, or entirely collapsed, monetary system of the capitalist powers.

The Restoration of the Credit System.

In the year 1924 the United States of America exported 1,200,000,000 dollars abroad, to the Asiatic and European countries. This sum exceeds the total of all the capital exported from America during the last few years and — apart from the war years — constitutes a record figure as regards the export of capital from the country.

The United States of America, during the war and post-war period — from 1914 to 1923 — earned no less than 20 milliard dollars by exports to the belligerent country and to Central Europe. Of this sum the debts of the European powers to America alone amount, in round figures to 10 milliards.

From whence did the United States of America obtain this immense accumulation of capital which led to such an enormous export of capital? The correct answer to this question brings with it the answer to a no less essential question: whether we have to deal here with a temporary and accidental or with a permanent phenomena connected with the entire economic life of the country. To what extent has the national wealth of America increased during this period: According to the calculations of the American census, in the year 1922 the national wealth of America was 50% greater than before the war. (In this calculation allowance is made for the depreciation of the dollar consequent on the increase of prices). As result of this accumulation of capital, there followed an enormous development of industry. The accumulation of half of the gold reserves of the entire world in the cellars of the American banks led, however, to the reduction of the rate of interest. An American bank which lends money receives 2 to 2½% interest, whilst Europe (not to mention such countries as Germany, where in the past year, in the provinces, 75% was a usual rate of interest) is paying back 8% for the loans received from America. Under such conditions contradictions naturally arose between the interests of industrial capital and the interests of finance capital. Whilst finance capital was interested in forcing up the rate of interest, industrial capital was interested in obtaining credits at a low rate of interest. The policy of the United States, however, was determined by industrial capital, whose representatives comprise the leading cadres of the Republican Party.

It was only the agrarian crisis, the crisis which arose as a result of the shrinkage of the market and through other complicated causes, and which forced the masses of the farmers into movement, which led to the victory of finance capital. Finance capital opened wide prospects to the peasant masses of enriching themselves at the cost of Europe, which is compelled to build up its economy with the help of American credits and thereby to increase its purchasing power as regards the products of American agriculture. In this manner an alliance was concluded between finance capital and the masses of the farmers, which led to a change in American politics. The United States of America decided to take an active part in the restoration of capitalist Europe. This policy is expressed before all by America seizing the initiative and carrying out the Experts' Report, and by the fact that America really conducted the London Conference in the year 1924, the aim of which was to remove the Franco-German antagonism and to pacify Europe in order that capitalism might be put into working order again.

In addition to this diplomatic act, America also participated in the financing of European commerce and industry.

The 800 million goldmarks which the Anglo-American money market lent to Germany, the 100 million dollars Morgan placed at the disposal of the French government for the support of the Franc, the various private credits — Germany for example received in the past year, besides the above-mentioned 800 million gold marks, private credits to the amount of one milliard — all this is characteristic of the commencement of the restoration of the system of international credit. If it is asked whether this implies a fundamental organic change, one is compelled to

and in those countries where the rule of capitalism already belongs to a certain extent to history — we speak here of Russia. Our advantage consists in the fact that we are creating many new things and can create them with the help of electricity. The steam basis of Russian industry is not very great and its basic capital has been consumed to a very great extent.

Of the capitalist countries America is the first that is capable of developing its industry in this direction.

Let us mention a characteristic trifle: Before the war it had been calculated how much money Italy would require in order to go over to electricity and to free itself from the heavy tribute which it had to yield to other countries for coal. This sum amounted to half of the annual expenditure of this country for the war. Bourgeois Italy could not bring itself to expend this money for the reorganising of industry, it could, however, venture to squander far larger sums for war purposes. As a result it is now no longer in a position to go over to electrification.

For the capitalist countries, therefore, the way to the cheapening of goods is scarcely possible, all the more so as the policy of the trusts leads to higher prices.

(To be continued.)

The "Foreign Policy" of Germany.

By Georg (Berlin).

The handing over of the new disarmaments demands on the part of the Entente to Berlin is causing the greatest embarrassment to the big capitalist-junker rulers of Germany. For the past six months there has been a great outcry over the immoral methods of the Entente, who, in spite of the expressed terms of the Versailles Treaty, refuse to evacuate Cologne, but no mention is made of the reason for this non-evacuation, i. e. the failure of Germany to comply with the disarmament conditions. For months past the national government press has been feigning to raise a storm of protest against the demands of the Entente in order to deceive the nationalist Hindenburg electors, although they know perfectly well that the national government of Hindenburg will fulfill the demands of the Entente.

The disarmament demands are a well-known means of pressure by France upon Germany, and constitute the usual pretexts for the continued occupation of Cologne and the Ruhr area. They have nothing whatever to do with a real "disarmament", if only because they are submitted by the Entente powers, who are armed to the teeth, to Germany which is at present militarily helpless. Still less is it intended that they shall achieve the disarming of the German white guardist civil war forces against the working class. On the contrary, the Entente powers are even prepared to supply the German bourgeoisie, provided it behaves itself, with all the necessary war material for holding down the German working class and for war against the Soviet Union.

The German government hoped to obtain an amelioration of the demands by English imperialism, to whom it rendered various gratuitous services, especially by the well known guarantee pact. Tedious negotiations took place between English and French imperialism regarding the formulation of these disarmament demands. The English Foreign Minister Chamberlain, never even dreamed of rendering any return service to his faithful servants in the German government. On the contrary, he attempted to conclude mutually advantageous business with France at the cost of Germany, to manoeuvre French imperialism out of its own positions, but at the same time to lead the German government by the nose by means of half promises.

The German counter-revolution did not object to this manoeuvre. It hoped on the contrary, in its helplessness, to obtain some slight advantage from it, and designated the whole thing as real national politics, or skilfully taking advantage of Anglo-French antagonism. The real underlying idea of this real national politics is somewhat as follows: "How can I as a national government, with the heroic Hindenburg as a figure head, adorned with national phrases, continue most easily the policy of submission and render it palatable to the nationally minded masses?" In other words, how can a suitable pleasant sounding Hindenburg melody be found for the permanent policy of every bourgeois government, the fulfillment of the Dawes Plan?

When the German counter-revolution agreed with English imperialism on the presidency of Hindenburg, it promised the promptest fulfillment of the English desires and only requested to be allowed to make a few harmless nationalist gestures in order to placate the mass of nationalist voters. French imperialism has also shown a touching understanding for this requirement of the Hindenburg government. The French Foreign Minister, Briand, after the last speech of Stresemann stated that he fully understood that Stresemann must make use of some nationalist phrases in order to please the German masses, but for him it was sufficient to read between the lines what the Hindenburg government wished to say to France. Briand was tolerably satisfied with this essential import of his speech.

The guiding star of the German bourgeoisie is and remains the Dawes Pact. The praise of the Reparations Commission over the faithful fulfillment of all reparations obligations by the monarchist Hindenburg government is a quittance which Hindenburg can hardly pin to his heroic breast alongside of the other imperial decorations on the occasion of monarchist national parades. The second guiding star of the national government is the Versailles Treaty. The offer of the Guarantee Pact and the readiness to enter the League of Nations is a declaration of preparedness to confirm with the blood of heroic German nationalists all the clauses of the Versailles Treaty, which hitherto have only been signed by the withered hands of the social democrats.

At the same time the German bourgeoisie would very much like to obtain greater freedom of movement. It makes eyes at France, casts a smile on England, learns from the "successes" of the Bulgarian murder bands, and plays with the idea of receiving "national advantages" from the Entente as mercenaries against the Soviet Union. In all this play it does not feel very comfortable. In the first place it is oppressed by the fear that the monarchist masses of electors, intoxicated with nationalist phrases, could see through the whole swindle, and that the working class could openly rebel. Secondly, it observes that its "real political considerations" avail nothing; it is and remains an "object" of imperialist bargaining; and this becomes all the more the case the more it approaches to the English desire of turning away from the Soviet Union.

Recent history furnishes a glaring example of this: the counter-revolutionary customs tariff measures prevent an economic rapprochement to the Soviet Union, but are without effect against the competition of Entente industry. With loving smiles English imperialism expedites the Anglo-French understanding; this understanding will be directed in all its points against Germany: by the new disarmament demands and the endless prolongation of military control the occupation of Cologne will continue to be "justified", and French imperialism obtains the desired pretext to prolong this occupation as long as it desires. The Anglo-French understanding regarding the German Guarantee pact, made on the prompting of England, brings great advantages to English imperialism.

France also obtains the advantage that the Rhineland is separated from Germany for good and converted into a militarily occupied colony, the German frontiers of which are open on all sides to the French troops. Bourgeois Germany, on the other hand, receives the following "advantages": Hindenburg is allowed to sign the Versailles Treaty and enter into the robber League of Nations; the German government, in order to facilitate the Anglo-French understanding, had to declare categorically that it would never think of raising "in the near future" the question of the Eastern frontiers (Danzig corridor, Upper Silesia) or of being united with Austria. These decrees of submission require an appropriate national Hindenburg melody. Thus we have the "thousand year anniversary of the Rhineland" (which is to be given up), the "efforts to be united with Austria", and so forth.

The nationalist Hindenburg government is confronted with new and burdensome measures of fulfillment and submission. It is becoming more and more difficult to render them attractive by setting them to nationalist melodies. It is becoming apprehensive in the face of the awakening of the nationalist masses from their intoxication by phrases. The German counter-revolution is marching in the camp of the Entente as a kept vivandière.

reply: yes, the heaping up of wealth in America undoubtedly forces America to become the credit provider of the capitalist world. This factor will continue to exercise its effects.

The Restoration of the Monetary System.

The second factor, as to which I have already spoken, is the restoration of the monetary system. There was a time when the German mark sank even lower than our Rouble. Austria, Hungary, Poland — all these countries found themselves in such a position that their monetary systems had completely collapsed. This was the result of two causes: on the one hand, after the war, all the above-mentioned countries were compelled to import more from abroad than they exported, they consumed more than they produced. As a result, they were compelled to export gold, to sell gold abroad in order to be able to obtain the most necessary industrial and agricultural products, in the first place corn, cotton etc.

On the other hand, the possessing classes after the war actually paid no taxes, the existing system of taxation did not suffice to maintain the valuta. Taxes which were collected one day had no value on the next, owing to the depreciation of the currency. In order to maintain the officials, the army etc. with the sinking valuta, the State was compelled every year, every month, every week, and later on every day and even every hour to issue more and more paper money, whilst the stream of money into the State treasury became less and less. This led to the fall and collapse of the monetary system of Central Europe.

The year 1923 marked the lowest point in this process, but the end of the same year brought about the commencement of a change. Thus Germany introduced the Rentenmark and Austria stabilised its valuta with the help of a League of Nations Loan, Poland, by taxing the bourgeoisie, obtained the means for the introduction of a gold currency. We must examine here whether Austria, Poland and Germany — these countries whose economy was shaken the most and who stand nearest to the revolution — have stabilised their valuta to a sufficient extent and in what manner they have done so. The next question is whether the present salvage of their monetary system can be regarded as permanent.

The restoration of these valuta is to be attributed in part to the restoration of the system of international credit. The stream of gold from England and America — in the first place from America — provided the means for covering the new valuta.

Secondly, the bourgeoisie, who stood on the edge of a precipice, was obliged to resort to an increase of the pressure of taxation and thereby to self-taxation, which it had happily avoided up to now. Thus the German bourgeoisie, which in October 1923 passed through the sharpest political and economic crisis, made a sudden change in its policy and in the course of the year 1924, with the help of extra taxation, succeeded for the time being in balancing its budget.

The third factor is of a psychological character. Let us take Germany as an example. The mark had fallen at a continually increasing rate, the noose round the neck of the population had been drawn tighter and tighter, with the result that an insistent demand had arisen among the masses to stabilise the valuta at any price, even at the price of self-deception. The government took advantage of this and issued the Rentenmark, representing it to be a stable valuta, although it depreciated just as much as the other paper money.

If one compares the gold cover of the Rentenmark with that of the Soviet Tchervonetz, then, as regards stability, our Tchervonetz was right from the commencement a giant compared with the Rentenmark, because it was based upon a favourable trade balance. In the years 1922 and 1923 we sold more than we purchased. The Tchervonetz was supported by certain metal resources of the State bank. The Rentenmark, however, was only supported by its guarantee by the German landowners. The land and the soil, however, cannot be exported, and in the event of the collapse of the Rentenmark not a single American would have bought as much land in Germany as would have sufficed to bury a dog. As however it was necessary for the social salvation of the German bourgeoisie, the Rentenmark was introduced and was maintained by means of taking advantage of the psychological condition of the masses, until the Americans furnished gold and the mark obtained a gold cover.

What is the significance of the restoration of the system of international credit and of the re-establishment of the money system?

The Extension of the Industrial Basis.

One can only judge the significance of this phenomenon if one takes into consideration those facts which have hitherto received very little attention, i. e., that during the war, and also in part after the war, the industrial basis of the capitalist countries had been extended. During the war, for the purpose of providing the army with weapons, munitions etc. production, before all the metallurgical production, in all countries had to be extended. America, England and, after the occupation of the Northern districts, France also, had to set up a new metallurgical centre. Italy and Japan also extended their metallurgical industries.

The armies, however, had not only to be supplied with weapons, but also with other articles. And that led to the extension of a number of other branches of industry. If one reckons therefore the number of lathes and spindles and the amount of motor power in industry, one perceives that capitalism emerged from the war with an extended basis of production.

In the post-war years only a portion of this industry was employed — in many countries below 50 per cent of its capacity. The chief causes for this were: The collapse of the monetary system and the lack of credit. After the war, capital only accumulated in America. America, however, cut itself off from European affairs.

Now, when the international credit system, the international monetary system is being restored again, a revival in industry is commencing; all its earlier accumulated forces are being set in motion and are working in the direction of the stabilisation of capitalism.

The Extension of the Market by Means of the Reduction of Prices.

Will this process of stabilisation be maintained? What are the difficulties which confront it? etc.

In replying to this question we must withdraw a little from current events and engage in a number of abstract considerations. One cannot come to the conclusion that capitalism has finally worked its way out of the post-war morass. Capitalism means exchange of commodities and its stabilisation depends upon the question of markets and comes up against the fact of the shrinkage of the markets. Capitalism knows of two ways whereby it can extend the market:

The first way consists in the cheapening of production. If goods are sold at a lower price they find a wider circle of purchasers within the limits of the existing national wealth, of the existing national income.

The second way is the capturing of new markets.

Reduction of prices requires either a change in the organisation of industry and commerce, or a new technical equipment of economy on a mass scale.

Does capitalism possess such technical possibilities, the use of which would enable goods to be cheapened? Yes, these possibilities consist in the employment of electricity, in the transition from steam power to electrical power.

For capitalism however, this is at present a purely theoretical possibility. The hindrances in the way of its practical realisation are: first, the accumulation of capital is only taking place to any considerable extent in America. Europe is poorer than before the war, and the investment of big capital sums for the purpose of extending the electrical basis of industry on a mass scale exceeds the powers of international capital. Very interesting results were furnished in this respect by the London Electricity Congress which took place last year. The results of this congress show that New York alone consumes more electric current than the whole of England. The richest country of Europe, Old England, cannot afford to transfer to electricity, although the most far-seeing bourgeois politicians perceive this to be the only way out of the deep crisis under which the country is labouring. The published report of the Commission of the Liberal Party, with a preface by Lloyd George: "Current and Coal", states what enormous expenditure is necessary in order to electrify England.

Another reason why the countries of old capitalism encounter such great difficulties in transferring to electricity is the following: they have invested an enormous amount of capital in industry driven by steam power and they cannot therefore transfer to electricity before amortizing the plant and equipment of this industry without great losses.

We therefore maintain that the development of electricity can only proceed in the first place in the young capitalist countries,

The Exposure of Horthy as a Murderer and its Consequences.

Letter from Budapest.

By Y.

Hungary has again its political "sensation". In government circles it is called "Zita Putsch I.", allusion here being made to the previous two Karl putches. But the workers in the factories are greatly excited and speak of the "beginning of the end". For some years past it has been openly maintained in the factories that Horthy was the inciter and direct organiser of the murder of the social democratic editors, Somogyi and Bacso. The former Minister of Horthy, the legitimist Beniczky, who some weeks ago spent a long time with the ex-queen Zita, being absolved from the obligation of secrecy, has now not only laid irrefutable evidence before the Honved Court that Horthy directly incited the murder and organised several acts of murder, but he has also published these statements in one of the widest circulated bourgeois newspapers "Az Ujsag"; owing to this "crime" his arrest has been ordered and the newspaper in question was not only confiscated but also suppressed.

The workers are quite aware that this publication means an attack on the part of the legitimists, but intend to take advantage of this attack and to make use of this "sensation" as a basis of political action against the reaction, so that Horthy not only remains in the pillory but disappears from the history of Hungary.

On the other hand, the policy, of the Social Democratic Party furnished a classic example of how a revolutionary movement can be hampered and the class war converted into a sham fight.

The revelations of Benicky have called forth such indignation in Hungary as surpasses even that which prevailed in the most terrible days of the white terror. This bomb shell exploded at a time when misery had reached its highest point. In the last few months the consumption of bread has fallen by 40%. In the month of April 1925 there were more cases of suicide than in the whole of the year 1923 — although Budapest at that time was already a city of record regarding suicides. In the same month almost 300 bankruptcies were recorded. 30% of the working class are unemployed. The opposition peasant newspapers in the provinces are prohibited, because "a revolutionary peasant revolt is to be feared if the campaign is allowed to continue". In some of the big districts, for example Heves, Szolnok and Hajdu, the prospects for the harvest are so bad that a famine, in the strict sense of the word, is to be expected.

In such an atmosphere one can imagine what a great effect the Horthy affair has had in the whole country, and especially in Budapest, when one remembers that at the last municipal elections in Budapest the Democratic Bloc obtained a majority of the votes and of the seats and — as the workers who are intimidated by the social democracy confidently maintain, — the "Awakening Hungarians", the best support of Horthy, have been thereby annihilated.

In the government circles there prevailed at the first moment the greatest bewilderment. Finally, the deputy of the Prime Minister, Vass, made a declaration, in which he stutteringly warned all the good-minded elements that the whole affair meant a preparation for the revolution.

The Social Democratic Party, instead of seizing the initiative to organise the indignation of the working class and to lead it to a political mass strike, immediately rejected with indignation the imputation of aiming at a revolution. Nay more! In their official manifesto they treated the whole affair as a juridical case par excellence, and protested against the idea of their wishing to make political capital out of the sacred cause of their martyrs. The chairman of the Social Democratic Party of Hungary, Julius Peidl, declared in parliament in the name of the Party: "I associate myself with the desire of the Minister, that the affair of the murder of Somogyi shall not be dragged into the sphere of politics". After the murder of the two editors of the "Népszava" by Horthy, the social democrats, in their official press, offered the horny hand of the workers to the Horthy murderers. What else is the meaning of this declaration of Peidl's, than a repetition, even if

expressed in other words, of this offer of peace on the part of Social Democracy to the murderers who have now been finally exposed?

In parliament the social democratic fraction, along with the "democratic bloc", did not object that only one speaker was allowed to speak regarding "personal matters" and that the government party in their presence screened the murderer.

On the other hand, the organisation committee of the printers' trade union, at its meeting on the 3rd of Juni, ordered a 24 hours protest strike on the part of the newspaper printers. It is intended by this means to prevent the threatened general strike. In the strike manifesto it is expressly stated that the "protest strike must be carried out, because the government measures against the "Az Ujsag" endanger the existence of the workers", which means that, the strike is not to be regarded as a political strike.

In carrying out their transparent treachery the Horthy social democrats make use of two slogans, which contradict each other, but which do not fail to have some effect upon certain sections of the workers. They say that the working class has no interest in pulling the chestnuts out of the fire for the legitimists, but they have also issued the slogan that the working class must not proceed too far in the "struggle", as otherwise they would lose their allies, that is the legitimists. That the other so-called oppositional bourgeois parties, including the legitimists, who started the campaign and led the way, are literally slinking away, is a matter for no surprise.

But in spite of everything the working class will be right. This affair really means for Horthy the "beginning of the end"; and the misery resulting from the "restoration" will hasten this end. The immediate campaign is in no way ended by the treachery of the social democrats. The fermentation is too great, to permit one to believe that Horthy will triumph by means of the support of the traitors. The working masses will keep the Horthy question to the fore-front, and will use it as a starting point for greater political actions.

The King's Jubilee and the Fascist Legislation in Italy.

By Edmondo Peluso (Rome).

25 years ago Humbert I., King of Italy, was murdered in Monza by the Anarchist Gaetano Bresci, who came over from America especially for the purpose of carrying out this assassination. At that time Italy was passing through its first great period of bourgeois reaction. The growing industry felt powerful enough to crush the organisatory demands and the class struggle of the workers. The king's generals, the most notorious of which was Beccaris, had shot down the Italian proletariat mercilessly in the street of Milan. Bresci, a textile worker, wished to revenge the massacred proletariat by killing the man who had imposed the state of siege upon the country.

After the king had been buried, his son Victor Emanuel III. mounted the throne (1900). Italian was in a state of great unrest, and the young king found it advisable to strike out a new line of policy. He entrusted the power to the "democracy". The conditions of the moment favoured him, for the employing class were earning good profits, and the proletariat organised under the banner of the "glorious Socialist Party". Until the war Italy enjoyed an almost uninterrupted period of prosperity. The proletariat succeeded in having its most immediate demands granted. The war interrupted the new policy, and threw the proletariat as cannon fodder into the trenches. And then, in 1919 and 1920, it seemed as if the Italian proletariat would imitate the great example set by the Russian revolution, and would attain its social emancipation at last. But the evacuation of the occupied factories led to the development of Fascism and let loose the capitalist offensive, and this ended with the seizure of power by the Fascisti.

Victor Emanuel, who has sometimes been dubbed the "socialist" king, because he applied to the socialist leaders, first to Bissolati and later to Turati, when the proletarian wave threatened to rise too high and asked for their advice as soon as his throne appeared to be in danger, is today most undoubtedly the "Fascist" king, for at the moment of danger he entrusted the government to the Fascisti.

On 7. June the 25. anniversary of his government was celebrated. It is rumoured that Victor Emanuel, in order to smooth out the antagonisms and conflicts rising on the horizon, has proposed alterations and extensions in the government, enabling the parties of the opposition to enter the ministry, and inducing them to end their boycott of the Parliament.

But these rumours have come to an abrupt end. Despite the pressure exercised by constitutional circles, the Fascists refuse to share their power with anyone else. Their tactics, on the contrary, consist of gradually removing all anti-Fascist and non-sympathising elements from leading positions. The Fascisti are not only well aware of the material advantages which they enjoy if they retain power, but they are fully conscious of the danger which they run if they half open the door to allies who may become their enemies in the future. They live in constant fear of the tribunal and of the arm of justice and they know that retention of power is their only means of escape.

The more the opposition against Fascism grows in the parties and among the masses, the more the government radicalises in a Fascist sense of course. Mussolini, after having dismissed the minister of war Di Giorgio and the naval minister Thaon de Revel on account of alleged differences of technical opinion, has taken over these ministries himself for the time being, in order to hold in his own hands those military powers which are at the present moment the sole powers capable of bringing about his overthrow. Besides this, he has made some changes in his cabinet, appointing Grandi, who was occupied in the Ministry of the Interior, to the position of under secretary of State for foreign affairs, and replacing Grandi by Terruzi. These two men, two highly qualified leaders of the Fascist forces, were the leaders of the greater part of the punitive expeditions made against the proletariat of Italy. It need not be said that the Fascist newspapers have greeted these new appointments with great rejoicing. "L'Impero" observes that "Fascism is advancing to complete accomplishment". Others maintain that "the revolution has made a step forwards".

This word revolution, employed by the Fascisti, consciously or unconsciously, is simply ridiculous. What they really mean, is, of course, "counter revolution". It is however interesting to note that the Fascist leaders are always glancing across to Russia. They are anxious to know everything that is going on there, they make a sort of attempt at imitating Bolshevik methods, and even follow (it need scarcely be said, solely in the external form) the Bolshevik example in their manner of issuing party proclamations, in their disciplinary measures, and in the organisation of propaganda.

It is no secret that Fascism is forced to resort to a thousand acts of brutality to retain its power. First it passed a suffrage law securing a majority for itself in Parliament; now it finds that this majority does not suffice. It is not only necessary to have a majority for passing the laws, a bureaucracy for carrying them out is equally necessary. At the present time the fascist or non-Fascist bureaucracy sabotages the administration. Mussolini is conscious of intangible resistances, and without knowing exactly where these are, he suspects them in free masonry, whose deadly enemy he has always been. Thus the first of the Fascist laws is the law against secret societies.

The law has the apparent object of seeking out and exterminating the free masons in every hole and corner in which they may conceal themselves. But in actuality the law is directed more against the communist movement, whose activities Mussolini is determined to prevent. It is of importance to note that when the division was taken upon this law, the overwhelming majority of the Fascist deputies absented themselves. Only Mussolini's threats brought them into Parliament two days later for the division. This fact may be taken as proof that there are a great number of free masons among the Fascisti. The immediate results of the law will be great difficulties for the communists. The Party will be forced into complete illegality, and its activity hindered by great obstacles. This law is to be supplemented within a few days by another law on public safety and on the code of law.

Fascism, which maintains that it introduces innovations into Italy, has granted women's suffrage this month. It has granted to bourgeois women, who form but a small minority of the women, the right of taking part in municipal council elections, and hopes to thus gain fresh supporters for its regime. Whilst Mussolini has been engaged in pacifying the Fascisti, who have opposed woman's suffrage for the most part, as to the consequences of his "broad mindedness", comrade Grieco has been

protesting in the name of the proletariat against a suffrage which is granted to the "ladies" only, and demands that suffrage rights should be granted to all productively active men and women who do not exploit the work of others, and thus to all women working in agricultural undertakings, factories, or households. He has pointed out that Soviet Russia is the sole country in which woman is given the possibility of complete emancipation.

It is reported that after these laws have been passed enabling the government to strengthen its position by stricter police measures, the election will be proceeded with. Mussolini is having this report denied, although the preparations are well known to be well advanced. (The prefects have already received the new voting papers!) At the present juncture the election could only be held under the exercise of force.

There can be no doubt that Fascism has to work out its own destiny, and that it will not come to an end until it has first exhausted the stores of patience still existing, and first aroused all the hate which still slumbers. When this point has been reached, Fascism will be overthrown by force, as it has governed by force. Fascism was born in blood, and in blood it will perish.

The Municipal Elections in Budapest.

Letter from Budapest.

By Qu.

The municipal elections took place in Budapest on March 21st and 22nd. First of all with the consent of the democratic bloc, thus including the social democrats, the municipal franchise was restricted, so that instead of the former 500,000 electors only 300,000 persons now had the franchise. Apart from this, the lists of electors were falsified and finally about 50,000 electors did not have their papers entitling them to vote sent to them, so that they were not able to exercise the franchise. Hitherto Buda-Pest has been ruled by the national chauvinists, who before and during the election have done everything in their power to maintain their majority.

At the last Parliamentary election the social democratic party in Buda-Pest received more than 40% of all the votes. Although the masses have become more and more embittered since that time, the social democratic party of Hungary was from the first moment against acting independently in the election campaign. They entered into an alliance with the bourgeois parties which, on the one hand have in the strictest sense of the word, not only no adherents, but no organisation in Buda-Pest and, on the other hand have the worst possible reputation with the electors as reactionaries, legitimists and panamists. This coalition was the immediate cause of the split in the Hungarian social democratic party. The opposition had demanded an independent election campaign, which had been categorically refused.

The opposition made endeavours, as a newly formed Labour party, to enter the election campaign independently with its own lists. The regulations of the reactionary election laws of Europe however demand that any party which independently puts up candidates, must in advance produce a thousand votes and must be supported by the signatures of a thousand accredited voters in every district in which it enters the lists. (Buda-Pest has 22 districts). The opposition split shortly before the election, after the writs had been issued and the date fixed. The signatures of most of the workers had been collected by the social democratic party before the socialist Labour party could collect signatures.

Furthermore the social democratic party inaugurated ferocious terrorism against the socialist Labour party. Whenever it transpired that workers had signed the lists of the socialist Labour party, the high priests of the trade unions went from house to house threatening to exclude them from the trade union. They denounced the workers who stood up for the socialist Labour party as communists and, as the signatures were examined by the authorities, it is easy to understand that many were deterred. In these circumstances the socialist Labour party did not succeed in publicly obtaining the thousand accredited signatures in the individual districts, so that in accordance with the law they could not put up a candidate even in those districts where the majority of the social democratic members of organisations are on the side of the socialist Labour party.

As a matter of fact only three parties put up candidates: the national chauvinists (the so-called Wolf party), the democratic bloc (with the social democrats) and the Government

party (the so-called Ripka party). The democratic bloc received 54% of the mandates, the national chauvinists 38%; the Government party obtained only 20 mandates altogether. In Hungary this by no means is identical with the majority, for by the electoral law many high officials of the municipality are ex officio members of the city council and furthermore the Government nominates representatives of various corporations as city councillors. The ex officio and the nominated councillors may correspond to about a third of the elected members of the city council, so that in the long run, the Government not only actually, but formally controls the majority. In spite of this circumstance, the result of the election must be regarded as a serious defeat of the national chauvinists and still more so of the Bethlen Government. Although the significance of this circumstance should not be underrated, the election is by no means a victory for the working class of Buda-Pest.

After all the social democrats contented themselves from the beginning with the minority of the mandates and left the lead in the hands of the democratic party which is distinctly reactionary and legitimist, and whose leader Vazsonyi as "Minister of Franchise" sabotaged and betrayed the universal franchise. The chosen Mayor of the democratic bloc is Barci, the first minister of justice of the White Terror. In these circumstances the Hungarian workers, even though their illusions be of the most modest nature, can expect nothing from the "victorious" election.

The consequence of the "great victory" are beginning to show themselves. The democratic bloc had for months pursued a policy of abstinence in Parliament. Under pressure from Vazsonyi, the leader of the democratic bloc, Hungarian social democracy has resolved now, after the victory, to renounce abstinence, although even the election was conducted under the slogan: "Passivity in Parliament!" It is said that now, after the great victory, a practical policy should be pursued, and that in Parliament a fight should be fought against the franchise bill and for universal suffrage. But it was just this bill which had been the special reason for abstinence. A policy which was good before the victory cannot continue to hold good as practical. But when the social democrats pursue practical politics, the workers are well aware that this can mean nothing but treachery. After their infamous pact with Bethlen, nothing but the slogan of abstinence could give the social democrats the appearance of being in opposition and thus enable them to embark on the municipal election with any hope of victory. Now that "victory" has been achieved, "practical politics" recommence. These practical politics can and will once more lead to nothing but treachery, either to a transparent sham fight or to an open pact.

Thus this "great victory" of the traitors will in no time largely contribute towards stirring up the masses and to the strengthening of a true revolutionary movement.

ECONOMICS

Economics and Economic Policy in the First Quarter of 1925.

By Eugen Varga.

IV.

The Export of Capital and Gold from the United States.

In the year 1924, and during the first quarter of 1925, the United States exported capital on a large scale. The sum total of the credits granted to foreign countries cannot be definitely ascertained, since the private credits, those not put up for public subscription, are only known to a small extent. We have the following data on the public loans, forming the export of capital in its strict sense¹⁾:

	Foreign countries	Canada	Colonies of the United States
	(Mill. dollars)		
Year 1924	985	272	8,8
January 1925	52	9	—
February	114,3	36	—

¹⁾ Various numbers of the "Financial Chronicle".

The sum total of the capital exported in this sense of the term (loans raised by public subscription) amounted to 1265 million dollars in 1924. In actual fact the sum was considerably less, as more than 200 million dollars of this merely represented the prolongation of former credits. On the other hand, the amount going abroad in the form of private short term gold loans, goods credits, and share purchases, has been very considerable. Where these sums have gone abroad in kind, it has mainly been in the form of goods, but during the last four months — the first time for years — there has been an export of gold!

The trade balance of the United States serves to inform us to a great extent regarding the export of capital in the form of goods.

The following table shows the foreign trade of the United States:

	Export	Import	Export surplus
	(mill. \$)		
1924	4590	3610	980
January 1925	447	346	101
February 1925	373	334	41

The gold movement has been as follows:

	Import	Export	Import	Export
	(mill. \$)			
	surplus			
1923	322.7	28.6	294.1	—
1924	319.7	61.6	258.1	—
December 1924	10.3	39.7	—	29.4
January 1925	5.0	73.5	—	68.5
February	3.2	50.6	—	47.4
March	7.3	21.1	—	13.8
				159.1

A comparison of the total sums of the loans with the export surpluses shows that a great part of the loans put up for subscription in the year 1924 did not actually leave the United States until 1925, in the form of export of goods or gold.

The gold export from the United States reached its highest point in January, and has since shown a strong tendency to decrease. The reports published by the English press show this gold to have been chiefly absorbed by three countries:

Germany (this is to be seen in the increase of the Reichsbank gold reserve), India, and Australia. The large export of gold from the United States in January sufficed to satisfy the world's gold requirements for the time being; a telegram from Johannesburg, South Africa, dated 6. February, states that the gold producers of the Transvaal are in the very unpleasant position of having to seek purchasers for their newly produced gold. A large amount of the gold produced has been shipped to London, where it will have to wait for buyers as was the case before the war²⁾.

The causes of the rapid diminution of the gold export from America are not very clear. In our opinion the main cause lies in the decline in economic prosperity in America. Here production has exceeded consumption. Goods are accumulating in the warehouses, circulation stagnates, and much more money capital is therefore required in the sphere of circulation. The necessity of raising the rate of interest in February is another sign of a stagnation in business life. To this must be added a certain resistance on the part of American industrial capital against the export of capital to European industrial countries, there being a natural aversion towards the financing of competitive industries. The German Presidential Elections, the French cabinet crisis, the civil war in Bulgaria, and the uncertain political atmosphere throughout the whole of Europe, have also contributed to frighten the American investor³⁾.

²⁾ "Times". 7. February 1925.

³⁾ The effect of the greater or less inflow of American loan capital may be observed in the rates of interest demanded by the central note banks. The rise in the rate of interest by $\frac{1}{2}\%$ in the United States followed the rise in the English bank rate by a full per cent.

We append a survey of the last four years:

	Bank Rate (per cent — at end of Month)									
	1920		1921		1922		1923		1925	
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	March	March	
New York . . .	7	4.5	4	4.5	3	3	3.5	3.5		
London . . .	7	5	3	4	4	4	4	5		
Paris . . .	6	5.5	5	5	7	7	7	7		
Berlin . . .	5	5	10	90	10	10	9	9		
Amsterdam . . .	4.5	4.5	4	4.5	4.5	4	4	4		
Switzerland . . .	5	4	3	4	4	4	4	4		
Rome . . .	6	6	5.5	5.5	5.5	5.5	5.5	6		
Stockholm . . .	7.5	5.5	4.5	5.5	5.5	5.5	5.5	5.5		
Prague . . .	6	5.5	5	5.5	6	6	6	7		
Vienna . . .	5	7	9	9	13	13	13	13		
Warsaw . . .	6	7	7	48	12	12	12	10		
Tokio . . .	8	8	8	8	8	8	8	—		
Calcutta . . .	7	7	7	7	6	7	7	7		

The Direct Subjection of European Industry.

The antagonism between the interests of banking capital and those of industrial capital in the question of investment of capital abroad will lead to a strengthening of the already existing tendency to substitute the simple granting of money loans to industrial undertakings by a bringing of these undertakings under the influence of the capitalists granting the credits, by means of participation in the enterprises, purchase of shares, etc. This was already mentioned in the introductory part of this report.

This is programmatically expressed in an article published in the London "Economist" of 11. April 1925, entitled: British industries and continental competition. The article is substantially to the following effect:

England differs from the continent of Europe in having its banks sharply divided from its industries. The great English banks, in granting credits to the continental banks and industrial concerns, destroy the sole advantage possessed by British industries over their competitors: the considerably cheaper credit. It is of no use to refuse to grant these credits, since sound undertakings would obtain credit from America. It would, however, be possible for English industries to gain a foothold upon the continent by participating in this granting of credits. As a matter of fact some of the largest groups of English industrialists are beginning to establish branch undertakings on the continent, a fact which is provoking many disapproving glances at them from all sides. This is a mistake. Only a few of the great English banks could afford to risk doing business with small continental industrial firms. This could, however, very well be done by British industrialists in the same line, possessing an efficient knowledge of the business. The value of the continental industrial undertakings thus incorporated in a big English industrial group would be automatically enhanced by the cheaper credits and better developed selling organisation possessed by the English industries in the markets of the world. The English firms financing the enterprises would not compete with each other but with other continental firms. Parts of the products could also be made more cheaply on the continent, and the inland selling organisations of the firms thus placed under English influence could be utilised at the same time for the sale of other English goods.

What we see here is the substitution of money credits granted by the banks, by a domination of continental undertakings on the part of English industry. A definitely imperialist plan, already being put partially into execution, not only by the English, but by the Americans.

In this connection we must mention the report published by the "Manchester Guardian Commercial" 9. April 1925, according to which the Bank of England, in agreement with the government, has placed an unofficial embargo on foreign loans. This is substantiated as being a part of the preparations for a return to the free export of gold, and to the final restabilisation of the currency. It is, however, quite possible that it is also intended to serve the additional purpose of replacing money credits by industrial participation.

Inter-Allied Debts and Reparations.

No further progress was made during the period covered by this report towards the solution of the problem of inter-Allied debts. The attempt made by the French Minister of Finance, Clémentel, to persuade the government of the United States to make a fresh calculation and fresh apportionment of all the war

expenses of the Entente in view of the "common struggle", encountered the most determined resistance in America. The American politicians and the American press point out that of the 3 milliard dollars owing by France to the United States, more than a milliard were borrowed subsequent to the armistice, and that a great part of the loans have been employed to pay debts to American bankers for supplies delivered before March 1917, that is, before America entered into the war.

The pressure upon and the attacks against France on the part of America have since become much milder, but the standpoint that France must recognise the whole of its debt is being firmly adhered to. The leading economic organs, such as the "Financial and Commercial Chronicle" deal with this question in every issue. It is obvious that the American bourgeoisie is making use of its demands as a political weapon against France, to the end that France may be subjected to its influence in the form of a "Dawes plan".

The English government sent an important note to France on 6. February, with reference to France's debts to England¹⁾:

This note declares that the English government continues to stand by the principle of the Balfour note.

It is pointed out that the English government has not only reduced the debts of its Allies to the amount which it itself pays to America, but has also reduced the sum to be paid it by Germany. The English government is prepared to reduce its claims on France if France will agree to the following terms of payment:

- France is to pay a certain sum yearly, independent of the receipt of the Dawes annuities.
- A second annual instalment is to be paid out of France's share of the Dawes annuities."

This proposition is a compromise between the former English and French standpoints. The viewpoint hitherto maintained by the English practically meant that the less Germany pays, the more France has to pay, the French standpoint has always been, and continues to be, that France can only pay its debts out of what it receives from Germany. But on this basis the question has never been solved up to now. France has again pushed the question of the guarantee pact into the foreground, as a means towards the reduction of its state expenses, by which the amortisation of its debts is to be made possible. Up to the present the matter has not been pursued further.

The question of the Italian war debts has lately been raised. Churchill, in reply to an interpellation in the House of Commons at the beginning of February, declared that during the Paris conference the Italian Finance Minister had expressed the intention of conferring on this question. Two weeks later, on 24. February, he replied to another interpellation by declaring that the Italian government must be given time to prepare its proposals. Up to the present the matter has not gone any further.

The polemical discussions in the press, and between the capitalist organisations, continue however to be carried on in somewhat sharp tones.

The official organ of the English industrialists accords a leading place, in its issue of 3. March, to a memorandum addressed by the F. B. I. to the minister of finance. This memorandum points out the following:

Unemployment in England can only be lessened by means of a general improvement in the world's economics. This is however hindered by the inter-Allied debts, which prevent a general stabilisation of currencies. England's burden of war debt is greater than that of any other country. A rapid settlement is thus of the greatest importance for British industries. The main obstacle preventing settlement appears to be the attitude taken up by the greatest creditor, the United States. The government of the United States has adopted a purely business standpoint with respect to the debts, and does not appear to be inclined to accede to any of the suggestions towards a comprehensive arrangement, such as the pooling of all war debts, etc. The attitude thus maintained by the United States is bound to a certain extent to determine the attitude of Great Britain.

This is followed by a statistical calculation of the burdens which England is bearing for the Allies:

"We subvention: France with 31 million pounds sterling yearly, Italy with 27 million pounds sterling yearly, other debts 41 million pounds sterling."

¹⁾ "Times". 9. February 1925.

The industrialists are thus opposed to the reduction of the debts, the more that it is impossible to foresee at the present time how the economic conditions will develop in these states in the long period during which England is paying off its debt to the United States. The Federation therefore proposes a "Dawes plan" for the debtors whose index figures indicate that they are "well off", so that the subsequent competitive capacity of the English industry may not be endangered.

The standpoint adopted by the English industrialists has been severely condemned in the American press, and still more in the French and Italian. "Corriere della Sera" writing on the subject states:

"To what sanctions can the English or the Americans resort if France and Italy refuse to pay? Here there are no bridge heads on frontier rivers to be occupied, as there are in Germany. It is unthinkable, and after the experience won in the Ruhr occupation absurd, to proceed to a military or economic occupation. Tariff reprisals? But the American duties cannot be raised any further..."

The sole possible economic sanction, the refusal to grant fresh credits, is a matter of indifference to us, since we are not asking credit from anybody. The sole sanction is the moral one⁵⁾.

Polemics of this nature certainly do not contribute to facilitating the solution of this problem. Since the United States will not give way, and France and Italy will not pay, England is really in a most difficult position.

There is little to report on the reparation question.

Germany is paying the prescribed monthly instalment regularly, and the transfer appears to be being effected satisfactorily. This is not to be wondered at so long as Germany continues uninterruptedly to obtain fresh credits from abroad. The sole new point appears to be a reform in the system of payments in kind. The reparation coal is supplied in accordance with private agreements with the German collieries; negotiations are also being carried on regarding the delivery of locomotives and wagons to France as part of the reparation payments, which negotiations have already been partly successful.

The 26% impost formerly demanded by England on every German invoice has been incorporated in the general reparation payments. Here we have an example of a partial security for the success of the transfer. The 26% collected by the English government in English currency from the English importers were thereby converted from German marks into pounds, that is, transferred. The German government undertook to pay a corresponding amount of the reparation instalments in foreign bills. On the other hand, 2000 of the largest German export firms undertook to place at the disposal of the German government 30% of the price of the goods sold by them to England, in English currency.

SPECIAL SECTION.

Germany.

So far as it is possible to judge from external symptoms, economic conditions have varied greatly in Germany during the period covered by this report. There is an unusually severe crisis in coal and ore mining, unequal occupation in the industries working up iron, fairly favourable conditions in the chemical industry, and a lack of markets in the textile industry, though less in production than in trade and in the ready made clothing industry.

The number of unemployed in receipt of the unemployment benefit may be taken as a general indication of the economic conditions. The figures are as follows:

1. December 1925	437,000
1. January 1925	529,000
1. February	592,000
1. March	541,000
15. March	515,000
1. April	467,000

When we take into consideration the time of year, we see that these figures show rather a worsening than an improvement in economic conditions. The actual number of unemployed is of course much greater than here given. The percentage of unemployed among the workers organised in trade unions was as follows:

⁵⁾ Quoted in "Le Temps". 14. February 1925.

	November 1924	December 1924	January 1925	February 1925
Entirely unemployed	7.3	8.1	8.1	7.3
On short time	7.5	6.5	5.5	5.3

These figures agree with those referring to the number of unemployed in receipt of benefit.

During the last few weeks a general worsening of economic conditions has been observable.

The Agricultural Situation.

It appears to us that despite the failure of the crops in 1924, under which the districts cultivated by small farmers suffered most, German agriculture is making very favourable progress at the present time. Two main indications of this are: the great increase of live stock, and the large demand for fertilisers. In December 1924 a general census of cattle and live stock was made in Germany, the results being as follows in comparison with those of 1913 and 1922⁶⁾:

Live stock in the German Reich (in 1000).

Description of animal ⁷⁾	1. December 1924	1. December 1922 ⁸⁾	1. December 1923 ⁹⁾
	Horses	3,850	3,651
Horned cattle	17,296	16,316	18,474
Pigs	16,844	14,678	22,533
Sheep	5,717	5,566	4,988
Goats	4,351	4,140	3,164
Geese	5,939	5,392	5,851 ⁹⁾
Ducks	2,065	1,668	2,086 ⁹⁾
Hens	63,439	58,141	63,970 ⁹⁾

This table shows a fairly considerable increase of stock as regards the most important classes of animals: horned cattle and pigs. The number of horned cattle nearly approaches the pre-war level. Pigs are still more than 20% below this standard. During the last two years the numbers of horned cattle have increased by 1 million = 6%; of pigs by 2.16 million = 15%. There is no doubt that the quality of the animals has also improved during this time, the actual quantity of meat being thus further increased.

The greatly increased use of artificial manures is a sure indication of the improvement of German agriculture, especially that in the hands of the large landowners.

The amount of potash sold in Germany by the German Potash Syndicate probably amounts to about 3.25 million cwts. The German Thomas phosphate industry has not been able to cope with the demand for this fertiliser, and tremendous quantities have been obtained from Luxemburg, Belgium, and France. The amount of nitrogen consumed during the present fertiliser year will greatly exceed that of the last few years. In the manure season 1913/14 Germany consumed pure nitrogen to the amount of 1.85 million cwts, whilst this year it is probable that more than 3 million cwts will be used.

The first report given this year on the condition of the standing grain is in consequence a most favourable one.

Industrial Production.

The output of coal and lignite has greatly increased during the last few months. This is to be seen from the following figures:

	Monthly average 1913	November 1924	December 1924	January 1925	February 1925	March 1925
		in millions of tons:				
Coal	11.7	10.7	11.2	11.9	10.5	11.4
Lignite	7.3	11.5	12.3	12.4	11.2	12.1

It will be seen from these figures that in January the output had already exceeded the monthly average of 1913, calculated

⁶⁾ "Wirtschaftsstatistik" No. 3. p. 77.

⁷⁾ 1924 and 1922 data do not include army horses; 1913 includes these.

⁸⁾ Recalculated for the present Reich's territory (without the Saar district).

⁹⁾ Figures for 2. December 1912.

for the same territory. This has led to the tremendous crisis in the coal market of which we wrote in the "General Section" and to a greatly reduced production.

In the ore mines conditions are as unfavourable as in the coal mines. In the Siegerland ore mining district a serious crisis has arisen, and many of the mines have been closed down. In the steel and iron industry a certain stabilisation has been attained for the capitalists by the founding and extension of the Crude Steel Association. The output is adapted to the demand. Data are not published, but only the percentages of the restriction of production according to the quotas fixed by the cartel agreement. At the present time this restriction amounts to 15 to 20%. A considerable number of the existing blast furnaces are not working. Figures have been only published for Upper Silesia; in February and March only eight out of fifteen blast furnaces were working, and the output of these could not be entirely sold.

In the textile industry the situation is extremely complicated. In the autumn of 1924 the great foreign credits enabled large purchases of raw materials to be made, and the production to be increased.

But the mild weather, the decline of cotton prices, and the big drop in wool prices, brought about an unexpected decline in inland consumption. Both the trade and the clothing industry have laid in far too large stocks. The result is the present severe crisis in this branch of industry: bankruptcy among the traders, stoppages of payment, businesses placed under receivership — these are the order of the day. In the silk and velvet industry, conditions are also exceedingly unfavourable, only three days a week being worked in some places.

Conditions also worsened considerably in the boot and shoe industry, and in connection therewith in the leather industry, during the months of March and April.

Foreign Trade.

We give the official figures as follows, but with all the reservations necessary with reference to the correctness of German foreign trade data:

(million marks, present values)

	Imports	Exports	Import surplus (without gold and silver)
1924	9,135	6,532	3,603
November 1924	1,034	641	493
December 1924	1,214	738	376
January 1925	1,282	696	586
February 1925	1,071	630	441
March 1925	1,037	709	328

These figures show a huge import surplus, amounting almost to 1600 million gold marks during the first quarter (including gold imports). This enormous import surplus is to be mainly attributed to the extensive imports of raw materials and semi-manufactured articles. If, for instance, we classify the January imports and exports under the different categories of goods, we arrive at the following figures:

Class of goods	Import		Export	
	December 1924	January 1925	December 1924	January 1925
	(1000 RM., present values)			
I. Live stock	8,265	7,027	2,715	2,338
II. Foods and beverages	381,909	343,368	59,625	47,741
III. Raw materials and semi manufactured goods	598,006	676,207	123,325	129,695
IV. Finished articles	226,263	255,320	552,929	515,883
Net traffic in goods	1,214,443	1,281,922	738,594	695,657

The greater half of the total imports consists of raw materials and half finished articles, whilst 75% of the exports are finished goods.

Economic Political Problems.

In German economic circles it is being plainly realised that these foreign trade conditions cannot last long without endangering the German currency and the whole of German economic life. The recognition of this fact gives rise to disagreements in questions of economic policy, and these inevitably bear a class character. The question is: is the foreign trade balance to be restored by increased exports or by restricted imports? The

industries are for the most part in favour of extended exports, especially the finished goods industry. From this point of view the most important factor is the competitive capacity of German industries in the markets of the world. Hence all sorts of proposals are put forward for lessening or lowering the costs of production. This is the reason for the sharp attacks being made by the industrialists against the high railway tariffs. Reductions of freight rates are being demanded all along the line, but up to now have only been granted to a very small extent by the Reich's railways. In this respect the Dawes plan is beginning to take effect.

Another antagonism is that between the industry engaged in manufacturing finished goods on the one hand, and the coal and iron industry on the other, with reference to the prices to be fixed for coal and iron.

Agriculture is the chief supporter of restoring the foreign trade balance by means of restricting imports, and the agriculturalists are aiming at preventing the import of foreign fruits by means of high duties.

This furnishes the ground for an acute class antagonism between industry and agriculture. The industrialists are anxious to reduce wages, but are hindered in this by the high food prices which will become permanent if the agrarian policy of high protective tariffs is pursued. Although the antagonism of interests between agriculture and industry has been partially bridged over by the ownership of agricultural estates on the part of the big industrialist on the one hand, and by the industrialisation of German big agricultural enterprises on the other, still the recent political events in Germany, the almost open conflict between the German People's Party, as representative of industry, and the German National Party, as representative of the agrarians, on the occasion of the Presidential election, show that at the present juncture the interests of these two classes are more antagonistic than inter-connected. It need not be said that they are at one in their enmity towards the proletariat.

The acuteness of the antagonism is observable in all the trade agreement negotiations, and especially in the struggle for the German Spanish trade agreement. This trade agreement grants Spain the opportunity of exporting a certain quantity of wine to Germany, thus damaging the interests of the German vintners. But on the other hand the agreement removes many obstacles hitherto preventing the export of German goods to Spain. The economic committee of the Reichstag, under the pressure of the agrarians, has refused to ratify this agreement, although it has actually been in force since 1. August of last year. The manner in which this question is dealt with in the Reichstag will prove symptomatic for the fate of Germany's trade policy in the future.

A fact closely bound up with this question is the circumstance that Germany has not yet succeeded in bringing out a new German customs tariff, so that Germany is carrying on the present trade agreement negotiations without a completed tariff, at least without a published one.

The so-called "small tariff draft" published in August 1924, and the data published in the "Vorwärts" on 11. March 1925 with reference to the duties imposed on agricultural products by the new tariff now in course of preparation, show that the agrarians — unless some abrupt change takes place meanwhile in German politics — will have the power to force upon the country agrarian duties as high, or even higher, than those imposed before the war.

Should this be the case, food will become much dearer in Germany than in England, for instance, which is bound to lead either to a further considerable lowering of the standard of life of the proletariat and thus to severe wage struggles, or to a lessening of the German industrial competitive capacity abroad, which in turn will render impossible the making of the reparation payments, and thus rendering the German currency liable to renewed depreciation. We see therefore what great dangers are threatening German economics, and how little we are justified in regarding the revival experienced by German economics during the last half year as something permanent.

The Finances of the Reich.

As we stated a year ago, it is quite possible to raise by taxation the amounts required for the reparation payments. The development of the finances of the German Reich in 1924 and during the first quarter of 1925 have shown our estimate to be correct. The finances of the Reich exceeded all expectations in the financial year ending 31. March 1925.

The revenue estimated was 5244 million marks, the actual total revenue amounted to 7312 million marks.

The total revenue thus exceeded the estimate by more than two milliard marks.

It is true that the expenditure of the Reich has greatly increased during this time, so that the surplus is merely 660 million marks. The actual surplus is however more than this, Reich's treasury notes to the value of several hundred millions having been redeemed. In September the total debts of the Reich amounted to 2548 million gold marks. To this we must add the reparation loan, nominal value approximately 900 millions, making a total of 3448 millions. By December the total had, however, receded to 2895 millions.

It is interesting to note here that there is a strong retrogressive tendency. During the last few months the surplus of the Reich's finances has been as follows:

December 1924	208
January 1925	156
February 1925	111
March 1925	4

It is a well known fact that the industrialists of the Ruhr area received compensation for their losses (Micum agreement) to the amount of 715 million gold marks, paid from the surplus of the Reich's finances. The Ruhr industrialists did equally well out of the occupation of the Ruhr and the Micum agreement, and extracted compensation from three sources: from the workers, by means of reduced wages and longer working hours; from the consumers, by means of a cash payment in compensating them for their "losses".

The revenue thus raised by the Reich has been obtained chiefly from the workers, and from the working population in general. If we take the four kinds of taxation imposing the greatest burden upon the masses: wages tax, turn-over tax, transport taxes and duties, and taxes on articles of consumption, we find that if an average is calculated for the whole financial year, almost 70% of the total revenues have been derived from these taxes. The share which the possessing class pays in taxation has sunk to 30%. The wages tax alone, borne directly by the working class, amounted in March to no less than 21% of the total revenue.

The position of the German worker is thus becoming worse and worse. The subsistence index figure, as calculated by the Reich's statistic office, has risen from 122 in last August to 126,6 at the beginning of 1925. This index has been altered and extended since this time. The new index figure shows the entire costs of subsistence to be 136 as compared with 116 in September. The increases in wages which have since taken place do not in the least balance this increased cost of living.

UNION OF SOVIET REPUBLICS.

The International Situation and the Military Forces of the Soviet Union.

By M. W. Frunse.

(From the report on the Red army at the 3rd Soviet Congress of the Soviet Union.

Below we give the introductory portion of Comrade Frunse's military report which refers to the external political questions connected with the military policy of the Soviet Union. Ed.

Comrades! Four years have passed since a Soviet Congress — at that time still the Soviet Congress of the RSFSR, and not of the Soviet Union — last received a report on the Red army. In this time we have reduced the Red army from 5¹/₂ million soldiers to a peace footing of 562,000. After the last reduction of the army and the reorganisation connected with this reduction, we believe it to be impossible and dangerous to cut down the Red army any further.

I personally consider it inadmissible, both from the technical military and from the political point of view. I fear that even now, considering the present international situation, we have overstepped the bounds of possible reduction.

An unprejudiced analysis of the present world situation in general and the situation of our Union in particular, compels us to concern ourselves most seriously with those events of

international life which have made their appearance during the past months. I will not detain you long with the facts known to you all, such as the Helsingfors Conference of the Baltic States, the General Staff Conference at Riga, the Bucharest Conference of the Little Entente etc., neither will I do more than mention the fierce agitation which is now being carried on in the bourgeois Press against the Soviet Union and the Comintern. I need only mention that such events are multiplying from day to day.

We see, for instance, that in Roumania during the last few days a 25% increase of the strength of the army has been announced, in the form of calling up part of the reserves. We see further that Roumania has bought 40,000 Russian rifles and 42 million cartridges in Poland and is negotiating with America with regard to the purchase of a further 20 million cartridges.

It is interesting to mention that Roumania is providing itself with cartridges and rifles of a Russian pattern. Is it possible that the Roumanian military administration and the Roumanian Government are hoping to achieve a uniformity of equipment in their army by completing their supply in the future at our expense? I think the contrary is much more likely to happen. (Applause). It is much more likely that these purchases of the Roumanian army will form a complementary store for our Red army. (Applause).

Poland has quite recently ordered three torpedo boats and six submarines at the Chantiers de la Loire works. Lettland has ordered two torpedo boats and three submarines. Even little Esthonia is now arming itself in an increased measure and, according to newspaper reports, has received from Great Britain a credit to the value of 10 million roubles for this purpose.

Among other things, Comrades, you will have read in the papers during these last few days, rumours that the Esthonian Government is ceding the islands of Oesel and Dagö to Great Britain. I do not know how far this announcement corresponds with the truth. In any case such a step is very probable. If this report be confirmed, if the English flag is indeed to fly over the islands of Oesel and Dagö, it would mean that the English dreadnoughts could appear before the walls of Cronstadt or Leningrad within 24 hours and that the English air-fleet could cruise over the factories of Leningrad within an hour and a half. You will understand that this is by no means a matter of indifference to us. We must therefore, though we have not the least wish to interfere in the internal affairs of Esthonia, take this opportunity of publicly declaring that we should regard such a transaction as a direct challenge to our worker and peasant State. (Applause).

For this reason I should like in the most friendly way to call the attention of Esthonia and the other small States lying on our borders, to the fact that they will not ensure their economic well-being and their political independence in this way, the way of armaments which exhaust the last resources of their peoples, the way of threats against and challenges of the Soviet Union. Without the Russian people and the other peoples of the Union, or in defiance of these peoples, no one will be able to solve this question. And in the long run, the safeguarding of the prosperity of these States will depend on whether they understand how to regulate their relations to their Eastern neighbour, to the powerful Union of the Socialist Soviet Republics.

We on our part are prepared to do all in our power to facilitate the establishment of honest, upright and neighbourly relations.

On what grounds do our neighbours justify these armaments? They justify them by pointing to the increase of armaments in the Soviet Union and to the danger with which they are threatened by "Red Imperialism". I have before me extracts from a number of foreign papers for the last two months. One paper ("La France militaire") for instance writes: "Russia continues to prepare for war. The chief task of the Red army is the overthrow of independent Poland, which hinders the bolshevist wave from overflowing the West."

I should like to make a few remarks on this subject. It would be hypocrisy to maintain that the workers and peasants of the Soviet Union sympathise in the least degree with the regime which the Polish "pans" and the Roumanian "boyars" are establishing in their States, especially with the regime which is exercised over our Russian, Ukrainian, White Russian and Moldavian brothers.

You know that the ex-Prime Minister Lloyd George and the present French Prime Minister M. Painlevé assured the Ukrainian deputy Wassintschuk, who had been sentenced to penal servitude by the Polish court, of their sympathy. If Painlevé and Lloyd George consider it possible to do this, who can forbid the workers and peasants of our Union to call to our oppressed brothers: "We know your griefs, your sufferings, we are with you heart and soul, we send you our warmest fraternal greetings." (Tumultuous applause.)

Everyone knows that, as is shown by the proceedings of our congress and more especially of the White Russian and Ukrainian Soviet Congress, this question is of extraordinary interest to the working and peasant masses of the Union. And I do not conceal the fact that, should it come to a military encounter, this fight, the fight "for the liberation of our oppressed brothers from the yoke of the Polish 'pans' and the Roumanian boyars", would be the most popular slogan for the Red army and for our whole country. (Applause.)

In spite of all this, I declare most emphatically that we have no desire for war and that, in spite of the assertions of part of the foreign Press, we are not preparing for an attack against either Poland or Roumania.

If it depended on us alone, we would gladly leave the solution of all matters of dispute, including the question regarding the situation of the national minorities in Poland and Roumania, to the peaceful course of history. We are deeply convinced that, in the struggle between the political system of the Soviets and Socialism on the one hand, and the bourgeois parliamentary system on the other hand, the victory will undoubtedly be ours. For this reason we are perfectly willing to renounce the argument of arms, as we have proved by a series of political actions, for instance at the Hague, at Genoa and finally at the disarmament Conference at Moscow, where it was precisely Poland which frustrated our proposals. These accusations therefore should rebound on their authors.

We are in possession of statistical data regarding the strength of the armed forces of the individual States. If we compare these figures with the corresponding figures of our Soviet Union, we have telling, clear and quite objective evidence as to where the true militarists are to be found.

In 1913, at the time when pre-war militarism was at its zenith, there were 5,759,000 men under arms in the most important countries of the world.

In 1925 this figure amounts to 5,232,000, without counting the armed forces of a number of newly created States and without those soldiers who are at the disposal of the Chinese military governors who will not submit to the Peking Central Government, the number of whom amounts to at least a million.

If we study the picture of the military budgets of the most important States during the same years, we find the same thing.

The military budgets of the most important countries amounted in 1912 (including Russia) to 4744 million roubles. The military expenditure of the same States amounts in 1924/25 to 5300 million roubles, i. e. 556 million more. If we consider the expenditure for the navies separately, the figures amount to £ 100,500,000 in 1913 and £ 230,600,000 in 1925. During the same period the naval budget of the Soviet Union was reduced from 26 million to 3,400,000 pounds sterling.

The ship-building programme of the largest bourgeois States is in close relation to this.

The figures relating to the air-fleets tell the same story. At present the following statistics can be given with regard to the air forces of the most important countries:

France 6114 units, England 3460 units, Italy 1700 units, United States 3600 units, Poland 498 units, Roumania 257 units.

I will pass in silence over the numerical strength of our Red air fleet. I will only say that it is unfortunately not much stronger than the air forces of our nearest Western neighbours.

The strength of the Red army without the navy amounts to 529,000 men. That is 183,000 less than in France and 17,000 less than in our nearest Western neighbouring countries together (Poland, Roumania and the Baltic States).

These figures show with convincing force that it is nonsense to speak of a Red imperialism. Absolutely as well as relatively, we spend much less on armaments than all other, the large bourgeois States, and relatively even much less than the smallest bourgeois States. These are the true facts about our Red Soviet imperialism.

To summarize, I must remark that nevertheless we must take into account the significance of the data I have given.

We have to take into account the process which is going on outside the borders of the Soviet country. It is essential that we devote much more attention than hitherto to the question of our armed forces. We must bear in mind that one of the most effectual guarantees of peace lies not only in our peaceful policy, but also in a strong, powerful Red army. The stronger the fist of our Red army, the better will the workers and peasants in our Union be convinced that they will not be disturbed in their peaceful work, and the less will other people want to interfere in our internal affairs. (Applause.)

IN THE COLONIES

English Policy in the East in a New Mask.

By Irandust.

A few facts of recent times prove that English policy in the Near East is abruptly changing its methods, although in essentials it remains the same.

When a short time ago it occurred to the Anglophile Sheik Cheisal to violate the loyalty he owed to the Government of Teheran, he was arrested and transported to Teheran. The English Mission in Teheran not only did not protest against the arrest of the Sheik but demonstratively took the part of the Government of Teheran, making every effort to repel any suspicion that it supported the separatist movement in the frontier districts. The Persian newspapers in reporting this pointed out at the same time that a solution of the long unsolved question of Persia's debts to England which would be favourable to Persia was to be expected in the immediate future, and that England showed an inclination to help the Persian people economically and even to grant Persia a credit. England appears on the scene in the toga of a patron of the economic and national interests of the peoples of the East, as their well-meaning creditor and protector.

What induces England to assume this mask? The chief reason is fear of the steadily growing influence of the Soviet Union in the East, and the economic connections between the Soviet Union and the Eastern peoples which are becoming more and more consolidated. England's new attitude is directed entirely against the Soviet Union, both in the political and the economic sphere. During the past weeks the Persian Press has been full of fantastic communications from the English telegraph agency Reuter about the complete economic and industrial break-down of the Soviet Union. Reports are again appearing of certain districts of the Soviet Union being in the grip of famine, of the complete collapse of transport and of a serious financial crisis. The aim of this campaign of "economic propaganda" is to break off the economic and commercial relations between the Soviet Union and the countries of the East.

At the same time a political propaganda is being carried on, intended to prove that the policy of the Soviet Union is a policy of "Red Imperialism" with the object of subjugating the Eastern peoples. A characteristic example of this propaganda is the article "Red Pans in Asia" which appeared recently in "The Times" in which it is demonstrated that the drawing of national boundaries in Central Asia is a preparation for the armed attack of the Soviet Union against Persia, Afghanistan and China. The map which accompanies the article shows with indicating arrows the direction of the future advance of the Red army into the countries of the East which border on the Soviet Union.

English propaganda however is not limited to the field of literature. Telegrams arrive telling of a great insurrection of the Persian Turcomans in Chorasán who are trying to get possession of the Chanasat Budshnurt. Since 1918 Northern Chorasán has been the arena of the activities of English military and political agents, who use it as a centre for organising armed interventions against the Soviet Republics. The English consulate in Meshed, the Chanasat Budshnurt and the Turcoman tribes of the Goklans, who are subject to the latter, are centres of this activity. Through their instrumentality the English net is being spread further into the district of Persian Jomudistan which borders on the Caspian Sea, that part of the province of Astrabad which has been colonized by the Turcomans.

For a number of years a wave of smuggling and espionage swept through Budshnurt and Jomudistan into the Central Asiatic districts of the Soviet Republics. Those were the centres

from which the Bassmatsh bands and Dshunai Chan's adventure were supported with money and arms. In return for these services the English provided the Sirdar of Budshnurt and other feudal lords with weapons and pecuniary support and protected their feudal position against the Persian Government.

The centralising activity of Resa Khan's Government which had brought the northern tribes and the feudal lords supported by England into subjection to its power, has begun since the Spring of 1924 to spread into Northern Chorasán. At the present moment military action is taking place in Northern Chorasán and the Persian Government is faced by the necessity of putting an end to the anarchy among the tribes in Chorasán and Astrabad which is artificially stimulated by the English agents. These agents through whose efforts the insurrection in Jomudistan has broken out, are spreading rumours implying that the insurrection is supported by the Soviet Turcomans with the object of annexing part of the Persian territory. This monstrous provocation is based on the tribal kinship between the Turcomans of the Soviet Union and those of Persia.

At present England prefers to pose as the protector and defender of the unity of the Persian people, and to represent the Soviet Union as the instigator of the insurrections in the border districts and as the pillar of "Red Imperialism". There is no doubt that this accusation will in the immediate future vanish like smoke. We recall that during the counter-revolutionary insurrection in Turkish Kurdistan the English Press made every effort to asseverate that this insurrection had been incited by the Soviet Union, ostensibly for reasons of the national policy of the Soviets. This campaign however met with no success. The national policy of the Soviet Republics which realises the principle of self-determination of the peoples, is by no means identical with interference on the part of the Soviet Union in the internal affairs of other nations.

The subjection of the revolting feudal lords of Northern Chorasán and of their Turcoman tribes to the Government of Teheran will mean the cessation of all activities inimical to the Soviet Union on the part of English agents in this district, and the removal of all existing reasons for misunderstandings between the friendly peoples of Persia and the Soviet Union. The fraudulent game of English diplomacy must here and now be defeated in the most decisive way.

The Rise of the Labour Movement in Palestine and in Syria.

By A. M. (Jerusalem).

It was the first time that the 1st of May was celebrated here as a real international proletarian holiday. It is true that in 1907 the 1st of May was celebrated in Lebanon, but this was only an attempt of a small group of Syrian intellectuals. Students who had studied abroad, brought with them the red proletarian flag when they returned to the steep mountains of Lebanon. But this holiday found no echo among the masses, it remained a historical curiosity, an episode. In Palestine also, where the Labour movement had existed for nearly two decades, it had not yet reached the level of celebrating an international genuinely proletarian holiday.

The Labour movement in Palestine had, up to now, been a purely Jewish national one. The Jewish workers, driven out of other capitalistic countries by the raging storm of anti-Semitism, arrived in this country on the black pinions of blue nationalism. The movement not only remained national but nationalistic.

The socialist slogans found no echo. Every proletarian sound died away in the narrow space of the new Ghetto which, to a certain extent, was voluntarily created.

The holiday of the 1st of May shared the fate of the general Labour movement. In Palestine there are various peoples and religions; all these have their own holidays and their peculiar ways of celebrating them. In the eyes of the Arabian masses of this country, the 1st of May remained a Jewish holiday. And when the communists attempted, in 1921, to make a demonstration in the streets, it ended in a bloody pogrom.

This is how it used to be. Now things have changed. In the near East, great and important events are occurring.

European imperialism with its tempestuous capitalistic culture has permeated the slow and smoothly flowing life under the hot rays of the Oriental sun.

The popularity of the Communist Party in Palestine and Syria is increasing at an unexpected pace. This can be explained not only by the consistent Leninist tactics of the C.P. of Palestine, but also (possibly still more), by the imperialist predatory policy of the foreign imperialists and the social patriotic traitors among the so-called socialists. During the years 1924 and 1925 a strong indigenous Labour movement has grown up; during this period the first Communist papers and trade union and socialist brochures in Arabian language have appeared.

The number of Arabian comrades in the P.C. of Palestine is strikingly increasing. The 2nd International has existed for nearly 40 years. Decades and centuries have passed during which the States in which the 2nd International has its chief centres, have enslaved and subjugated the colonies. Only last year the foundation stone of the proletarian Press in the Arabian language was laid — and that a communist one.

The beginnings of the Arabian Labour movement are thus communist. This is due not only to the merits of the communist International but also to its strength. Hundreds, thousands of copies of newspapers, brochures, tens of thousands of communist proclamations, hundreds of meetings, assemblies of groups — plus extreme exploitation and despicable plunder on the part of imperialism have done the trick — the Labour movement has taken a seven-leagued step forwards.

The 1st of May was the first "review" of the proletarian forces. It must be recognised — even our opponents admit it — that the review was a brilliant one.

In Tel Aviv (Jaffa) more than 3000 workers celebrated the day. Meetings and demonstrations in the streets; here and there the red flag flew in the streets, meetings were formed, the streets were filled with lively revolutionary songs, led by the "International". During the day English aeroplanes flew so low as almost to touch the heads of the demonstrating workers, the Irish mounted Constabulary (the most faithful servants of English imperialism) rode through the streets during the day — the workers celebrated their revolutionary holiday.

In Haifa, the centre of local industry, the streets had a festive appearance. Hundreds of workers decorated with red flowers paraded the streets, motor cars with armed workers and police dashed to and fro.

The police was mobilised, secret agents spread over the working class districts like locusts. The police was informed that a public meeting was to take place near the railway station. They concentrated all their forces there — and at the same time the Communist Party was proudly marching through the centre of the town with the red flag. Jewish and Arabian workers in serried ranks marched together. The police heard of this too late, the demonstration was in full swing, the police lost control of themselves; the police officer ordered an attack, but the police "dared not" carry it out (read "would not").

In Lebanon the Communist Party which was only founded this year, appeared on the scenes with grandiose manifestations. More than 800 workers struck in Beyrouth alone. Demonstrations with red flags, meetings etc. Under the leadership of our comrades, the 1st of May was turned into a day of battle for Labour protection legislation. Similar demonstrations took place in Rickafaia Sachle Schya and Dror-Al Schakir (Labour centres in Lebanon).

The 1st of May was thus the first proletarian appearance of the working class of Syria and Palestine.

Asiatic Laws in a Democratic Setting.

By A. M. (Jerusalem).

Ottoman laws. English interpretation. Turkish prisons. English commandants. Political and criminal offenders. Four workers proclaim a hunger strike. Seven days' strike. The workers win.

The whole art of English rule in the colonies consists in the cleverness of the English imperialists in exploiting local laws for their own predatory purposes. In Palestine, the old Turkish laws which were introduced almost half a century ago, remain in force. Abdul Hamid, the author of the Ottoman law, disappeared long ago from the political arena; the whole Grand Porte is to-day nothing but a historical memory, the old Turkish legislation was discarded long ago even in Turkey. The young Angora government had one by one done away with the old prejudices as well as with the wild Asiatic system of taxation

"Aschar". The old codices became bibliographical curiosities; but here, in the Holy Land, under the splendid culture of English Zionist Democracy they live and flourish as though nothing had happened yet. The English occupation somehow discovered a dozen such statute-books; now they are treasured like a gem. They also commented on this and that law which did not quite suit their taste.

Thus the "Aschar" law according to which the peasant used to pay 12% of his harvest in kind as taxes, was interpreted in such a way that to-day it is no longer right to collect taxes in kind but rather in hard cash. (The peasant thus loses on two sides.) What suited the Turk is not always satisfactory for the Englishman. Bad as was the regime of the Turks, the English regime is much worse for us, say the Arab fellaheen. Thus the English commissary commented on the Turkish law regarding the "prevention of crime" with a special order according to which any police official can arrest any individual at his own discretion. It fully suffices for a police informer to state with regard to the person in question that he suspected him "of the intention of committing a crime some time or other." In consequence of the fight which the English Government is carrying on against the "wicked thoughts" of their foster children (as is well-known, England received the mandate to educate us) the English judges toil from 7 in the morning till 8 o'clock at night in the overcrowded courts of law and conscientiously sentence good people with "wicked thoughts", so that the prisons are overflowing with such criminals.

Turkish prisons under the supervision of English commandants make a strange picture. In Europe for instance it is difficult to find an executioner, for in all countries they are a special kind of human being. Here however the English prison commandants execute the "criminals" sentenced to death with their own "cultured hands" and with the same ease with which a housewife hangs up a chicken she is about to pluck. The prisoners are Turkish, the regulations are Asiatic and the superintendents are Englishmen of the occupation.

The regime of 14 hours or more of work a day, compulsory obeisance etc. holds good for all prisoners. The Ottoman law does not recognise political prisoners. It is natural that our comrades could not subordinate themselves to such a regime. In the course of last year there were more than 100 arrests in the country. Dozens of communists and of persons suspected of communism were arrested and treated in the most despicable manner, and the English commissioner declared that there were no political prisoners in his prison.

At last the patience of the political prisoners and of the workers came to an end. Four workers arrested because of election propaganda during the municipal election at Tel Aviv and sentenced to fifty days imprisonment, declared a hunger strike as a protest against the degrading treatment on the part of the commandant of the fortress who had become famous for his brutality and despotism.

The commandant tried to break the strike by terrorisation. He cast the starving juvenile workers into a dungeon, put them in chains and thrashed them. This however did not quell their spirits. One of them was tortured to the uttermost for five days, and bore it all heroically, refusing to be intimidated. The workers, without distinction of political tendency or party were all stirred up, and serious discontent began to make itself felt. Protests and telegrams were sent to Comrade Saklatvala in London, the communist member of Parliament, and finally the English Government was compelled to make some concessions.

On the seventh day the four workers won the battle. And from that day onwards they are recognised as political prisoners and a political regime was promised them. The hunger strike and especially the success of the strikers made a colossal impression in the country, the more so as a short time previously the Arabian National Party had approached the English High Commissioner with the request for an easier regime for political prisoners (there are arrested nationalists in the country), and had received the cynical answer that none existed. The masses now recognise the difference between favouritism, petitions and the method of persistent fighting.

ENLARGED EXECUTIVE

Resolution of the Enlarged E. C. C. I. on International Red Aid.

The following Resolution on International Red Aid was passed at the Session of the Enlarged Executive on April 6th 1925.

The Enlarged Executive of the ECCI. directs the special attention of the Communist Parties and revolutionary organisations of all countries to the increasing importance of the IRA. in view of the intensification of the White Terror.

As the class struggle in capitalist countries becomes more acute, the Fascist methods of suppressing the revolutionary movement, adopted by the bourgeoisie and the Social Democratic leaders, more and more reveal a tendency to become the basis for internal politics in so-called democratic countries. White Terror is assuming unprecedented monstrous and revolting forms.

For that reason the organisation of the resistance of the broad masses of the toilers against the brutality and violence committed by the world bourgeoisie against the working class, the poor peasantry and the colonial slaves, becomes, at the present moment, the most pressing task of the proletariat.

In this direction, the IRA. has done a great deal. It has succeeded in uniting in its ranks, 5,000,000 members. It has successfully conducted a number of campaigns against the White Terror particularly the last campaign in connection with the Lantutzky case, when, with the aid of the powerful pressure brought to bear by the proletariat, the acquittal of Lantutzky was secured. The IRA. has succeeded in obtaining real results in rendering material, moral and legal aid to tens of thousands of the captives of capitalism and their families.

Whilst expressing satisfaction with the enormous achievements in the work of the International Organisation for Rendering Aid to the fighters in the revolution, the Enlarged Executive of the ECCI. calls upon all the Communist Parties, all the revolutionary and trade union organisations to render universal and constant support to the development and strengthening of the IRA. as a genuine mass, non-Party, public organisation.

The Enlarged Executive is of the opinion that it is an imperative necessity, particularly in capitalist and colonial countries, to exert greater efforts in enlisting the cooperation of the masses of the toilers in the work of aiding the fighters for the Revolution by organising collections, patronage over the prisoners, protest demonstrations, etc.

Calling upon all sections of the ECCI. to fulfil the instructions of the Fifth Congress of the Comintern concerning the IRA. the Enlarged Executive reminds all Communist Parties that they must regard the activity of the IRA. both as an important factor in attracting to the revolutionary movement extensive non-Party masses and as an elementary school for the training of these masses in the spirit of International proletarian solidarity.

Correction.

Owing to a printer's error in the original Russian from which it was translated, an error occurred in the article on "The Sharpening of Class Antagonisms and the Struggle against Absolutism in Japan", published in the "Inprecorr" No. 44 of 21st May last. The new Japanese franchise law abolishes the property qualification for electors, but retains the deposit of 2000 yen required from candidates. Ed.