

SPECIAL NUMBER

English Edition

Unpublished Manuscripts — Please reprint

INTERNATIONAL

Vol. 10 No. 56

PRESS

6th December 1930

CORRESPONDENCE

Editorial Offices and Central Despatching Department: Berlin SW 68, Lindenstraße 71-72 Postal Address, to which all remittances should be sent by registered post: International Press Correspondence, Berlin SW 68, Lindenstraße 71-72
Telegraphic Address: Inprekorr, Berlin Telephone: Dönhoff 2856 and 2867

Economics and Economic Policy in the Third Quarter of 1930.

(Concluded down to 20th October, 1930.)

By E. Varga.

I. Crisis and Falling Prices.

Every crisis entails a fall of prices, the degree of crisis being in closest relation to the extent of the price-drop. The greater the disparity between the production and consumption forces in capitalist society — which finds its violent, though merely momentary, solution in a crisis — the greater the price recession. On the other hand, as long as the price recession is in progress, the crisis is bound to increase. It is only when the price-drop has come to a standstill and thereby a temporary re-establishment of equilibrium between supply and demand is brought about, that capitalists can proceed to increase production and to fresh capital investments in the means of production, so that depression will give place to an upward movement.

The acute and still progressive price recession which has ensued of late, will thus continue for a certain length of time to delay an improvement of the economic situation. The question of price formation in the immediate future, therefore, is of prime importance for the further development of the situation.

Like the capitalists themselves, the bourgeois economists stand helplessly amazed in the face of the present downward trend of prices. For years past they have been preaching that the monopoly system, the system of "organised capitalism", the co-operation of the banks of issue and the like, would ensure a stability of the general price level and a process of capitalist production free of all crises. And now there is an average price-drop of 15 per cent.¹⁾ with a recession of raw-material prices by as much as 50 per cent. in the course of a single year.

¹⁾ The most important general price indexes show the following development in the course of a year.

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NOTE:— The quotations from American and English papers contained in this Report have been retranslated from the German.

Since July, or August respectively, prices have continued to sink, so that an average of 15 per cent is if anything too small an estimate. As a matter of fact prices have dropped still more than is shown by the indices, which are compiled on the basis of official cartel prices, whereas at present most sales are effected below the official figures. The different degree of the price-drop is to be explained by the fact that the decline differs in regard to individual goods. Since the indices of the various countries contain different sorts of goods and the same goods at a different weight-measure, the recession in the index-figures cannot be uniform. Besides this, prices in the individual countries are subject to the influence of the respective customs policies.

The ordinary run of economists are altogether perplexed by this unexpected sharp setback in prices. The most nonsensical theories are warmed up or newly hatched; they are not worth a critical discussion. Let us attempt to provide a strictly Marxian explanation of the pronounced price recession.

"Inflationist" Price Increase during the War despite Gold Currencies.

For us the acute price-drop was by no means unexpected. At the commencement of the crisis in the United States, we wrote as follows:

"In the present crisis a severe price-drop is to be expected, contrary to the general rule with reference to monopolised capitalism, seeing that the present price-level still contains elements of the inflation period and is higher than it should be in view of a greatly increased productivity of labour²⁾."

The higher general price-level of post-war times is due neither to an increase in the value of goods nor to a diminution in the value of gold, but to an increase of prices above the value. The raising of the price-level above that of pre-war times is not occasioned by any change in values but in the formation of market prices. This we propose to explain in greater detail.

The war represented a deformation of the capitalist mode of production, inasmuch as the demand for goods of almost all categories constantly exceeded the supply. This applied not only to the economy of the belligerent countries but also to neutral states.

But what is the meaning of such a lasting excess of demand over supply?

In the first place it means that in every individual branch of production, or at any rate in such as are predominant the market value is determined not by the average of the individual values but by the value of such goods as are produced under the worst existing circumstances.

"If demand is so great as not to contract if prices are regulated by the value of the goods produced under the worst existing circumstances, the value of such goods will come to determine the general market value. This is only possible if the demand is greater than usual³⁾."

If demand still continues to exceed supply, the actual market prices will diverge from market values and come to exceed them. In the

	July or August 1929	1930	Percentage Recession
Germany	138	125	9.5
France	597	533	9
Gt. Britain (B. o. Trade)	137	119	13
Italy	474	403	15
Holland	142	114	20
Poland	113	99	12.4
Sweden	141	121	14.2
Hungary	114	93	18.4
India	145	127	12.4
Canada	96	86	14.4
United States (B. o. Labor)	98	84	14.3
United States (Fisher)	147	126	14.3
Gt. Britain "Economist")	135	109	19.2

²⁾ "Economics and Economic Policy" in the 4th Quarter of 1929. "Inprecorr" of February 20th, 1930.

³⁾ "Capital", III/I, p. 157, v. also ibid. p. 164.

world war, this was the case in all countries, even in the United States, although the gold currency was maintained in that country.

That the tremendous increase of all prices in the United States during the war can only be explained by the augmentation of prices beyond values, may also be seen by circumstances of quality⁴⁾. Between 1915 and 1920, prices more than doubled. It would be foolish to attempt to explain this by a change in the value either of the goods themselves or of gold⁵⁾.

A certain group of highly respected bourgeois "theorists" (Cassel, Strakosch in an address published in the "Economist") ascribes the present price-drop to an insufficient output of gold, starting from the standpoint that on a yearly average the volume of output in capitalist economy increases by about 3 per cent and that hence the yearly increase in the output of gold ought also to figure 3 per cent, if prices are not to fall.

This is theoretically nonsensical. Seeing that the rapidity of monetary circulation varies according to the requirements of circulation and that a constantly increasing proportion of the turnover of goods is effected by payments other than in hard cash, seeing, moreover, that the creation of "creditory money" of any kind — as the events of the last few years in the United States have shown — is fairly independent of the note emission of the central banks, which alone could be restricted by the existing stock of gold, the quantity of gold newly produced is practically unimportant for the business development and the price formation. That this is actually the case, is proved by the fact that the output of gold has ever since the war remained far below the standard set up by Cassel, while the price-level in countries with a gold currency rose for several years. If an insufficient output of gold were the cause of the downward trend of prices in post-war times, no price-rise at all ought to have occurred within this period, seeing that the gold output has all the while been below the minimum demanded.

The economic mechanism of the rise of prices above values under the influence of the predominance of demand over supply during the war, was the same as in all boom periods, save that in this instance the said predominance was of far longer duration and greater intensity. Therefore, one crisis was insufficient to liquidate the rise in prices and to reduce the entire sum total of prices to the level of the sum total of values, expressed in gold.

To understand this, we must investigate the process of price recession in the crisis in regard to its internal limitations. Crisis means general over-production. At times of crisis supply exceeds demand. Prices fall. The divergence of market prices over production prices disappears. Prices go on falling. The market value of good drops to the level of the individual value

⁴⁾ During the war and in the early post-war years, the rise of prices in America was somewhat as follows:

(Index of the Board of Labor. On the Basis of 100 to Represent the Level of 1913.)

	Total Index 404 Articles	Means of Consumption 199 Articles	Means of Production 117 Articles	Raw Materials 88 Articles
1915	101	102	97	101
1916	127	119	143	126
1917	177	163	184	187
1918	194	193	181	205
1919	206	211	179	218
1920	226	231	214	229

("Statistical Abstract of U.S.A.", 1928, p. 324.)

⁵⁾ The attempt of many vulgar economists to explain the rise in prices — or, for the matter of that, price movements in general — by the quantity of tender in circulation, is theoretical nonsense. But even the figures themselves speak against any such explanation. The money in circulation figured as follows per head of the population:

1914	1915	1916	1917	1918	1919	1920
35.12	32.95	35.63	39.02	42.33	45.95	50.38

Over against a price movement of 126 per cent, there was thus an increase, per capita, of the medium of circulation amounting to less than 50 per cent.

as established by the most cheaply producing enterprise in each particular line of industry. Temporarily the market price may even drop below this level. But this is only temporary. As under such circumstances production results in a loss instead of a profit, some of the enterprises are ruined while others suspend operations. The supply thereby diminishes. The price-drop comes to a standstill. The price level now corresponds to the prices of such enterprises as have weathered the crisis and produce at the lowest cost. The sum total of prices and that of the value of social production once more coincide⁶⁾.

Whereas, therefore, the price rise has no internal limitations, save those of the consumption capacity of capitalist society, so that in "normal" industrial cycles it is terminated only by the outbreak of crisis, a price-drop in circumstances of crisis can only continue until the cost-price of the enterprises producing most cheaply in each individual branch has been reached. In the "normal" process of the capitalist system of production, this means a tendency to a reduction of prices to the level of values. Apart from this, the new market values are, other things remaining equal, slightly lower than in the corresponding phase of the preceding cycle, seeing that during the crisis the more expensively producing enterprises have been ruined and the average of individual values has thereby fallen. Such is the anarchical way in which the diminution in the value of commodities connected with the enhanced productivity of labour finds expression in the capitalist world.

In the United States, the first post-war crisis entailed a particularly pronounced price-drop. From 226 in 1920, the wholesale price index fell to an average of 147 in 1921. On this level prices were stabilised till the present crisis. (Fluctuations within this industrial cycle were maintained within "normal" limits, amounting roughly to a maximum of 8 per cent).

Why did not prices drop any lower? Why did not they drop approximately to the level of values, say to something like the level of 1913? Why did prices stop at the level of 1921, nay, in the course of the next eight years tend to rise again?

To this question we can answer as follows: Before it could adapt prices to values, the price-drop of 1920 had entailed such a restriction in the output of goods, that it brought itself to a standstill.

This great restriction of supply, i. e. of production, ensued because the reduced price level, though still far above the level of values, no longer covered the costs of output, that is to say, no longer bore a profit. It failed to cover the costs of output because various elements of the latter had participated in the downward move of prices only to a very small degree, being maintained at an "inflationary" level either by contracts or by Governmental measures.

Let us enumerate a few of these elements.

Increased costs of amortisation of fixed capital. During the five years' period of rising prices, when prices rose even to the double of values, numerous enterprises had wholly or partly renewed their fixed capital at considerable cost. Thus the portion of productional expenses which came under the head of the amortisation of fixed capital was established above the level of values and above the costs of reproduction.

Increased costs of production in consequence of increased groundrents. The ground-rent (price of ground, lease) rose by reason of the high price level of agricultural products. It could not immediately be lowered, having been established in leases and in mortgages on real estate. As such, it formed part of the productional costs of the individual capitalist lessee or ground-owner⁷⁾. This means that during the crisis agriculture became unprofitable at a price-level which was still materially higher than the value of agricultural products. Hence, a restriction of output

and a coincidence of supply and demand at a level of prices which made possible the payment of an excessive ground-rent.

This led in two ways to a maintenance of high prices outside agriculture.

(a) Since the prices of foodstuffs which are part of the consumption of the workers and determine the value of labour power remained above their real value, higher wages had naturally to be paid in money. Wage costs, that share of variable capital which goes to form part of the productional costs of each unit of output, found expression in an increased sum total of money.

(b) The second way lies in the influence of ground-rents on the formation of the prices of industrial products. In this case the ground-rent itself naturally does not constitute part of the price of production, since it is normally the outcome of the difference between the price of production and the value of products of agriculture or mining. But in paying the higher prices of agricultural products, industry obviously also pays part of the rent.

If industry, however, is obliged in view of this higher rent to pay more than their value for the raw materials derived from agriculture, it must also maintain relatively higher prices for its own output, so as to be in a position to carry on production.

Taxes, interest, and freights. Taxes constitute no element of value. Under given circumstances they can be paid out of the profit of the capitalist. But once taxes are so high as to exceed profits, as was the case after the price-drop of 1921, they turn wholly or partly into elements of cost-price. The capitalist must either suspend production or else charge a price for his goods which will allow him to pay his taxes. The case is similar with regard to interest. Freight expenses, again, form a regular element of the cost-price; if put too high they enhance the cost-price accordingly.

We thus see an entire system of factors which in the crisis of 1921 prevented prices from falling to the level of pre-war times. Under the influence of these factors, there resulted, after 1921, a new and relatively stable price level which still contained considerable remnants of the price appreciation of the war period.

As is always the case, the development of price formation in regard to individual categories of goods was extremely unequal. The very pronounced building activity that ensued after 1921, led to a relative rise in the prices of building materials, while the international agrarian crisis kept a severe pressure on the prices of grain.

Without doubt, the general extension of the protective-tariff system and the increase in tariff rates after the crisis of 1921 is one of the factors conditioning an artificial maintenance of prices above values. It is obvious that if almost every State manages by the erection of customs barriers to attain higher prices, this must lead to an all-round raising of the price level.

That, apart from any change in the value of goods, the protective tariffs have called forth an artificial price appreciation, cannot for a moment be doubted, problematic as the extent of such a price appreciation may be. Its upper limit is the entire extent of the duty imposed. Its lower limit is nil. The price appreciation would reach the upper limit, supposing the capitalists of all countries exported at the cost of production and supposing such costs to be equal everywhere. Since this is not the case in view of unequal conditions of development, besides which the capitalist monopolies sell abroad far below the productional, and sometimes even below the cost, price⁸⁾, so as, by as great as possible an exploitation of production capacity, to adapt supply on the home market to the consumptive capacity of the latter at the high cartel prices, prices on the home market do not generally rise by the full extent of the duty.

⁸⁾ Percentage by which export prices fell short of home prices:

United States
(from "Frankfurter Zeitung" of Aug 11th, 1929,
repr. in "Kartellrundschaу" 1929)

Rod Iron	51
Rough Sheets	35
Ship's Sheets (S. M. Steel)	32

⁶⁾ This is naturally not to be understood too literally; it merely characterises the general tendency.

⁷⁾ The ground rent does not normally form part of the price of production, but in this case it is an element in the productional costs of all such producers as are obliged by contract to pay an increased rent.

Though we cannot accurately establish in what degree the protective duty makes itself felt in the price of each article, a matter which differs in the different phases of a business cycle, it is quite certain that no inconsiderable part of the excess of the present price level over that of pre-war times is due to the extension of the protective tariff system.

Another factor making for the maintenance of high prices was the presence of constantly growing monopoly organisations, hand in hand with the advance of protective duties.

Under the influence of all these factors, there resulted in the United States, despite the existence of a gold currency, throughout the whole period, a price level in which all goods were priced above their real value. The present crisis therefore of necessity entailed a renewed heavy price recession, as we foresaw would be the case. Whether this drop will bring prices down to the level of values, i. e. to their pre-war level, we can naturally not venture to say. When in the course of the Civil War (in 1865) prices in America had more than doubled (in connection, it is true, with a genuine paper-money inflation), it was 13 years before they dropped to their pre-war level.

Since in Great Britain, where the price formation is least influenced by customs-tariffs, the price-index of the "Economist" had fallen by the end of September to 105 and is still falling, and seeing that retail prices have dropped very little, so that no great expansion of demand is possible and a new coincidence of supply and demand is only feasible by means of a further restriction of the former, it is not excluded that the inflationary remnants in the price composition in wholesale trade will be liquidated in the course of the present crisis.

Inequality of the Price Drop.

The capitalists and all who share their ideology are lamenting at the fall of prices. But in reality it is not the price drop itself that undermines capitalist economy but the inequality and long duration of the process. Inequality in such a connection is inseparable from capitalism, which in spite of the constantly increasing monopoly organisations maintains its anarchistic character unchanged. The long duration of the price drop, meanwhile, is an outcome of the fact that the crisis is a very far-reaching one and that the price level, as has already been pointed out, has diverged from the level of values.

If the price recession were to affect all goods equally at the same time, if ground leases, rents, indebtedness, freights, taxes, etc., were immediately to be reduced in the same proportion, if retail prices and hence also the wages of labour were to decline uniformly, the whole process would be merely nominal. We should reckon with smaller figures and that would be all. Value and surplus value, extent and distribution of national income, would remain untouched, merely their expression in monetary units would be changed by being diminished.

As a matter of fact, however, the price drop is exceedingly unequal and spasmodic; it is by no means an independent,

Automobile Sheets	21
Rails (S. M.-Heavy)	26
Band Iron (6 in. Warm-Rolled)	54
Band Iron (over 6 in. W.-Rd.)	57
Band Iron (Cold-Rolled)	27-33
Rolled Ware (S. M. Steel)	27
Rolled Wire (S. M. Steel)	27
Polled Wire (Thomas Steel)	28
Rivets	71

Germany
(Early in October, 1930, from "Vorwärts"
of October 7th)

Pod Iron	41
Band Iron	43
Rolled Wire	16
Universal Iron	31
Rough Sheets	41
Medium Sheets	36
Fine Sheets	39
Wire (bare-drawn)	46
Wire Nails	48

isolated process but the outcome of the economic crisis which on the basis of the general crisis of capitalism has attained extraordinary dimensions. The price drop is only one factor, albeit a very important one, in the economic crisis.

The inequality of the price recession is, indeed, very pronounced. While in the course of one year the general price indices show a decline of about 15 per cent, the price drop in regard to important raw materials has within the same lapse of time been twice or three times as great⁹⁾, whereas some of them, such as coal, hides, iron bars, and rails, have fallen very little in price, if at all. (Leather is 3 per cent, dearer than it was a year ago.) Obviously, such an inequality must cause a tremendous disturbance in all calculations and thus in capitalist economy in its entirety.

In the second place we have the long duration of the price drop. This means that during the production process or during the time of circulation — which in times of crisis always grows longer — the elements of constant capital, and in the first place the raw materials, continue to fall in price. It means that the price of reproduction is lower than the actual cost-price of those undertakings which have acquired their raw materials and other elements of constant capital at the prices formerly obtaining. In consequence of the price drop ensuing during the period of production and circulation, output comes to represent more and more a loss.

For such works as are wealthy enough to stand the losses incurred during the time of price recession, the price drop in regard to raw materials will naturally work out in the sense of an increase in the rate of profit, seeing that the value-composition of capital is decreased in the face of an unchanged technical composition.

The present pronounced price drop of raw materials therefore represents a powerful incentive for the extirpation of all weakly funded concerns and thereby makes for an acceleration of centralisation. After the crisis, in all countries in which capitalism continues to obtain, the preponderance of the giant enterprises will be far greater than before.

The inequality of the price drop is not only manifest in its different degrees in regard to the different raw materials but also in the transition from raw materials to finished goods and from wholesale to retail prices. This, however, is not a peculiarity of the present crisis.

The reasons of this manifestation are as follows:

(1) The other elements determining production costs do not fall in the same measure as do raw materials. (Amortisation of fixed capital, salaries, wages—in so far as they are the subject of collective agreements—taxes, etc.)

(2) During the period of production of finished goods, the price recession of raw materials continues, whereas the price drop of finished goods must "normally" (i. e. if there has been no particular disproportion during the period of rise) be temporarily behind that of raw materials.

(3) The monopoly formation is on an average stronger in industry than in the production of raw materials.

⁹⁾ The "Economist" of October 4th shows the following percentual figures of price formation between the end of September 1930:

Raw Materials:

Copper	Tin	Lead	Crude Oil	Iron	Oil
-41	-38	-27	-12	-11	-11
Talcum	Rubber	Ammonium-Sulphate			
-31	-62	-24			

Textiles:

Cotton	Wool (English)	Silk	Flax
-44	-35	-38	-39
	Hemp	Jute	
	-39	-43	

Grain:

Wheat	Wheat (English)	Oats	Maize	Rice
-44	-26	-24	-32	-24

Foodstuffs:

Meat (English)	Mutton (English)	Bacon (Danish)		
+3	+10	-35		
Sugar	Butter (Danish)	Tea	Coffee	
-20	-27	+11	-9	
	Tobacco (-.)			

If from this standpoint we regard the development of prices, say, in Germany¹⁰⁾, we shall see that the prices of finished goods have within a twelvemonth dropped by no more than 5 per cent. as against 10 per cent. in the case of industrial raw materials and only 2 per cent. in that of the means of production. (As a matter of fact, the prices have fallen still more, seeing that for months past the trusts and cartels have been selling below the official price level on which the price-indices are based.)

If we consider the development of the retail prices and of the cost of living, we may see that in this respect the price drop has taken even less effect. This is a well-known fact, which requires no confirmation in figures. The reason of this phenomenon lies partly in the fact that the expenses of retail traders—rent, freights staff, taxes—which necessitate a very considerable addition to the wholesale prices, have not declined at all. Thus the reduction of wholesale prices is reflected in retail prices only to a very small extent.

Added to this we have the paucity of capital on the part of the retail traders, which greatly hampers them in selling the goods in their possession below the purchase price, since they would thus be unable to pay the sums they owe for the goods out of their proceeds and would thus be rendered bankrupt. For this reason, the fall of retail prices remains far behind that of wholesale prices¹¹⁾.

In this connection the following question arises:

The raw-material and foodstuff producers are receiving from 30 to 40 per cent. less for their products than they did a year ago, while the consumers are paying almost as much as they did then. Where does the difference go to? It would seem as if those links in the chain of production and circulation that lie between the raw-material producer and the consumer, were making exceptionally big profits at this time of crisis. This, however, is belied not only by the constant complaints of the capitalists but also by the low rate of share quotations and the greatly decreased profits of capitalist enterprises in the first half of 1930¹²⁾. (That the total profit of the entire capitalist class—quite apart from price movements—shows a downward tendency during the crisis, expressed in terms of surplus labour time, results from the greatly diminished number of workers exploited, even allowing for an increase in the rate of exploitation.)

The fact that, in spite of the greatly increased disparity between the prices of raw materials and the prices paid by consumers for finished goods, the profits of the intermediate business enterprises should have decreased, is to be explained in the following way:

(a) Between the point of time at which the raw materials are produced and that of the ultimate sale of the finished article, lies the period of manufacture and circulation, which differs in length in the case of different commodities. At any rate, the goods sold to-day are made of materials which were gained months ago and which entered upon the process of production

¹⁰⁾ The German wholesale price index—figures show the following development in the course of a year (on the basis of 100 to represent 1913):

	Monthly	Average
	August	
Agrarian Raw Materials . . .	132.6	116.6
Colonial produce	129.5	110.7
Ind. Raw Materials & Semi-Fin. Goods	131.5	117.7
Industrial Finished Goods . . .	157.5	149.4
Means of Production	139.6	137.7
Articles of Consumption	171.0	158.2
Total Index	138.1	124.7

(Culled from "Wirtschaft & Statistik" 2nd September issue, 1929 and 1930.)

¹¹⁾ It is symptomatic that the big and wealthy mail-order houses in the United States should already months ago have made a considerable cut in prices, preferring a capital loss to a rallentation of turnovers.

¹²⁾ According to the computation of the National City Bank, the sum total of profits of more than 500 leading American joint-stock companies in the first half of 1930 was 30 per cent. lower than in the first half of 1929.

(i. e. manufacture) at a far higher price than that obtaining at present. Therefore the increase in price divergence is in part only apparent.

(b) While raw materials have cheapened, the cost of working them up has increased by reason of too small an exploitation of productive capacity. It is well known that an adequate exploitation of productive capacity has a significant influence on the costs of output.

(c) Prolonged turnover of capital. So as to avoid the increase of productive costs by reason of insufficient exploitation of productive capacity, many enterprises carry on production on a larger scale than would correspond to the actual demand. In many cases it is impossible for technical reasons to reduce production below a certain minimum. Either a certain quantity must be produced or the works must be closed down. Therefore we witness the remarkable fact that despite the pronounced drop in raw-material prices output is continued on a practically undiminished scale, and that thus the stocks, say, of copper, tin, rubber, etc. are greater, rather than smaller, than what they were at the commencement of the crisis¹³⁾.

In agricultural production, the fact that a very great percentage of productional costs—rent or lease, amortisation of fixed capital, fodder for draught cattle, wages of permanently engaged workers, taxes and interest—are independent in their extent of the quantity of production, acts as an exceptional incentive to full exploitation of the area available.

Since the sale of raw materials and finished industrial goods proceeds but haltingly, the period of circulation and the turnover of capital are delayed. From all this it results that in spite of the greatly increased disparity between the price of raw materials and the price of finished industrial goods in retail trade the profits of the finishing industries, of wholesale and retail trade, are smaller than at times of good business with a smaller price disparity.

Effects of the Unequal Recession of Prices.

The lack of uniformity in the price recession of the various categories of goods and in the stages of price formation gives rise to serious alterations in the distribution of the total income of the world, both among the various countries and within the individual countries among the classes of the population. Let us here briefly make mention of the most significant factors in this regard.

As we have seen, the prices of raw materials have in general fallen far more prodoundly than those of finished goods. Those countries which place mainly raw materials and foodstuffs on the world market and purchase industrial goods, are thus very adversely affected in the distribution of the total income of world capitalism. The crisis weighs most heavily on the countries producing colonial raw materials, especially those in whose economy certain goods, the price of which has sharply receded, play an important part, e. g. wheat and wool for Australia, wheat and meat for Argentina, coffee for Brasil, rubber for Farther India, etc. It would be wrong, however, to estimate the losses incurred by the price drop as being limited to these countries. The exploitation of raw materials in the colonial countries lies to a great extent in the hands of capitalists of the imperialistic countries, such as Great Britain, the United States, Holland, and Belgium. The sharp price recession of industrial raw materials means a tremendous loss of super-profits derived by these countries from the exploitation of the colonies¹⁴⁾.

¹³⁾ Stocks of:	August 1930	June 1929
Crude Copper (all America—short tons)	234.100	251.500
Refined Copper (all America—short tons)	348.700	83.100
Zinc (world's stocks—metric tons)	190.800	67.700
Lead (refined, USA.—short tons)	72.800	58.900*
Tin (world's stocks—long tons)	43.500	23.900

* Including Mexico.

The stocks of coal, rubber, grain, and cotton are likewise greater than they were a year ago.

¹⁴⁾ How great is the loss of super-profits on the part of

This diminution of super-profits derived from the colonies naturally decreases, for the bourgeoisie of the imperialist countries, the possibility of corrupting individual sections of the working class by participation in such super-profits and makes for an aggravation of class differences in the imperialist world.

The agrarian and colonial countries, which are most vitally affected by the price drop, are in general at the same time debtor countries, which are liable to pay a great amount every year for the loans raised abroad. If the price drop of industrial raw materials to a great part immediately affects the profits of foreign capitalists, the burden of the interest due on state, provincial, and municipal loans, land mortgages etc. lies mainly on the shoulders of the colonial and agrarian populations. The price recession of raw materials and agricultural produce means that for the payment of the same amount of interest double the quantity of grain or cotton will have to be delivered to foreign countries. The agrarian and colonial countries are therefore harmed in several ways by the unequal price drop, for while they receive less than hitherto for their raw materials they are obliged to pay very nearly as much as a year ago for the industrial goods they import besides which they must cede double as much of their home products to the capitalist countries in payment of interest on their debts.

Under such circumstances it is easily comprehensible that in these countries the crisis has assumed very violent forms, that in a number of cases the further payment of liabilities is jeopardised by an incipient depreciation of currency, and that by reason of the critical situation changes in the form of government and political subversions are the order of the day. (Revolutionary fermentation in India, upheavals in a number of South American countries, etc.)

The burden of liabilities to foreign countries naturally increases not only for the agrarian and colonial lands but also for the pronouncedly capitalist countries of Europe. The burden of Germany's Reparation obligations and of the liabilities of the former Allies in relation to the United States is at present 20 per cent heavier than at the time of their final establishment or of the Young Plan, respectively. So as to be able to meet her Reparations liabilities, Germany must at present cede 20 per cent more goods gratuitously than was the case a year ago. The same applies to Great Britain, France, and Italy in relation with the United States.

With a further price recession this onus will continue proportionally to increase; all the more so, seeing that, in view of the rapid restriction of the absorbing-capacity of the world market in regard to European industrial products, it will be increasingly difficult for the European debtor states to dispose of their goods on the world market with a view to procuring the necessary foreign bills for payments to the United States. It is no mere coincidence that a rumour should have found publication in the German press to the effect that very shortly Germany will have to apply for a moratorium for Reparations payments, as provided for by the Young Plan.

No less far-reaching is the effect of the unequal price drop on the distribution of the national income among the various classes of the population. We have repeatedly pointed out that it is the working class that is called upon to bear the chief burden of the crisis, since retail prices have hitherto hardly receded at all, whereas money wages have in all countries already experienced serious reductions, besides which the income of the workers upon the whole has very greatly diminished by reason of the unprecedented extent of unemployment, which—computing short-time work in terms of full unemployment—now figures on an average in all capitalist countries at no less than 25 per cent of all workers.

the individual colonial enterprises, may be seen by the following stock-exchange quotations:

	Highest Rate 1929	September 1930
Sudan Plant	44.6	40
Calcutta Electric	60	43
Consolidated Tea	34.4½	18½
Rubber Trust	46.9	21.6
Malayan Tin	28	16.6
Cornwall Zinc	52.6	17.6

The capitalists are now endeavouring to increase their profits, diminished by the reasons just recounted, by means of all-round wage cuts. The theory that high wages ensure an absence of crises in capitalist economy, a theory which a few years ago, under the impression of prosperity in the United States, constituted the official doctrine of the reformists and in part also the ideology of the working-up industries, has been completely forgotten under the stress of the economic crisis. Reduction of wages as a presumption for the further reduction of prices, is at present the dominating theory. By means of wage reductions the works are once more to be rendered profitable, which in its turn will afford the possibility of re-employing the workers eliminated from the process of labour.

The mistaken theory that, provided the reduction of prices coincides with the reduction of the wage total, the position of the working class cannot deteriorate, is based on the mistaken theory of Smith (exploded by Marx) that the entire value of goods consists of wages plus profit, a theory which Sombart, for all his admiration of Marx, fully champions in his "High Capitalism". Seeing, however, that the product value also comprises the constant capital which is purchased and productively consumed by the capitalist alone, a price reduction corresponding to the reduction of the wage total undoubtedly represents an increased exploitation of the working class.

Next to the wage-workers, it is obviously the peasantry that is hardest hit by the crisis. The price drop of agricultural produce is particularly pronounced in the present economic crisis. The measures adopted tentatively by various governments to stay the price recession of agrarian products—increase of protective tariffs, formation of pools, agrarian conferences, export-voucher systems, and the like—could not impede the downward trend. And since—as we pointed out above—such elements of production costs as are not influenced by the price drop (viz., leases, mortgage interest, taxes, redemption of fixed capital, etc.) have more than average weight in the production costs of the peasantry, it is the peasants, and in particular those of them who are already in debt, that have most to suffer under the onus of the unequal price recession. But even the capitalist farmers, especially if they have incurred heavy debts requiring a fixed payment of interest, as is generally the case in Europe with its exorbitant ground-rents, are hard hit by the price drop, as is plainly to be seen by the crisis among the big landowners to the east of the Elbe.

The weight, not only of international indebtedness but also of indebtedness within each individual country, grows parallel with the price drop. The debtor is obliged to sacrifice a proportionally greater part of his produce than hitherto for the payment of interest on his debts. The position of the debtor deteriorates parallel to the price recession. In the same proportion, the share of the creditor in the entire product value of the country increases. This is of particular importance in relation to the rentier class and will be yet more so when the price drop comes to affect retail prices in a greater measure than hitherto. The more pronounced the price recession, the greater the share of the rentier class in the total product value of national economy and the more apparent the parasitical character of present-day capitalism.

This process may be seen above all in the budgetary difficulties of the individual states, in whose expenditure the payment of interest on the national debt and on foreign obligations plays an important rôle. With the general price drop the yield of such taxes as are based on price returns (e. g. income and capital taxes, wage taxes, turnover taxes) is bound to sink. On the other hand, the expenditure of the state for payment of interest on its debts is not affected by the price drop. Thus there necessarily result deficits in the state budgets and a threatening incapacity on the part of various states to meet their foreign liabilities.

The serious price decline which we have witnessed for the last twelvemonth is an expression of the aggravation of the internal contradictions in the capitalistic system on the basis of the general crisis of capitalism in its third post-war period. On the other hand, the price drop, which is by no means terminated, makes for a prolongation of the present phase of crisis: for a further shaking of the capitalistic system, and for a further aggravation of class differences.

II. General Section.

Fresh Accentuation of the Economic Crisis.

In place of the improvements predicted in many quarters, the last few months have entailed a further aggravation of the international crisis, an aggravation both in extent and in intensity. There is now no country in the world that is not involved in the international crisis. The last isolated islands of business prosperity—France and the Scandinavian Countries—likewise show tangible symptoms of an incipient economic crisis. Meanwhile in all countries the crisis has gained in intensity. Seasonal revivals, such as are noticeable here and there, show no tendency at all towards consolidation. The renewed sharp price drop on the metal market early in October is a sure indication that the depth of the crisis of all capitalist economy has by no means been reached as yet.

In all capitalist countries we see the self-same general symptoms. A reduction of output, a further increase of stocks, a continued decline of prices, a recession of share quotations, a stagnation in the issue of shares, in the face of great monetary liquidity and low interest rates on the money market. Meanwhile it appears that a change is coming in the matter of monetary liquidity. In those agrarian and raw-material countries which are already so seriously affected by the price drop that, by reason of deficits in their balances of trade and of payments, rendering their currencies unstable, measures have had to be adopted in the form of credit restrictions for the purpose of protecting the currency, a certain stringency is observable on the money market with a corresponding rise in the rates of interest. Most symptomatic of this new development was the raising, early in October, of the bank-rate in Poland from 6½ to 7½ per cent, while the raising of the German bank-rate may be considered an effect of the political crisis on economy.

The total aspect of the business position throughout the world is at present more uniform than it has practically ever been in the history of capitalism. Nowhere is there yet any tangible sign of improvement. The acute price drop of all agrarian produce, the tremendous aggravation of the agrarian crisis, again and again causes a prolongation and intensification of the critical phase in industry. The fact that even prior to the outbreak of the crisis there were unexploited productional plants all over Europe and in many important branches of industry also in America, is naturally a serious obstacle in the way of the new investment of capital for the purpose of creating new productional assets. This precludes one line of development, which in former periods would have afforded a prospect of recovery from the crisis. The intimate connection, moreover, between the general crisis of capitalism and the present critical phase is particularly pronounced in this respect.

Since, furthermore, retail prices have hardly fallen at all, so that, in view of the diminution of the income of the working class and peasantry caused by wholesale unemployment and the low price level of agricultural products, there is no possible extension of the sale of finished industrial goods, such as might counteract the difference between the productive and the consumptive forces in capitalist economy and lead to a new temporary coincidence of supply and demand, the second path that could be expected to conduct us out of the present crisis by an enhancement of the output of finished goods, is likewise barred. It follows that we shall have still to reckon with a fairly long duration of the present crisis.

Further Aggravation of the Agrarian Crisis.

Although there are as yet no final data to hand regarding the outcome of the world's harvest, it is already apparent that in the staple products of agriculture, grain and textiles, overproduction is likely to be aggravated, if anything, in the coming twelvemonth. The only hope of what would naturally only be a temporary alleviation of the agrarian crisis, the hope of a failure of the crops in some important area of production, has not been fulfilled. Prices continue to fall. True, by reason of the poor crop of maize in the United States this year, caused by drought, there was a pronounced upward tendency in the

price of maize early in August, which also caused the price of wheat to rise. The price movement was caused by speculation, but collapsed in view of the great amount of wheat on offer. In September, grain prices continued to fall and at the beginning of October reached the lowest point recorded for years, averaging 80 cents a bushel in Chicago.

Definite returns regarding the harvest are yet available. Roman Agrarian Institute, meanwhile, sums up the outcome of the harvest as follows:

"It may be predicted that when the returns from the northern hemisphere are known, there will be seen to be a slight increase in the total harvest of wheat and a rather more prominent falling-off in regard to the other species of grain. Compared with the average of 1924/28, the final result will probably be higher in the case of wheat, rye, and lower in that of oats¹⁵⁾."

The price formation in regard to wheat, and therefore in regard to grain in general, is, however, increasingly dependent on the crops of the southern hemisphere, of Australia, and Argentina. In respect to Australia, the Roman Agrarian Institute points out that the area under wheat is this year greater than ever before in the history of that continent, 1.3 million hectares more having been cultivated than in the preceding twelvemonth. In Argentina, too, the cultivated area has been extended. As the harvest prospects in these two important countries are thoroughly satisfactory, the entire world crop will presumably be greater than that of 1929.

"By reason of the great increase in the crops of the southern hemisphere, the world's output of wheat will be considerably in excess of what it was last year; without the Soviet Union it will figure at about 970 million double centals, which represents an increase of 50 or 55 millions¹⁶⁾."

Furthermore, the transition stocks, though slightly diminished this year in view of the weaker output of wheat in Canada and the United States, are nevertheless "enormous", to quote the expression used by the Institute. Together with the new crop, they will yield a supply for the current harvest year of roughly 50 million double centals more than a year ago. Since the entire world trade in wheat comprises roughly 200 to 250 million double centals, this means that in the current harvest year the world market will be encumbered with an overproduction of wheat 25 per cent (of the world demand) in excess of that recorded last year, and this without even counting the wheat to be exported from the Soviet Union. In such circumstances it is not surprising that prices should continue to fall.

Nor is there any prospect that consumption will particularly increase in the current year. The bad outcome of the maize harvest in America may be expected to absorb a certain quantity of bread-cereals for feed purposes. On the other hand, in view of the international economic crisis and especially in those countries (such as China) where wheat is considered a luxury by the broad masses of the population, as also among the millions of unemployed in Europe, the consumption of wheat is likely to recede. There is therefore no prospect that the price of wheat will improve in the course of the harvest year; on the contrary, a further decline is presumable. The case is similar in regard to the other cereals.

An improvement in the prices of grain could only be effected by a very pronounced restriction of the area under cultivation. In the United States, vigorous propaganda in this direction was put forward by the Farmers' Board, but without any tangible results. The cultivated area is slightly smaller, but apparently not in consequence of voluntary restriction there of on the part of the farmers, but by reason of the bankruptcy and consequent elimination of many of their number.

As we have frequently pointed out, and as Professor Sering, the greatest international bourgeois authority on this

¹⁵⁾ "Revue Internationale d'Agriculture, Bulletin Mensuel", September 1930.

¹⁶⁾ *ibid.*, page 401.

subject, confirmed at the Königsberg meeting of the Social Political Association on the strength of observations made during his visit to America, the expansion of the area under wheat is continually progressing in the semi-dry regions of the United States, Argentina, and Australia.

"With the aid of machinery (tractors, combines, etc.) and of new methods of cultivation, it has been found possible to open up for grain those semi-dry regions lying in the interior of the great continents and which could hitherto only be employed by the most extensive forms of agriculture. To-day the conviction obtains that it is just here that the ideal conditions prevail for a complete mechanisation and motorisation of grain cultivation. Level stretches devoid of stones absolutely dry and reliable harvest weather, and very cheap ground render possible an extensive and concentrated cultivation of wheat without utilisation of the straw. In the United States, the additional area thus made available for grain cultivation is estimated at 16 million hectares, while in Argentina and Australia the regions in question are yet more extensive."

In these tremendous regions, therefore, grain cultivation on a capitalistic basis and with the aid of the most up-to-date machinery still proves profitable in spite of the low grain prices. There a further expansion of the grain area is still in progress. In all older regions of grain cultivation, with their scattered peasant farms, a restriction of the cultivated area is almost impossible if the concern is to be kept going, since, as has already been explained, those elements of the costs of production which encumber the enterprises independently of the extent of the cultivated area, are wholly preponderant. Here it is a question of either cultivating all the available area or courting ruin. It is for this reason that the agrarian crisis presses so heavily on the peasant farmers throughout the world.

The European farmers are advised to turn their attention to cattle-breeding, poultry-farming, and the cultivation of fruit and vegetables. As a matter of fact, the prices of cattle products have relatively sunk less than those of grain. It is obvious, however, that just in the present stage of crisis and in view of the existence of an organic unemployment constantly spreading independently of the development of industrial cycles, the demand for farm products of a more expensive nature is likely to be smaller and smaller. In certain European countries with a relatively high standard of living, such as Great Britain, this is an expedient: for the great masses of peasants throughout the world, who still constitute the bulk of the earth's population, no help is to be found in this direction.

It is obvious, as has already been pointed out, that the agrarian crisis of post-war times is a permanent phenomenon. Within the capitalist system there can be no solution of this crisis for the overwhelming mass of peasant farms, since in the given circumstances they are unable to compete with the great capitalist agricultural enterprises. The fate of the peasantry in the capitalist system lies either in an abandonment of independent existence and inclusion in the ranks of the proletariat, thereby augmenting chronic unemployment, or else in persistence in tilling the soil in the face of ever-increasing impoverishment and decline.

The Campaign against Alleged Soviet Dumping.

The good harvests of the current economic year—in part already the outcome of improved cultivation on the collective farms—have enabled the Soviet Union to place increased quantities of grain on the world market. It is obvious that in view of the preponderance of supply over demand already existing on the international grain market, the reappearance of Soviet grain on the world market was bound to accelerate the tendency of prices to decline.

This fact was made use of by the capitalist press for the purpose to divert the embitterment of broad peasant masses from the bourgeoisie of their own countries in the direction of the Soviet Union and the Communist movement. In thousands of articles it was asserted that the Soviet Union was offering grain at far below the normal price with a direct view to accelerating the price drop on the world grain

market and thereby to create among the peasant class of the capitalist countries a better soil for Communist agitation, for the overthrow of the capitalist order of society, and for the destruction of "culture and civilisation".

This manoeuvre is altogether transparent. It is naturally a ridiculous assertion that the Soviet Union exports grain for the purpose of undermining the price level on the world market and augmenting the dissatisfaction of the peasants. From the above-cited data of the Roman Agrarian Institute it is perfectly apparent that even if the Soviet Union were eliminated the supply of grain would this year far exceed the demand therefor. The quantities exported this year by the Soviet Union amount to no more than a fraction of the surplus supply recorded by the Roman Agrarian Institute. The exportation of grain by the Soviet Union is effected for the same purpose as is any other sort of exportation, serving the purpose of procuring foreign means of payment for the purchase of machines and raw materials required for the realisation of the Five-Year Plan.

It is obvious that the Soviet Union is interested in disposing of its grain on the world market at as good a price as possible. Nevertheless, this occasion has been made use of by the French Government, in violation of the general rules governing international trade, for the purpose of making the importation of Russian grain and other agricultural produce subject to a special official permit.

A particularly virulent agitation has been carried on against the Soviet Union in the United States owing to the fact that the Trade Mission of the Soviet Union in Washington sold five million bushels of wheat by "blanco transfer" on the Chicago Grain Exchange. This was looked upon as a bear speculation and as a measure artificially to diminish the price level. The United States Secretary of State for Agriculture demanded that blanco operations on the part of foreign Governments be forbidden on the Chicago Grain Exchange. In thousands of articles, published in millions of copies, this libel against the Soviet Union was spread abroad. It was only very few serious organs of the bourgeoisie in America that ventured to contradict it.

The matter in question was an absolutely normal commercial transaction, such as is generally practised in international trade. We may here quote the statements of the "Annalist", the well-known American weekly of the big bourgeoisie, seeing that we should not be able to delineate the matter better ourselves.

"In view of the confusion apparent in the public utterance of almost all speakers and writers on this subject, beginning with the Secretary for Agriculture, it appears essential that these events (i. e. the selling operations of the Soviet Union) be explained in the light of some simple directives which ought nowadays to be known to every one but are seemingly not sufficiently known.

"There might be two reasons for the Soviet Union to effect blanco sales of wheat in this country through its official commercial representative. In the first place, it might be an out-and-out speculation. It is hardly likely, however, that any government, even that of the Soviet Union, would be willing to incur the tremendous risk obviously involved in a speculative transaction of this kind. A far more simple and plausible reason for the recent blanco sales is that they were simply made to cover engagements. For the Secretary of States for Agriculture the very fact that the Soviet Government would not be able to import the wheat in view of the customs duty of 42 cents, is sufficient proof of the shady nature of the blanco sale. But supposing the Soviet Government considers the present prices satisfactory and is willing to sell part of its crops at this price level but unable to supply the goods at once, it may, like every private wheat farmer, effect forward sales on any market open to such transactions in wheat.

The Chicago grain exchange is the greatest wheat market in the world, besides which the Soviet Union may have other reasons to choose Chicago as the place in which to effect its covering sales. It may sell for delivery in December, say at 80 cents a bushel. It may be desirous of selling wheat in December and delivering it to any country, say England. If at that time wheat costs 70 cents a bushel, the Soviet Government will, like any private wheat producer, cover its forward sales in Chicago by

purchasing wheat at 70 cents, which will close the deal. If prices rise, the result will be the same. In either case, the Soviet Union will neither reap a profit nor suffer a loss. In other words, Russia—contrary to the Farm Board—sells its wheat harvest in advance simply because it does not desire to speculate¹⁷⁾.

The article goes on to say that every American wheat dealer who buys wheat at current prices in the autumn, will sell wheat forward simultaneously with his purchases so as to ensure himself against a subsequent fall of the price. The mills that conclude contracts with bakers to supply flour during a longer period, at the same time purchase wheat forward so as to be protected against a later rise of price. The Soviet Union acted similarly.

"This transaction is an instance of a recommendable business practice containing far less of the speculative element than the recent wheat purchases or the latest wheat loans effected by the Federal Farm Board."

The same view of the case is held by the most serious dailies of the United States big bourgeoisie. The "Wall Street Journal" declares that the Farm Board, whose policy has completely failed although 250 million dollars have been spent on an attempt at price stabilisation, desires to cover up its own lack of success by denouncing the interference of the Soviet Union.

"The attempt to shift the blame on to Russian conspirators can satisfy only such economic philosophers as exchange ideas on the benches in a park", writes the "New York Times".

"Russia sells grain abroad because it requires money, and an average business understanding will show that it is more advantageous to sell before the warehoused stocks in Canada and Australia are pressed upon the buyers," says the "New York Journal of Commerce" (as quoted by the "Literary Digest" of October 4th, 1930).

We must not allow ourselves to indulge in any illusions, however. These serious organs of the bourgeoisie do not suffice to outweigh the unscrupulous campaign waged in this connection against the Soviet Union by the popular press of the whole world. It is for the Communist press to oppose this agitation.

The Helplessness of Economic Policies.

The economic and agrarian crises place the governments of the individual countries face to face with problems which find them utterly helpless. There is a chaos of conflicting suggestions, abortive attempts, and impracticable plans. The serious crisis of capitalist world economy has led to a crisis in economic politics. The means hitherto employed can neither solve the market problem nor stay the recession of prices.

The old ideology of free trade, the ideology of the bourgeoisie which fought against the feudal restrictions of commercial intercourse and created the world market, has its day. Even in Great Britain, the classical stronghold of free trade, it is at present only "a few old gentlemen" (as Baldwin put it) that still uphold the free trade banner.

The present directives of commercial policy are those of a constant increase of customs duties. Thus recently the duty on wheat was raised in Germany to 18½ marks per double cental, and then again to 25 marks per double cental, as against a pre-war duty of 5½ marks. In Italy, a wheat duty was introduced in 1925 at the rate of 7½ gold lire; at the end of 1928 it was raised in Germany to 18½ marks per double cental, and then summer of 1930 to 16½ lire. The Canadian Government has just submitted a new customs tariff, providing for an increase in 130 customs items by an average of 25 per cent and particularly affecting imports from the United States, including agricultural machinery and textiles.

But duties can only stay the fall of prices on the home markets, if the output of the goods thus protected does not suffice to cover home requirements or if an energetic monopoly organisation of the producers places the surplus production abroad, albeit at below cost price. But since there is an over-production in all industrial countries, the reciprocal process of dumping tends to make customs protection an illusion, since

such mutual dumping necessitates a constantly renewed raising of the protective tariffs.

In agriculture with its millions of scattered undertakings, there is no possibility of a monopoly organisation. Therefore protective tariffs fail to operate in the case of exporting countries.

Hence the attempts to introduce (in various countries, such as Germany, Hungary, and France) the export-voucher system which worked fairly satisfactorily in Germany before the war. In Germany and Hungary the attempt has failed. It failed in Germany firstly because, in view of the great over-supply of rye on the world market, exportation from Germany on the strength of export vouchers acted more and more depressingly on world-market prices, and secondly because it was impossible with state finances in their present bad position to raise hundreds of millions of marks for this purpose. Thus the issue of export vouchers had to be suspended. In Hungary, the system adopted was such that a purchase of wheat could only be effected if the buyer paid a certain sum per double cental to the Treasury, which was to subsidise export trade and assist agriculture out of the proceeds. This system likewise failed to answer its purpose, for prices on the home market dropped yet lower, the abundant supply causing the respective dues to be shifted onto the vendor.

Not only have these new attempts failed, but even the Canadian pool, which has been operating successfully for years, is seriously menaced. This year, the cash payment for the deliveries of the pool members is only 55 cents per bushel as against one dollar last year. Many members effect sales to grain dealers in violation of their obligations, a fact which has led to numerous law-suits. A further drop in wheat prices may mean the dissolution of this masterpiece of "organised capitalism".

The inadequacy of all economic policies in combatting the crisis is causing serious opposition not only to free trade but also to the system of most-favoured-nation treatment. The most-favoured-nation clause, hitherto a regular feature of all commercial treaties, provides that any customs reduction accorded by either of the contracting states to any third state shall automatically find operation in favour of the other contracting party as well. Irrespective of customs duties, the most-favoured-nation clause is to ensure an equality of competitive conditions for all contracting states¹⁸⁾.

But equality of competitive conditions can only exist between economically equally powerful states. Of what use is it to an agrarian state that it should be allowed equal conditions for the importation of machinery into another country? Of what use is the most-favoured-nation clause when the decisive factor is the possibility of according long-termed credits and combining the exportation of goods with the exportation of capital? The more supply exceeds demand on the world market and the more acute competition grows, the smaller will be the economic value of the most-favoured-nation clause to economically less powerful states.

This applies quite particularly to the export trade of the European agrarian states, especially the Balkan and Border States. All demands put forward at the various conferences of the eastern states at Sinaia, Bukarest, Warsaw, and Athens¹⁹⁾, are ultimately, directed at substituting something better for the most-favoured-nation clause, which gives these countries a seeming equality with the United States, Canada, and Australia on the markets of western Europe but which thereby exposes them to an overwhelming competition. (For obvious reasons, most stress is laid on the competition of the competition of the Soviet Union.)

This new economic-political method has by no means taken definite shape as yet. In the joint answer given by the representatives of Hungary, Rumania, and Yugoslavia to the questionnaire of the League of Nations in regard to desirable measures against the economic crisis, the following demands are put forward²⁰⁾:

¹⁸⁾ In practice, this system has been transgressed against for a long time past. The British Dominions and colonies accord Great Britain preferential treatment, as the French colonies likewise do in regard to France.

¹⁹⁾ Apart from their economic aims, these conferences pursued foreign-political objects, such as alliance against the Soviet Union, or the French attempt at making a combine of the Balkan states against Italy.

¹⁷⁾ "Annalist" of September 26th, 1930, article by B. Ostrolenk.

1. Creation of a customs-tariff under which the importing countries accord certain preferences to the European countries of agricultural production.

2. Establishment of a reasonable price level calculated to encourage the European producing countries to increase their purchasing power, whereby an increase in industrial output will be rendered possible.

3. Full freedom of trade in grain on European markets and abolition of all obstacles impeding grain trade and the importation of other agricultural products.

Finally, the above-named governments point out the necessity of abolishing the privileges accorded by various great European port administrations for agricultural products from overseas with a view to the artificial increase of traffic in their harbours."

The idea underlying the first item is that of attaining a lower rate of customs in the European countries importing agricultural products, viz Germany, Austria, Italy, Belgium, Switzerland, and the Scandinavian countries (Great Britain, which has at present no duties for agricultural products, not being concerned in this connection) in favour of the European agrarian exporting countries as compared with their oversea competitors, naturally including the Soviet Union.

The second item points to the increasing purchasing power to be anticipated in the agrarian East for the industrial products of western Europe provided the prices of agrarian products are established at a "reasonable level".

The third point is directed against the obligatory milling of home wheat in Germany and France, against plans for a state grain monopoly in Great Britain, and the like.

Discounting minor matters, such as the standardisation of statistics and of the units of agricultural output, these suggestions concur with the resolutions of the Warsaw Agricultural Conference. The resolution expressly says:

"6. The Conference shares the attitude expressed by certain governments in their answers to the questionnaire of the Customs Peace Conference, in which the states in questions expressed themselves in favour of a preferential treatment to be accorded to cereals and other agricultural produce of European origin by the importing countries of Europe. Such a preferential treatment, which would obviously be in contradiction to the principle of most-favoured-nation treatment, could not harm the interests of oversea countries, since these would always continue to cater for any surplus demand on the part of Europe. But even the protective-tariff countries with a substantial shortage in their agrarian output would suffer no harm from this arrangement, since prices would continue to be established by the general tariffs. A restriction of the most-favoured-nation clause is the only effective means of removing the agricultural crisis."

There is only one essential new item, which demands an abolition of export premiums for agricultural products.

The League of Nations naturally turned down these suggestions, which for the West-European industrial countries would represent a defiance of the great oversea countries, the United States, Canada, Argentina, and Australia. A simple calculation shows²¹⁾ that the possible

²⁰⁾ "Frankfurter Zeitung" of September 1st, 1930.

²¹⁾ Germany's exports, e. g. to the countries of the East-European agrarian bloc figured as follows in 1929 in percentage proportion to the export total:

Albania	0.0		
Bulgaria	0.3		
Estonia	0.3		
Finland	1.4		
Greece	0.6		
Yugoslavia	1.1		
Latvia	0.7	against Canada	0.6
Poland	2.5	United States	7.4
Rumania	1.9	Argentina	2.8
Hungary	1.1	Australia	0.6
	8.5		11.4

(From "Statistisches Jahrbuch für das Deutsche Reich", 1930, p. 234.)

increase in the purchasing power (for industrial goods) to be anticipated in the East-European countries in the eventuality of any such agreement, could by no means counter-balance the harm of incurring a customs-conflict with the oversea powers. At the same time, any such arrangement would frustrate the plans for forming a British Empire customs territory and also the special treatment of French colonial products in France.

The small East-European agrarian states have naturally no means of forcing the West-European Powers to consent to such an agreement. They are financially, economically, and politically dependent on the great imperialist countries. The only thing they can throw into the scales is their role as suppliers of cannon fodder in a war against the Soviet Union.

Nevertheless we believe the system of most-favoured-nation treatment is approaching its termination. Driven by the misproportion between output and disposal, the bourgeoisies of all countries are seeking to ensure their sales by separate agreements and mutual contingents (i. e. obligations to purchase certain quantities of goods within the period of a year²²⁾). This, however, presumes a uniform control of both supply and demand in foreign trade; hence the tendency towards creating government foreign-trade monopolies, e. g. a grain monopoly in Great Britain.

The present economic crisis which, on the basis of the general crisis of capitalism, has caused the very greatest confusion in all economic relations of the capitalist world, has likewise occasioned a crisis in the economic policy of capitalism, characterised by a senseless accumulation of measures, recalled shortly afterwards (Germany), cautious, tentative steps among insuperable internal obstacles (free trade within the British Empire), or hopeless appeals to the League of Nations (East-European countries). All this is symptomatic of the seriousness of the crisis in the economic policies of capitalism.

Unemployment.

The summer months, which by reason of the expansion of agricultural and building operations entail a vigorous seasonal relief of the labour market, have this year passed almost unnoticed. In Great Britain the summer brought no relief. Apart from small weekly fluctuations, the number of unemployed steadily rose. At the end of September it stood at 2,160,000 and to-day reaches the total of the most critical year, 1921. In Germany the seasonal relief was already at an end in July²³⁾. Since then there has been an increase in the total of unemployed, which stood in September at 3 millions; will by the end of the year have reached the 4 millions mark, and may possibly amount to 5 millions in the early months of next year. In the United States there are no unemployment statistics, but we can arrive at an estimate by the following calculation:

The index of the "Board of Labor" regarding the number of employed workers in the big industries figured as follows (on the basis of 100 to represent the level of 1926):

August 1929	98.6
August 1930	79.9

Decline: 18.7

Seeing that in August 1929 there were also no small number of unemployed, since in the last four years the number of those seeking employment has considerably increased by the natural accretion to the population and by immigration,

²²⁾ Instances of such arrangements are increasing in number. A modification of the German-Finnish commercial treaty was made possible by the obligation on the part of Germany to purchase a certain quantity of cheese every year. Special interest attaches to a report in the "Berliner Börsenzeitung" of October 3rd, according to which an exchange of rubber or silk against cotton is contemplated between Great Britain and Japan.

²³⁾ According to a report by the German Association of Agricultural Workers, there were even in the month of July 55,000 agrarian workers in search of employment in Germany ("Vorwärts" of September 23rd, 1930). Of the constructional workers, no more than 60 per cent. were fully occupied at the height of the building season, i. e. in June, July, and August.

we may safely assume that at present the number of unemployed in the big industries figures at quite 20, if not at 25, per cent. If we apply this proportion to the total number of workers — in which connection it may be assumed that unemployment is about equally great in agriculture, in mining, among artisans, in the transport industry, and in commerce²⁵⁾ — we arrive at a total of something between 6 and 9 million unemployed in the United States²⁶⁾.

A similar state of affairs obtains in all the capitalist countries, including Australia, South America, and the like. Though in the lastnamed countries there are no statistics of unemployment, both the accounts of individuals and a rational consideration of the consequences of the wholesale raw-material crisis point to the existence of great numbers of unemployed.

The

Proportion of Unemployed in the Trade Unions

(or, respectively, among insured workers) figured as follows²⁶⁾:

	Average 1930							
	1929	March	April	May	June	July	August	
Great Britain	10.5	14.0	14.6	15.3	15.8	17.1	17.5	
Germany	14.6	22.9	21.3	20.6	21.1	22.4	22.8	
Belgium	4.3	6.7	8.0	7.0	7.0	8.0	—	
Denmark	15.5	15.6	11.9	10.0	8.8	9.1	9.1	
Netherlands	7.8	8.7	6.9	6.2	6.1	6.7	—	
Norway	15.4	17.8	15.8	12.3	10.8	—	—	
Sweden	10.2	12.5	11.1	8.3	8.1	7.8	—	
United States ²⁷⁾	7.1	7.1	7.3	7.9	9.6	11.8	—	

Unemployment is becoming more and more a central problem of capitalist society. 20 to 25 per cent. of the workers unemployed! Among them being many who have been out of work for over a year, or even two years; many of them have grown up without ever having obtained work; capable, willing young men and women for whom capitalist society has no use. The inner rottenness of capitalism, the fact that it has outlived its time, here receives its most striking expression.

The million army of the unemployed is becoming a social danger to the capitalist order of society. A quarter of the population without productive incomes. A quarter of the population delivered over to starvation, living on state benefit or the poor law.

It is no wonder that fear of the unemployed is constantly increasing.

According to the stability of the capitalist system, the attitude of the bourgeoisie towards unemployment differs.

In the United States, where the bourgeoisie is still pretty sure of its position, governmental relief for unemployment is just beginning to be spoken of. Certain concerns have introduced a private system of insurance for their workers²⁸⁾. But at the congress of the American Federation of Labor, Mr. Hoover declared a governmental unemployment insurance to be degrading for the American worker, an utterance which was warmly seconded by Mr. Green.

In Great Britain, where in the absence of a peasant class (upon which to rely in the subjugation of several hundred million colonial people) the bourgeoisie does not desire to provoke the army of British unemployed and where for the time being colonial super-profits still make it possible to

²⁵⁾ Among members of the American Federation of Labor, in which typographers, constructional workers, railwaymen, and tailors play the main rôle, unemployment also averages more than 20 per cent.

²⁶⁾ According to the census of April 1930, there were at that time 2,508,151 unemployed. This is an out-and-out fraud.

²⁷⁾ These figures are culled from the latest quarterly publication of the German "Institut für Konjunkturforschung" (5th year, vol 2, part B, p. 72). They do not altogether concur with the figures published in the newspapers nor with those in the "Economist". For Germany they are slightly higher for Belgium (owing to the inclusion of "temporarily" unemployed workers) they are three times as great as the figures ordinarily reported. They seem to us to be nearer the truth. Certain newer returns have been calculated proportionately by us.

²⁸⁾ Below the degree of occupation in 1923/25.

support the unemployed, unemployment relief is in full operation. It costs the British state budget vast sums. Opinion as to the "immoral" effects of the dole is growing, but for the present no one thinks of tampering with governmental unemployment relief.

The problem is hardest for the bourgeoisie of Germany. The great aggravation of class antagonisms, the rapid increase in the influence of the Communist Party, the general radicalisation of the working class, and the approach of a revolutionary situation made it appear most advisable to mitigate the discontent of the millions of unemployed by a relatively liberal measure of relief. But the German bourgeoisie has no colonial super-profits as the British bourgeoisie has; on the contrary, it is forced under the Young Plan and for the payment of interest on foreign capital, to pump an annual sum of 3000 million marks out of the German proletariat over and above its own profits. The budget shows a pronounced and rapidly increasing deficit and the burden of unemployment grows heavier and heavier.

"At present the receipt of unemployment-insurance benefit is no longer the normal form of support upon the loss of employment, but only a temporarily limited stage in a way which leads from the central institute via emergency relief to the municipal welfare relief institutions," says E. Bandmann very aptly in the "Wirtschaftsdienst" (of August 22nd).

Ever increasing masses of unemployed are shifted onto the welfare institutions of the municipalities, whose finances are also not equal to such a burden. We shall revert to this matter in the Special Section.

Numerous plans are made, but the problem grows more and more menacing. The writer just quoted also remarks:

"It has become questionable whether in the winter law and order and the continuance of normal economy can be maintained without recourse to armed force."

The same problem faces Poland, Hungary, Austria, Italy, and all other countries without universal unemployment relief where there are great masses of unemployed. In the general national crises resulting from the economic crisis in these countries, the army of unemployed is bound to play a special rôle.

The Prospects of Further Development.

The most burning question both for the capitalists and for the workers of all the world, is whether the crisis has yet reached its height. How long will the crisis still last and when will an improvement set in?

If we regard the above data of production and circulation, we can establish with scientific certainty that there cannot be any question of tangible indications of an approaching end to the crisis. Nay, taking the whole world economy into consideration, there is as yet not even reason to assume that the crisis has reached its extreme point. In a few of the smaller countries a slight improvement is noticeable here or there in individual lines of production, but in the decisive, highly capitalist countries, such as the United States, Great Britain and Germany, the crisis is still growing in intensity, while the aggravation of the agrarian crisis constitutes an increase of the general economic crisis in all countries producing agrarian and raw materials. We see neither an increase of output nor a stabilisation of the price level, nor yet the commencement of a reduction of visible stocks, nor an increase in the volume of

²⁹⁾ The "General Electric" with Mr. Young at its head, has introduced the following "voluntary" system of insurance for its 73000 operatives: Those voluntarily desiring to participate pay one per cent. of their earnings into a special fund during a period of three years. The enterprise pays the like sum and also interest on the entire sum at the rate of 5 per cent. Part of the money thus raised is to be lent to the participants, while 70 per cent. of it is paid out as unemployment relief, but only to the extent of 50 per cent. of the weekly earnings and that only for 10 weeks in the year. A worker quitting the concern before the lapse of three years obviously forfeits his claim to this support. A system of binding the workers to the enterprise.

orders, nor an enhanced importation of raw materials, such as would point to an incipient improvement. In so far as the development of capitalist economy is to be followed on the strength of the deficient and belated statistical data available, there are no tangible signs of a change for the better in the near future.

Analogies drawn from the industrial cycles of pre-war times cannot be easily applied to the present period of capitalist decline, as the bourgeois commentators attempt to do.

The main difference between the pre-war period of capitalist development and that now in progress lies in the fact that at that times, apart from alterations within an individual industrial cycle, the market for capitalistically produced goods was constantly and rapidly extending as the peasants turned into producers of commodities and the capitalist system of production spread to ever wider regions. In the decisively important countries of capitalist economy, the United States, Great Britain, and Germany, the first-named process has almost wholly ceased. The expansion of the capitalist market to new, less developed countries is still in progress, but it more and more assumes the form of a mere industrialisation of the regions in question, instead of consisting — as was the case in the nineteenth century — exclusively of an exchange of the industrial products of Europe against the raw materials of the said less developed countries. The Soviet Union, meanwhile, has been eliminated from capitalist world economy.

One of the most important means of speedily surmounting the crisis in the period of the upward development of capitalism, the spasmodic expansion of the capitalist market, now no longer exists. The general crisis of the capitalist system, therefore, is manifested in the fact that in the most highly developed capitalist countries, unutilised means of production and unemployed armies of workers existed even in the phase of great business prosperity.

In view of the insufficient statistical data, predictions as to future developments (with a more or less accurate indication of time) are extremely difficult to make. Generally speaking, however, we may make the following forecast:

There can be no question of an incipient general improvement in the economic position before the middle of 1931. The year 1931 will therefore quite certainly be a year of crisis for world capitalist economy. It is not excluded that the extreme point of the crisis has even now not yet been reached, so that there is some possibility of the year 1931 proving even more critical than the current year has proved.

Such a recognition is of great political importance, since in many countries the crisis is just in a state of transition from a purely economic into a general political one. For the further development of the crisis and therefore also for the policy of the Communist Parties, it is of decisive importance that the development of a political or general national crisis will for many months not be impeded by any new upward movement in economy.

In those countries in which capitalism will survive the general national crisis, it will only be in several years' time, if at all, that fairly normal conditions will once more obtain.

Among all European statesmen, Mussolini has showed the greatest degree of understanding in regard to the situation, as expressed in his speech to the Board of Corporations on October 1st.

"The crisis," he said, "has just reached its height with a series of new critical occurrences in America. The alternative outlook is now obvious: either a collapse or an improvement. Seeing that neither humanity nor international economy can perish, an improvement seems absolutely certain. In this respect, however, we must not anticipate events. The cycle of recovery must last for at least three years, if we are to establish a period for the transition from the present bad situation to one of relative prosperity."

Whether, as Mussolini opines, the crisis has actually already reached its height, seems questionable, but that it will take three years before a certain degree of prosperity can be regained is perfectly true.

III. Special Section.

Germany.

The aspect of economic development in the last few months shows a wholly uniform development of the economic crisis extending without exception to almost all branches of production.

The comprehensive production index of the Institute for Business Research shows the following development (on the basis of 100 to represent 1928):

April	May	June	July	September	July 1929
95.8	90.8	85.7	84.5	81.6	107

Thus, already in July, industrial production was 22 per cent below July of last year. The individual returns to hand for the months of August and September show industrial production still to be rapidly declining. The reports of Chambers of Commerce and other organisations, too, confirm the further deterioration or else the persistence of the bad business position. Increasing unemployment points in the same direction.

The following table shows the development of production in heavy industry during the last few months in comparison with last year.

Output of Heavy Industry (In Thousands of Tons)

	1929			1930		
	July	August	Sept.	July	August	Sept.
Hard Coal . . .	14,362	14,467	13,480	11,605	11,471	11,729
Brown Coal . . .	14,885	15,120	14,220	12,250	12,285	12,821
Pig Iron . . .	1,204	1,169	1,110	771	739	653
Crude Steel . . .	1,466	1,402	1,234	906	897	814
Rolled Mat. . .	1,030	1,018	1,002	664	620	831

The coal output has remained stable during the last few months, but a great part of the output has not been sold. Coal stocks have increased greatly of late months.

Pithead Stocks in the Ruhr Mines.

	Coal	Coke	Briquettes	Total
	Tons	Tons	Tons	Tons
End of December . . .	655,000	813,000	55,000	1,750,000
End of April . . .	2,120,000	2,260,000	53,000	5,070,000
End of May . . .	2,395,000	2,260,000	51,000	5,780,000
End of June . . .	2,500,000	2,765,000	50,000	6,090,000
End of July . . .	2,760,000	3,000,000	50,000	6,660,000
End of August . . .	2,820,000	3,260,000	49,000	7,100,000

Total pithead stocks (coal, and briquettes in terms of coal) end of September 7,500,000 tons, end of October 7,900,000 tons.

The accumulation of great pithead stocks is apparently to ensure a certain degree of preparedness in the case of wage movements or political mass strikes.

A similar state of affair obtains in the iron industry.

The crude iron consumption is looked upon as the best individual index for the trend of business. The Institute for Business Research arrives at the following interesting results in calculating the duration and extent of the falling off of crude iron consumption in former critical phases:

Critical Period	1900	1907	1925	1928
Duration of Recession in Crude-Iron Consumption in Months	11	13	11	29
Recession in Percents	29.0	20.7	40.5	39.8*

*To July 1930.

This table shows that, reckoned by the crude-iron consumption, the degree of crisis is far greater to-day than it was in any previous critical period.

The recession is shown most drastically in engineering and the metal-working industries in general.

In September and October the position in engineering continued to deteriorate.

On the basis of 100 for 1928, the output of the automobile industry dropped in the course of August to 45.6. It is a

present less than one third of the output in the second quarter of 1929²⁰).

Locomotive and the electro-technical industry were equally depressed throughout July, August, and September. Only in the chemical industry was there (according to the report of the "I. G.") no further decline in sales.

Among the industries manufacturing articles of consumption, the position of the textile industry shows an all-round deterioration, apart from some quite trifling seasonal revivals.

Returns regarding the consumption of wearing apparel, calculated from the turnover-values of retail trade, as represented by leading firms, show a pronounced decline in the last few months.

The decline in the sale of commodities is in closest connection with the growth of unemployment, the serious wage cuts accompanied by merely a trifling drop of retail prices, and the bad position of the peasant class by reason of the agrarian crisis.

Unemployment.

During the last few months, unemployment has continually increased. The deterioration of business, and in particular the small degree of occupation in the constructional industry, completely cancelled the seasonal improvement in employment otherwise experienced around this time of year. Expressed in thousands, the number of unemployed in the last few months figured as follows:

End of May	2,635
End of June	2,626
End of July	2,765
End of August	2,873
End of September	3,030

The unemployment total is more than twice as great as in the corresponding period of last year.

Already in August, no more than 63.8 per cent of the workers organised in trade unions were fully occupied. The same proportion may be said to apply to the total of workers in Germany, since owing to the treacherous policy of the A. D. G. B. (General German Trade-Union Federation) and the resistance of the reformist trade-union functionaries to any sort of strike, employers now no longer prefer unorganised labour to that organised in the trade unions.

The returns for the month of September are just to hand. Unemployment has increased to 22.8 per cent, short-time work to 14.5 per cent of the total of workers.

The loss of wages through unemployment means that the purchasing power of the working class has correspondingly decreased. This means a reduced sale of commodities, particularly such as are not indispensable from day to day, as e.g. furniture, household utensils, wearing apparel, or books, and makes for a prolongation of the crisis.

In former crises, the sale of any surplus production of goods was facilitated by a reduction of prices. So far, this has not been the case in Germany in the present crisis save in a very slight degree. True, the wholesale prices of raw materials and foodstuffs have dropped considerably, but the prices of finished industrial goods and the cost-of-living index have receded very little, as may be seen in the following table (on the basis of 100 to represent 1913):

Official Wholesale Index:

	Agrarian Materials	Gro- ceries	Ind. Raw Materials u Semi-Fin Products	Finished Indu- trial Gds. Means- of Prod.	Commo- dities	To- gether	Total Index	Unemp. Cost-of- Living Index
1927	137.8	129.2	131.9	130.2	160.2	147.3	137.6	147.6
1929	130.2	125.2	131.9	138.6	171.6	157.4	137.2	153.8
1930:								
July	114.8	113.5	119.4	138.0	159.9	150.5	125.1	149.3
August	116.6	110.7	117.7	137.	158.2	149.4	124.7	148.8
Sept.	113.5	107.8	116.3	—	—	148.4	122.8	146.9

²⁰ "Weekly Report of the Institute for Business Research" of October 1st, 1930.

As we see, the wholesale prices for industrial articles of consumption were only 7 per cent lower in August than the average of 1929. The cost of living had only receded by 6 per cent, and that according to the official calculation. The foodstuff prices, meanwhile, had dropped relatively more than the prices of industrial products. It is therefore apparent that the income of the working class has fallen to a greater degree than the prices of finished industrial goods. Thus the surplus stocks of goods can only be liquidated by means of further restrictions of output.

The German bourgeoisie, meanwhile, is making every effort to reduce the income of the proletariat still further. This is effected in two ways, directly by the reduction of wages—in the Berlin metal industry, under the arbitration award, wages are to be reduced by 8 per cent—and indirectly by increasing the workers' contribution to unemployment insurance to 6½ per cent and at the same time diminishing the relief to the unemployed and the sick.

The Budget and Currency Crisis.

The economic crisis has entailed a tremendous budgetary deficit. How great the deficit will actually be, no one can tell at present. The estimates rise from month to month. Brüning's financial programme speaks of something between 750 and 900 million marks, of which sum 300 millions fall to the grants to unemployment relief in the next few months—a provision which is bound to prove insufficient in view of the rapid increase of unemployed entitled to emergency relief.

If we are right in our surmise that the crisis in Germany will still last a long time, all estimates in regard to the future revenue of the Reich will appear to have been put too high. The revenue of the Reich changes mainly with the extent of production (wage taxes), of consumption (all consumption taxes), the traffic of goods (customs, traffic taxes, stock-exchange taxes), and profits (income tax, etc.). A crisis spells a shrinkage of all these sources of revenue. Since, moreover, wages are reduced and prices fall, there is necessarily a further diminution of state revenue. Any estimate of the deficit must prove too low under such circumstances. There is undoubtedly a crisis in Germany's state finances. The deficit of the current year is covered by a new loan raised abroad, the rent and redemption of which mean a fresh burden for next year's budget. It is the typical deficit economy, the postponement of the solution from one year to another.

The outcome of the elections and the accentuated political crisis entail a menace to the stability of the currency. In the midst of the serious economic crisis, the Reichsbank was obliged on October 9th to raise the bank-rate from 4 to 5 per cent. It was forced to do so because in the three weeks following the elections it had lost roughly 500 millions in gold and 200 millions in foreign bills.

These heavy losses were incurred in two different ways.

In the first place, the flight of capital from Germany, already effected for some time past by timid capitalists, increased by leaps and bounds after the elections. Proceeds from the sale of German goods abroad were not brought to Germany but left in foreign countries, while payments to foreign payees were made by means of foreign bills from the Reichsbank. Secondly, the foreign capital invested in Germany on short terms, especially the French, was withdrawn after the elections upon maturity. The Reichsbank was obliged to render great payments to France so as to avert the threatening disagio of the mark. That currency stability is seriously menaced may be seen by the fact that on October 9th the dollar rate rose in Berlin to 4.25.

The raising of the bank-rate serves the purpose of preventing the removal of foreign capital and attracting short-termed capital from abroad by increasing the difference between the rate of interest in Germany and that obtaining in western Europe. The success of this measure is highly questionable. It is an old experience that, once confidence in a currency begins to wane—especially in the midst of a political crisis—such measures prove ineffective. As a matter of fact, when a foreign capitalist is of opinion that the safety of his capital in Germany is menaced because the capitalist order of society is in danger there or because civil war appears imminent, the prospect of getting one per cent more interest will not per-

suade him to leave his money in Germany. The day after it had raised the bank-rate, the Reichsbank was again obliged to send 52½ million marks in gold to Holland and France so as to keep the foreign-exchange rates from rising above par.

No more will the German capitalists, who see their capital and the entire rule of the bourgeoisie threatened by an increasingly revolutionary situation, be prevented by a difference in bank-rates from removing a further portion of their capital from the country. All propaganda on the part of the leading banks against capital exportation will be in vain. Since the elections—according to different estimates—1,000 million marks are said to have removed abroad in the course of three weeks, while in the course of the whole twelvemonth preceding the elections from 1,200 to 1,500 millions were said to have been removed.

The foreign loan of 500 million marks which the government of the Reich is taking up to cover its budgetary deficit, will counteract the lack of foreign bills for a short while. It is obvious, however, that sooner or later the Reichsbank will have to proceed not only to a further raising of the bank-rate but also to a pronounced restriction of credit so as to prevent a further flight of capital and a possible disagio of the mark resulting therefrom. This, however, will mean a heavy blow to economy and a further aggravation of the economic crisis.

The Stock-Exchange Crisis.

Since the middle of the year 1928, the quotations of German shares have been declining almost uninterruptedly. This is the outcome of the general bad position of capitalism in Germany, which already in 1927 may be said to have reached the point of its greatest development. The stock-exchange crash in the United States very naturally affected the German stock-exchanges. During the summer the downward trend was accelerated, and after the elections it assumed almost catastrophic dimensions.

For the sake of a numeric illustration, we may in the first place quote the index of the "Deutscher Volkswirt" (of October 10th, 1930), which comprises all German shares quoted on the Berlin stock-exchange with consideration for the amount of share-capital in each case.

December 1928	165.4	September 10th, 1930	113.4
December 1929	126.5	September 17th, 1930	111.9
May 1930	134.8	September 24th, 1930	106.2
June 1930	122.6	October 1st, 1930	105.0
July 1930	114.1	October 7th, 1930	102.7
August 1930	113.1	October 15th, 1930	99.3

The influence of the political crisis is to be seen in the sharp drop after the elections. Inside of a month, there was an allround drop of 13 per cent. The downward movement would have been still more pronounced, had it not been for heavy interventionary purchases on the part of the leading banks.

The rates of industrial shares have dropped in the last two years to about half their former level. We may here cite some of the most important concerns as examples of this movement.

	Peak Rate 1928 or 1929	Rate Oct. 7th, 1930	Rate Oct. 15th, 1930
Vereinigte Stahlwerke (iron and steel)	122	69	63
Gelsenkirchen (iron and steel)	147	98	91
Herpener (iron and steel)	205	87	91
Hoesch (iron and steel)	160	75	79
Klöckner (iron and steel)	140	69	67
Rheinstahl (iron and steel)	189	74	74
A. E. G. (electricity)	203	120	115
Siemens & Halske (electricity)	443	178	175
I. G. Farben (chemicals)	291	136	135
Wintershall (potash)	261	135	131
Orenstein & Koppel (rolling-stock)	140	47	46
Daimler-Benz (automobiles)	120	25 (!)	22
Norddeutsche Wollkammeret (textiles)	232	64 (!)	64

	Peak Rate 1928 or 1929	Rate Oct. 7th, 1930	Rate Oct. 15th, 1930
Bemberg (artificial silk)	669	70 (!)	66
Glanzstoff (artificial silk)	867	108 (!)	90
Zellstoff Waldheim (paper)	330	120 (!)	114

The drop in the share quotations, though it did not ensue so sensationally as was the case in New York, is even greater than it was in America and is sure to continue during the next few months. It is an outcome of the economic and political crisis, which in its turn it tends to enhance.

In such circumstances it is probable that the emission of capital and in particular the emission of shares has shrunk to a minimum, as will be seen by the following table published in the "Frankfurter Zeitung" of October 1st:

German Emission at Home and Abroad

In Millions of Marks	Loans		New Emissions of the „Realkreditinstitut“			Share Issues		
	Abroad	At Home	Municipal- Obligations	Mortgage Bonds	Total	Capital Increases	New Foundings	Total
Monthly Average 1926	126.50	108.80	38	135	173	101.02	6.25	107.27
" " 1927	140.40	82.80	29	133	162	77.74	11.50	89.24
" " 1928	137.34	90.10	11	121	162	82.02	15.08	97.10
" " 1929	53.30	48.70	22	74	96	42.74	12.76	55.50
1929 June	292.50	—	10	48	58	59.41	3.76	63.17
1929 July	93.80	43.00	10	73	83	23.23	8.32	31.55
1929 August	2.04	107.00	11	51	62	38.24	6.46	44.70
1929 September	1.72	20.00	10	36	46	6.88	2.80	9.68
1930 June	545.80	43.00	55	127	182	3.87	0.75	4.62
1930 July	42.81	5.00	73	205	278	5.65	1.76	7.41
1930 August	—	150.00	34	118	152	9.58	3.34	12.92
1930 September	16.00	10.10	—	—	—	6.23	2.70	8.93

In the course of July, August, and September together, the total of new shares placed on the German capital market did not amount to 30 million marks. Capital turns in the direction of bonds, which are believed to afford greater security against losses through the fluctuation of rates.

The Crisis of the Young Plan.

The international economic crisis and the general uncertainty of foreign-political affairs suggested to the German bourgeoisie even prior to the elections that conditions at present favoured a revision of the Young Plan. The tremendous deficit of the budget makes the burden of the Young payments insupportable. The price drop increases the effective burden of the Reparations—in terms of working hours or of gold—by about 20 per cent. The price-drop and the shrinkage of foreign trade by reason of the economic crisis make it impossible for Germany to procure the foreign bills required for payment of the Young obligations by exports ensuring a favourable trade balance. The flight of capital and the withholding of foreign loan capital from Germany are leading to a crisis of the German currency.

In such circumstances the further execution of the Young Plan is seriously threatened. For the time being, there can be no question of a further mobilisation of the Young obligations. The rate of the obligations of the first Young Loan has sunk to 70 per cent³⁰⁾. The German press is preparing the European public for a moratorium of the Young obligations and a revision of the Young Plan.

In Great Britain and the United States, too, opinion is inclining to the idea that the Young Plan is unfeasible. It would, however, be a mistake to suppose that a moratorium, to say nothing of a revision, of the Young Plan, could be effected without the most serious international conflicts. The United States will insist on their claims, and this makes it impossible for Great Britain and France to agree to a reduction of the Young payments, quite apart from the resistance which the French bourgeoisie is bound to offer for purely political

³⁰⁾ The quotation of the Young Loan figured as follows:

	September 13th	October 8th
New York	86¾	75¾
London	85	77
Holland	—	70

reasons to any alleviation for Germany. The relative quiet which ensued after the Hague Convention will shortly give place to renewed violent conflicts in regard to Reparation payments.

Crisis in Commercial Politics.

Germany's foreign trade developed most favourably even after 1927, in which year the rise of German capitalism came to a standstill. The low wage level accompanied by great intensity of work and the most highly developed technical plant in rationalised enterprises enabled German industry constantly to increase its sales on the world market.

This favourable development was terminated by the economic crisis. As in all countries, the export of Germany shows a sharp decline, and that also in quantities and not only in values by reason of the price-drop. That the balance of trade nevertheless remains greatly in favour of exports, is to be put down to the great decline in raw-material imports and their greatly diminished price level. When the stocks of foreign raw materials have been used up, this characteristic of the trade balance will disappear.

Present Value in Millions of Marks	Foodstuffs u. Beverages		Raw Materials u. Semi-Finish.Gds.		Finished Goods		Pure Goods		Traffic Positive or Negative
	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	
1929	3822	701	7205	2926	2269	9832	1345	1348	+ 35.8
June	279	59	585	228	202	787	1078	1077	+ 0.5
July	407	43	613	243	194	810	1228	1099	- 129
Aug.	305	42	575	261	179	993	1072	1188	+ 116
Sept.	295	58	547	259	180	879	1038	1199	+ 161
Monthly Average									
1929	318	58	600	243	189	819	1120	1123	+ 3.0
1930									
June	215	48	440	187	150	669	813	910	+ 96
July	273	40	478	199	150	706	909	950	+ 41
August	213	40	437	185	136	740	795	970	+ 175
Sept.	196	35	396	195	133	767	736	1001	+ 265

The agrarian crisis has led to complete confusion in Germany's commercial policy. For political reasons it was thought desirable, at any rate during the elections, to force up the prices of agricultural products by means of higher duties and export vouchers. But this policy was not supportable for any length of time for the big industries which were doing all in their power to bring about a reduction of wages, a measure only to be effected in connection with a reduction of prices for the commodities required by the workers if the most serious economic conflicts were to be avoided. On the other hand, a continuation of subsidies for German agricultural exportation became impossible in view of the budgetary deficit. The issue of export vouchers was suspended and the governmental rye subsidies were abandoned. All that remained was the higher level of duties and certain restrictions on importation.

But such measures threatened to lead to rehalition on the part of the countries affected against the importation of German industrial goods, so that they met with resistance on the part of the industrial bourgeoisie. According to whatever influence was momentarily stronger in the Ministry, the commercial-political measures changed from week to week and from month to month, rendering it impossible to make any business plans a long time ahead.

The crisis of economic policy is an outcome of the general crisis of capitalism in Germany and part of the general political crisis.

The general political crisis prevailing in Germany at the present time is again based on the universal crisis of capitalism and on the standstill in the development of capitalism in Germany owing to inner reasons since 1927, while the immediate cause of its outbreak is to be found in the international economic crisis and in the special German economic crisis. The political crisis is leading to a flight of capital and a removal of foreign loan capital from Germany, and these processes again tend to reduce stock-exchange quotations, to enhance gold exports, to undermine the stability of the currency, to raise the bank-rate, to restrict credit, and thus to bring about a further deterioration of the economic position. The attempts of the German bourgeoisie to save their profits by a cut in wages, have entailed a further menace

to the stability of the mark and to a more and more pronounced accentuation of class differences. A situation is rapidly approaching, when (as Lenin says) "the bourgeoisie can no longer go on living in the old way and the proletariat refuses to go on living any longer in the old way." In short, a revolutionary situation.

France.

Under the influence of the world economic crisis, the business position in France has during the last few months undoubtedly grown worse, a crisis has commenced, without of course even remotely resembling the crisis prevailing in Germany or Great Britain.

Comprehensive indices of production are only to hand as far as the month of July. They show that the productional index figure (on the basis of 100 to represent 1913), while practically invariable, at 144, during the first half of the year, dropped in July to 141. In particular it is the textile industry which shows a sharper drop in July and August, while the iron-working industry does not yet appear to show any recession of output. The reliability of the French returns, however, is known not to be very great.

The general recession has of late also spread to the heavy industries:

	Monthly Average		In Thousands of Tons				
	April	May	June	July	Aug.	Sept.	
Coal Output	4577	4560	4622	4212	4692	4441	4603
Pig Iron	871	854	901	849	860	845	801
Crude Steel	805	787	855	770	789	775	767

So far, the regression is not serious, but it may be expected to increase pretty rapidly in the near future. Among the individual industries, the automobile industry is most markedly involved in the crisis.

In the position of agriculture there has been a change inasmuch as under the influence of higher duties and especially of the greatly decreased wheat crop, prices have once more risen. It appears that last year's wheat harvest — of 87 million single years in the course of the last century in which therefore applies to the necessity for France to export wheat. According to the calculations of Vilgrain, a leader representative of the French milling industry, there have only been four single years in the course of the last century in which France has had an exportable wheat surplus, among them being the year 1929-30. The current year's crop will not exceed 65 million double centals, so that with the transitional stocks, said to be 15 million double centals, it will just about cover the country's requirements. (31) This means that the customs increase introduced last year will have taken full effect, which will lead to a further price rise in France.

The "scissors" between home and foreign prices and between wholesale and retail prices, respectively, which are manifest everywhere (as we had occasion to point out in our General Section) appear to be particularly pronounced in France. Meanwhile it should be pointed out that the French price-indices comprise only raw materials, and the cost-of-living index nothing but foodstuffs, to the exclusion of industrial goods or other expenses.

The

Official Wholesale Index

developed as follows during the last few months:

	End of Sept.	End of Aug.	End of July	End of June	End of May
Total Index	(45) 535	544	549	544	553
Home Products	(29) 595	599	598	585	590
Foreign Products	(16) 428	446	461	470	485
Industrial Index	(25) 534	546	556	567	579

We can observe that in September prices were almost as high as they were in May, home products not showing any tendency to sink in price.

Retail prices have experienced a further rise during the last few months. The Paris cost-of-living index, which is based merely on 13 articles of food, shows the following strange development:

³¹⁾ "Linformation" of October 10th, 1930.

End of January 1927	End of January 1928	End of January 1929	End of January 1930
590	530	599	609
May 1930	June 1930	July 1930	August 1930
590	593	601	626
			September 1930
			637

Quite a similar development is to be found in the indices of other French cities, which shows that the tremendous price-drop of foodstuffs on the world market has brought the French worker no reduction in his expenses for food. His cost-of-living expenditure is higher than three years ago and even higher than a few months ago.

As is the case in all countries, there results on this basis an antagonism between the big industries working for export purposes on the one hand, which desire a reduction of wages but are hindered by the rising prices of foodstuffs, and the French farmers and landowners on the other hand, who produce foodstuffs for the market. The results of this conflict of tendencies are an unchanged price level and the numerous strikes which have taken place in France during the last few months.

The super-abundance on the French money and capital market has increased yet more during the last quarter. The influx of gold to France continues undiminished. The gold holdings of the Bank of France rose from 44 000 million francs at the end of January to 48 500 millions at the end of September. In the course of about two years, 20 000 million francs in gold have flowed into the Bank of France. The cover of the notes in circulation and of daily obligations figured at the end of September at 52½ per cent. In the first two weeks of October there was a further addition of gold, mainly from Germany, to the amount of at least 1000 million francs.

The reason of this uninterrupted influx of gold is to be found in the particularly favourable development of France's balance of payments.

According to the calculations of Menyal, a recognised authority in this regard, the French balance of payments in 1929 showed a surplus of 13 000 million francs. The main items of the balance were as follows:

	In Millions of Francs
Foreign-Trade Deficit	10 300
Freight Revenue	3 100
Tourist Expenditure	8 500
Revenue from Capital invested abroad	5 800
Reparations	6 700
	<hr/>
	24 100

With the inclusion of various small items, there remained a net balance of about 13 500 million francs, of which roughly 5000 millions were employed for the repurchase of French foreign loans of the post-war time and for purposes of capital exportation, while no less than 8 500 millions went to the benefit of the country in form of gold.

Even though this year the French balance of payments will prove less favourable than in 1929 in view of the greatly diminished revenue from tourist traffic, a further influx of gold may yet be counted on, so that by the end of the year the gold holdings of the Bank of France will probably total 50 000 million francs or roughly 2000 million dollars, about one half of the gold holdings of the United States Treasury. Compared with the latter, or with the gold holdings of Great Britain or Germany, there appears to be an absolute disproportion.

The question as to how a further influx of gold could be prevented is widely discussed both in France itself and in Great Britain and Germany. For France the constant influx of gold is useless, since the idle gold naturally yields no profit; for Great Britain and Germany, on the other hand, the gravitation of the gold towards France is an obstacle impeding a cheapening of credit; in Germany it was in October the immediate cause of the necessity of increasing the bankrate, whereas in France there is hardly any demand for short-termed loan capital.

The solution of this anomaly could only lie in capital exportation on a large scale. Curiously enough, French capital exportation develops very slowly in spite of the tremendous supply of gold and the extremely low rates charged in France for loan capital. During the last few months the French

government has taken various steps for the promotion of capital exportation, reducing certain taxes and very liberally according permission for the raising of such foreign loans as are dependent on government sanction. The reason why, nevertheless, capital exportation does not increase, is thought to lie in the high rate of taxation.

One is tempted to ask why the French government, or rather the French bourgeoisie adheres to a fiscal legislation hostile to capital exportation in spite of the super-abundance of gold and of the very low rate of interest prevailing in the country. The situation of France's state finances would make a reduction of such taxes, which represent a mere fraction of the national revenue, quite a simple matter.

We are not in a position to give a satisfactory answer to this question but it seems to us that the international economic crisis and the general uncertainty in regard to foreign politics are the main reasons of the small extent of French capital exportation. The French saver made the very worst experiences with the foreign capital investments effected before the war. The small French rentier, therefore, is very cautious and reserved in the purchase of foreign government loans. The general economic crisis is not a suitable moment for the investment of French capital in the form of industrial enterprises abroad. The foreign-political uncertainty has a deterring effect on capital exportation, as has been seen by the removal after the German elections of French loan capital invested at short notice in Germany. It is these considerations, rather than the tax onus, that are in our opinion the reason of the hesitation observed in French capital exportation.

The fact that, in spite of its tremendous abundance of gold, and loan capital, and in spite of the very low rate of interest charged on loans, France is hit by bit being drawn into the international economic crisis, is a new proof of the absolute untruth of those theories which attempt to attribute the crisis to the lack of capital or to the prevalence of high rates of interest for loan capital.

Italy.

For a long time the Fascist press has attempted to persuade the world that the Fascist regime has so completely changed the economic and social life of Italy that now, under the attentive care of the Fascist regime, no economic crisis is possible in Italy. This deception can be carried on no longer, for diminished production, falling prices, rapidly spreading unemployment, and above all sensational bankruptcies, have forced the Italian press and even Mussolini himself, to admit the existence of an economic crisis in Italy. In his address to the Council of Corporations early in October, Mussolini confessed that in the last twelve months the position

"throughout the world and therefore also in Italy has seriously deteriorated. As regards Italy, this fact is characterised at the present juncture by four undeniable symptoms, viz. the number of bill proceedings, the number of insolvencies, the decrease in the number of employed workers, and the decrease of state revenue."

Mussolini merely enumerates the outer symptoms and attributes the economic crisis in Italy to the world economic crisis. Obviously, the crisis in Italy is part of the world crisis. But it has its specific forms and causes which are connected with the fundamental structure of Italian economy which Fascist rule has not in any way changed.

In spite of the pronounced industrialisation of northern Italy, Italy as a whole is still essentially an agrarian country. In central and southern Italy we can barely discern the first signs of industrialisation. The 870,070 factory workers recorded by the official statistics³²⁾, are distributed as follows:

Piedmont	216 25
Lombardy	354 153
Venetia	100 440
Liguria	57 440
Rest of Italy	143 000

Central and southern Italy are still purely agricultural regions, containing extensive provinces with no more than a few thousand industrial workers.

In these regions, moreover, the semi-feudal character of agriculture has remained unchanged under Fascist rule, in-

³²⁾ "Bollettino Mensile di Statistica", September 1930, p. 876.

spite of the "grain campaign" waged with such a tremendous amount of propagand.

The agrarian crisis hits Italy particularly hard by reason of the increase in the value of the lira.

Here, as usual, semi-feudal agrarian conditions go hand in hand with a great exploitation of the peasantry by money-lenders.

The crisis extend to nearly all branches of agriculture. The marked price-drop of wheat on the world market synchronises with a poor harvest. (33) This year's wheat harvest is no larger than any in the five years from 1924 to 1928; Mussolini's grain campaign is by no means won, as he triumphantly declared it to be under the influence of last year's obviously exceptionally good crops. This year again, Italy will be obliged to import roughly 20 million double centals of wheat. So as to force up the price of wheat, the duty has been raised to 16½ gold lire per 100 kilogrammes.

Besides wheat cultivation, it is that of olives that is most affected by the crisis. The area under olive-trees is 2,3 million hectares, equalling half the area under grain. For years past, the olive cultivation has been seriously harmed by the introduction, despite all customs barriers, of cheaper oil from the tropics.

The third important branch of agriculture to suffer under the crisis is vine-growing. The wine consumption, formerly averaging 100 litres per head of the population per annum, has of late years steadily decreased to less than 90 litres, obviously in consequence of the general deterioration in the standard-of-living of the broad masses. Great stocks have accumulated. Exportation is insignificant. Nor is there any prospect of a material expansion.

The southern fruit which is of so much importance for Italy's export trade (oranges, lemons, mandarines) is greatly harrassed on the world market by the competition of Spain, Northern Africa, and even Palestine.

True, there are a number of agricultural products, such as early potatoes, cauliflowers, tomatoes, and the like, which find a good market in Central Europe and show signs of development, while the cultivation of the sugar-beet has likewise expanded under strong customs protection, but all this refers to a relatively limited area of northern Italy and does not influence the general aspect of the crisis in Italian agriculture. This crisis reduces the purchasing power of the peasantry for industrial goods, restricts the home market, and thus acts as a critical factor in regard to industry.

The economic crisis has during the last few months been making itself felt in a declining output in all branches of industry. In August, the output of pig iron was 29 per cent. that of steel 20 per cent lower than a year ago. The automobile industry is greatly menaced by American competition both on the world market and in the country itself. The home market was safeguarded for the "national" industry by a pronounced increase in the duty on foreign motor-cars, but according to news from the United States³⁴) Ford intends to erect a special factory in Italy; if this proves true, the Italian automobile industry may look forward to very bad times.

The Italian textile industry shares the common fate of this industry the world over. More than half the workers are on short-time³⁵). In the last week of July, the degree of occupation in the factories — reckoned in effective working-hours — was no more than 65.1 per cent³⁶). Similar conditions obtain in all branches of industry. There is only one exception, the shipyards.

"The reason for the good degree of occupation in the shipyards lies in the armament policy. Italy is feverishly enlarging its fleet of warships", writes the German "Wirtschaftsdienst" (of October 17th), which can hardly be accused of anti-Fascist tendencies. All other war industries are likewise fully occupied.

³³) The wheat cultivation shows the following development:

	1930	1929	1924—28
Cultivated Area (Thousands of Hectares)	4,823	4,770	4,829
Yield (in Centals)	58,000	70,820	57,482

(Returns of the Roman Agrarian Institute, September Bulletin.)

³⁴) Roman correspondent of the "New York Times" of August 22nd, 1930.

³⁵) "Bollettino die Statistica", September, p. 875

³⁶) *ibid.*

In such cases as threatened to become catastrophic, the Fascist state has intervened with government funds (Cosulich, Neapolitan textile industry, marble industry, etc. — v. the address of Mussolini). But this aid is no different from what is afforded on similar occasions by other capitalist governments. It was impossible to prevent the breakdown of certain big enterprises. In this connection it became apparent how deeply graft and fraud are rooted in Italy's economic life.

In such circumstances it is readily comprehensible that the share quotations have in general greatly declined. We reproduce a few examples:

	March	Middle of October
Snia Viscosa	59	34
Cotonificio Ligure	290	180
Banca d'Italia	2,030	1,708
Montecatini	258	210
Fiat	380	250

Reckoned by last year's dividend, we have at the present rate yields of 8 or 10 per cent for the biggest enterprises, which shows the degree to which Italian economy has been affected by the crisis.

Unemployment is rapidly increasing. There are no reliable unemployment statistics, the official statistics not covering more than a fraction of the unemployment total. We merely reproduce some of the official returns to show the trend of unemployment.

Number of Officially Registered Unemployed (in Thousands)

Maximum 1928 January	439
Minimum 1928 July	234
Maximum 1929 February	489
Minimum 1929 June	193
Maximum 1930 January	466
Minimum 1930 June	322

The minimum number of officially recorded unemployed workers this year is 130,000 in advance of 1929. In August the difference was 160,000. If the difference between the maximum number is just as great as last year, the number of unemployed in February will exceed 800,000 even according to the official calculations. The masses of unemployed workers are in such dire straits that of late no such difficulties have been placed in the way of workers desirous of emigrating as was the case hitherto.

Though in Italy the crisis only really started a few months ago, the misery and need of the broad masses, both of peasants and of workers, are already extreme. The revolt of the vintners of Bari and the strikes and demonstrations that take place in spite of the fiercest terrorism, show that Mussolini is just as helpless in face of the crisis as is MacDonald or Hoover.

Poland.

Poland is the only big country in which during the last few months there have been certain elements of improvement in the economic situation. These are an increased output of the heavy industries, a slight revival of the textile industry, and a decrease in the official number of unemployed. Seeing that Poland was one of the countries which was earliest affected by the economic crisis, the idea suggests itself that here the extreme point of crisis has been passed, all the more so as Mr. Dewey, United States representative with the Polish note-bank, is spreading reports to this effect.

A closer examination of Polish economy, however, shows the assumption that economy is again moving in an upward direction to be incorrect.

The harvest of the current year, so far as can be judged from returns to hand, may be classed as a weak-middling harvest. According to an official estimate published in the middle of September, the rye crop is 5 per cent, the barley crop 20 per cent, the oat crop 30 per cent lower than last year; only the wheat crop may perhaps turn out a little better³⁷). Definite results are not yet available.

³⁷) "Wirtschaftsdienst" of October 3rd, 1930.

The price level for agricultural products is this year still materially lower than last. This is inevitable. Poland is an agrarian export country in which prices conform to the world-market level. True, the government pays export premiums of 4 zlotys per double cental of barley, 6 zlotys per double cental of wheat or rye, and 12 zlotys for flour³⁹⁾. In the first seven months of the current budget year, the government expended more than 50 million zlotys in this way. But with the present position of the world grain market, Poland is just as incapable as is Germany of maintaining the price level by means of export premiums. Wheat prices are falling rapidly: while in June the price averaged 33.81, it dropped in the middle of September to 27 zlotys. Rye stood at the beginning of September at 19 zlotys in Warsaw, which is about £ 4.10 a ton. But it must be borne in mind that rye is the chief cereal of Poland and one of its most important exports³⁹⁾.

After grain, the production of sugar plays an important rôle in Poland. This year's output was about double the home requirements, so that 300,000 tons will have to be exported.

The price of 22 zlotys per double cental (ex works) attained on the export markets in the case of sugar from the central Polish Voivod districts, is barely 30 per cent of the average costs of production. The price of molasses, too, points to an unprecedented slump.

Great difficulties are likewise encountered by Polish cattle-breeding. The commercial treaty with Germany, which would have ensured the sale of a certain contingent of pigs, has not yet been ratified. An agreement with Austria and a certain success in providing bacon for the British market do not suffice to tide over the difficulties. The situation of the world market is best characterised by the fact that Poland was recently obliged to introduce a protective duty on pork-lard from the United States, so as to prevent the latter from penetrating onto the Polish home market.

If we take into consideration the primitive technics, the great indebtedness of the peasantry, and the unbearably heavy tax onus under Pilsudski's rule, it will be apparent that an improvement of the economic position cannot originate in agriculture. The degradation of agriculture is proved by the fact that the total consumption of fertilisers this year was 50 per cent smaller than last year. The revolt of the Ukrainian peasants is obviously the outcome not only of national embitterment but also of economic need. The devastation and destruction of entire villages by Pilsudski's punitive expeditions will hardly contribute to enhancing the purchasing power of the agrarian population!

The slight improvement in industry is apparently of a transitory character — in every crisis there are temporary revivals of this kind — and is partly attributable to chance factors.

The Total Index of Industrial Output shows the following development:

	May	1930 June	July	August	1929 August
Total Index	103.8	102.7	103.5	106.0	126.4
Means of Production	114.9	113.1	113.4	112.8	142.4
Commodities	98.4	95.9	96.8	100.3	111.6

Productional Returns of the Polish Heavy Industries (in Thousands of Tons)

	April	May	June	July	August	1929 August
Coal	2643	2671	2588	2979	2062	4024
Iron	37.7	40.8	36.6	38.1	37.7	65.7
Steel	91.8	114.0	90	113.5	—	112.9
Oil	53.6	54.6	53.1	56.0	—	58.5

³⁹⁾ "Economist" of September 13th, 1930.

³⁹⁾ In the harvest-year 1929/30, the following quantities were exported from Poland:

	Thousands of Tons
Rye	331
Barley	263
Oats	82
Wheat	13

(From "Wirtschaftsdienst" of October 3rd, 1930.)

Compared with last year, only the steel output is on about the same level, all other products, coal and iron in particular, show a marked falling-off. The better position of the steel output is to a great extent due to orders from the Soviet Union:

That there can be no question of a change in the economic situation of Poland, may also be seen by the occurrences in the sphere of circulation. Simultaneously with the credit crisis in Germany after the elections, a greater stringency was noticeable in Poland. The German banks and business firms withdrew their short-termed capital from Poland. Early in October, dollar notes rose above par. Already on October 2nd, prior to the Reichsbank the Polish note-bank was obliged to raise its bank-rate, from 6½ to 7½ per cent. Apparently this rise did not suffice to stay the threatening devaluation of the currency and an expansion of the note circulation which was by no means justified by the internal development of economy. Therefore measures of credit restriction had to be adopted. It was established that the credits to be granted the banks by the note-bank should be reduced to the status of September 25th a limit which was to be surpassed⁴⁰⁾ only in exceptional circumstances.

This means a fresh encumbrance of economy in its sphere of circulation and will further impair the position, quite particularly so since there is no guarantee that the bank-rate will not be raised yet higher.

In summing up we may say that the slight improvement in the economic position of Poland is merely a transient phenomenon which must not be taken to indicate the commencement of an upward development⁴¹⁾. It is only in the case of a general improvement in international economy, of which there is so far no sign, that Poland can extricate itself from the present crisis; it cannot do so alone and of its own strength.

Great Britain.

During the last few months, the economic situation of Great Britain has been rapidly deteriorating. The shrinkage of international trade as a result of the world-wide crisis is particularly disastrous for Great Britain, which of all the great industrial countries is the most dependent on exporting. Added to this, those industrial products which in former times formed the main strength of Great Britain's exports, viz. cotton, coal, ships, iron and steel, have been hardest hit both by the industrialisation of the colonies and by technical progress. The cotton industry, above all, suffers under the industrialisation of the agrarian countries as also under the boycott-movement in India, while the coal trade is affected by progress in heating technics and the production of energy, which draws ever narrower limits for an increase in the coal-consumption of the whole world; shipping, meanwhile, suffers under the competition of the United States and Germany⁴²⁾.

The outcome of this development is a constant decline in the British exports of industrial goods and a constant augmentation of the balance-of-trade deficit. To an ever growing degree, Great Britain exists on its income from abroad, on the interest of capital invested abroad, from exploitation of the colonies, from freight and banking business, and the like. It is a question whether the deficit in the commercial balance has not also led to a deficit in the balance of payments and whether Great Britain is not already eating into its foreign capital. The fact that United States capital is acquiring an ever firmer footing in commanding positions of British economy,

⁴⁰⁾ "Frankfurter Zeitung" of October 4th, 1930.

⁴¹⁾ Most Polish economists themselves see things in this light; they refuse to be deluded in regard to the real state of affairs.

⁴²⁾ An interesting instance of the victory of German engineering over British is to be seen in the exportation of textile machinery, a line of industry which was for many decades practically monopolised by Great Britain. While in the year 1925 Great Britain exported textile machinery to a total value exceeding that of Germany's exports in the same line by 5½ million pounds sterling, German exports of textile machinery in the year 1929 already exceeded those of Great Britain by a value of £ 800,000. While the British exports of textile machinery have remained stationary during the last five years, those of Germany have rapidly increased, although the prices of the German machines are individually higher than those of the British.

quite particularly as regards electricity interests, would appear to point in this directions⁴³⁾.

The revenue from the British capital profitably invested abroad has greatly receded in view of the catastrophic drop in the prices of raw materials. As we pointed out in the First Section, the former huge profits from rubber, tin, jute and tea enterprises will this year shrink to a minimum as may be seen by the sharp setback in the quotations of colonial shares. On the other hand, the profits from the tremendous British investments in railways, especially in South America, are likewise declining by reason of the raw-material crisis and the series of revolutions in South America. The total profit derived by Great Britain this year from its investments abroad will therefore be vastly smaller than in other years.

As we have repeatedly mentioned, British industrial capital is particularly encumbered by the burdens of obligations at a fixed rate of interest. The tremendous total of the National Debt, the debts of the corporations and the industrial debentures⁴⁴⁾ absorb a great part of the profits. For this reason, the deflation connected with the restoration of the gold parity of sterling proved a serious encumbrance to the competitive capacity of British industrial capital.

The present general price-drop, amounting in Great Britain—according to the various indices⁴⁵⁾—to as much as 20 per cent in comparison with the peak of 1929, also affects British industrial capital most severely. The price recession means that of its appropriated surplus-value British industrial capital must hand over a far greater portion to fixed-interest-bearing loan capital than used to be the case, or, socially expressed, that the share of the rentier class in the entire profit is rapidly increasing. In many cases, especially in the textile enterprises which were greatly over-capitalised during the post-war boom, the sum due for interest on the preferred stock and debentures is larger than the total profits. The parasitical character of British capitalism is particularly pronounced in this respect. The competitive capacity of British capital on the world market is still further diminished by this increase in the onus of loan capital by reason of the price-drop.

This combination of factors, i.e. a reduction of colonial profits, the growing weight of interest obligations on loaned capital, the preponderance in all British economy of such lines of industry as have for years been suffering under a crisis and the particularly severe effects of the general crisis of capitalism in the case of British economy, makes it appear likely that the crisis will be one of great acuteness and long duration in Great Britain.

Aggravation of the Crisis.

All reports and returns to hand for the last few months point to a rapid aggravation of the world economic crisis, revealed above all in a general decline of both production and consumption. The general index of output prepared by the Board of Trade is available only for the first and second quarters. It figures as follows:

Board of Trade Index.
(On the Basis of 100 to Represent 1924.)

	March Quarter	June Quarter	September Quarter	December Quarter
1929	110.5	112.0	110.6	113.9
1930	110.9	103.4	—	—

⁴³⁾ It is characteristic for the "patriotism" of British capitalists that Sir Austen Chamberlain is on the Board of the American electricity concern which is getting control of a larger share of the British distribution of current. The late Lord Birkenhead was another member of the said Board.

⁴⁴⁾ According to British business usage only a relatively small part of the capital of industrial enterprises is emitted in the form of shares with a changing dividend; the bulk is in the form of preferred stock bearing a fixed rate of interest and part again in that of fixed-interest debentures.

⁴⁵⁾ The English indices show a more pronounced price-drop than those of other countries not only because there is no artificial price-maintenance by means of protective tariffs, but also because they mainly comprise raw materials. Thus, the index of the "Economist" contains no industrial goods save cotton yarns and fabrics and the semi-finished products of the iron and steel industry.

In the second quarter of 1930, as compared with 1929, the recession was most marked in the iron and steel industry (from 118 to 96) and in the textile industry (from 100 to 78). During the last few months, the drop has continued, as may be seen from the monthly returns of the "Economist".

Index of Business Activity. (On the Basis of 100 to Represent 1924.)

	June 1930	July 1930	August 1930	Sept. 1930	Sept. 1929
Raw-Material Imports . . .	97	97	91	88	96
Non-ferrous Metal Imports	129	121	116	108	117
Iron & Steel Consumption	118	102	90	85	118
Cotton Consumption	71	61	58	53	76
Rubber Consumption	350	303	314	370	354
Coal Consumption	100	96	96	102	96
Consumption of Electric Current	104	98	93	96	102
Railway Freight Traffic . .	87	87	—	—	95
Finished-Goods Exports . .	87	89	84	82	111

If we regard the output figures of iron and steel, we shall see in the last few months a still greater recession than in consumption. Production figured as follows in thousands of tons:

	May	June	July	August	Sept.	Aug. 1929
Iron	624	572	494	423	425	642
Steel	704	610	631	459	581	817

The recession from last year in the case of steel is 44 per cent, which is more than in Germany or in the United States.

Events in the sphere of circulation lead one to conclude that the consumptive capacity of the home market has been greatly restricted by the crisis. The "Board of Trade Journal" for the first time publishes a report in regard to the position of home trade on the basis of statistics of the Bank of England and the Union of Retail Traders. This report contains a passage much to the following effect:

The first of our monthly surveys has established that the position of retail trade was very bad in the month of August. The proofs of a diminished purchasing power on the part of the public are only too evident. Reports from all parts of the country confirm that, though the number of sales was on the increase, the amount of each individual purchase was smaller than was the case last year. As regards the wealthier classes, their purchasing power has suffered by reason of smaller dividends and heavier taxes, while increasing unemployment is making itself more and more felt in all branches of trade⁴⁶⁾.

The crisis naturally affects the individual lines of industry differently. This may best be seen by the formation of unemployment according to industries, as shown in the July report of the "Labour Gazette":

Unemployment in the Main Industries. (Percentage Proportion of Unemployed in Receipt of Benefit to the Number of Insured Workers.)

	July 1930	1929	1928
Coal Mining	28.2	9.3	0.0
Crude Iron (Furnaces) . .	28.3	18.2	7.1
Iron & Steel Working . .	33.0	13.1	8.6
Engineering	16.9	8.0	7.2
Rolling-Stock	11.2	2.2	—
Shipbuilding	31.7	8.7	3.4
Cotton Industry	45.4	31.0	30.2
Woolen Industry	26.3	10.5	11.2
Textile Equipment	32.2	16.4	17.9
Tailoring Trade	11.9	5.5	4.4
Footwear	18.2	4.2	—1.6
Foodstuffs	11.5	4.3	4.8
Tobacco	7.4	3.5	3.0
Printing	6.4	2.6	2.4
Catering	17.6	7.4	8.9
Distributing Trades . . .	8.7	3.3	3.5
Building Trade	13.9	3.8	3.5

There is thus an all-round increase in the unemployment totals, but the augmentation is very irregular. While the ind-

⁴⁶⁾ "Manchester Guardian" of September 25th, 1930.

tries working for the home market—tailoring, footwear, foodstuffs, tobacco, printing, distributing, building—show relatively smaller increases, there is a very big increase in the textile industry, in mining, in the iron and steel industry, and in engineering. Great Britain's old exporting industries, textiles, shipbuilding, coal, iron and steel, show an average degree of unemployment aggregating 30 per cent, whereas in the sheltered industries the average barely exceeds 10 per cent. The catastrophic situation of the cotton industry is illustrated by the fact that 45 per cent of the total number of workers are in receipt of unemployment benefit.

If we take into consideration the position in the individual important production industries, the situation of British agriculture appears to claim special attention. It is a well-known fact that the area under grain has showed a constant decline, interrupted only during the war period. In view of the free importation of foodstuffs, only high-quality cattle-breeding and vegetable-gardening are still capable of competition⁴⁷).

This chronic tendency to decline in British agriculture has been greatly enhanced by the aggravation of the agrarian crisis and by the extraordinarily bad harvest. In their resolution in answer to the agrarian programme of the Labour Government, the National Farmers' Union pointed out that agriculture cannot cope with the present disparity between the costs of production and the market prices, a disparity caused by the competition of subsidised foreign grain.

This year, the agricultural position is particularly bad as a result of the rainy weather prevailing during the summer. The rainfall this year was greater than it has been for the last fifty years. According to October estimates, therefore, the harvest results are more than 10 per cent lower than the average of the last few years, while in some regions the harvest is 25 per cent below the average of the last ten years. The movement in favour of introducing a duty on grain has thus received a fresh incentive.

The cotton industry is in an extremely bad position. Apart from structural considerations and the effects of the economic crisis in general, it is hard hit by the boycott of British textile products in India, which commenced at the end of April but is only now beginning to make itself fully felt. For July, the last month for which returns are to hand, we see the following figures (in thousands of yards):

	July 1930	July 1929
Unbleached Cotton Goods, in all	28,082	66,519
from Great Britain	13,245	30,758
from Japan	14,561	34,064
from China	256	1,343
Bleached Cotton Goods, in all	23,662	39,783
from Great Britain	20,381	37,906
from Japan	2,661	654
Coloured Cotton Goods, in all	20,516	34,436
from Great Britain	13,173	21,033
from Japan	5,493	10,632

British exports to India are only half as large as they were last year: the Japanese quota has likewise receded, but not so markedly.

It is obvious that under such circumstances all sorts of efforts are being made to revive the cotton industry. The Government commission appointed a year ago has now completed its report without having made any remarkable new suggestions. What it proposes is summed up under four heads, viz.,

- (1) Bulk purchases of raw materials:
- (2) Closest possible co-operation among spinners, weavers, bleachers, dyers, and dealers:
- (3) Standardisation and mass production, wherever possible:
- (4) Control of channels of distribution and of prices as a necessary supplement to mass production:

In submitting these suggestions, the commission advocates in the first place the creation of a central association of the entire industry for the purpose of discussing the problems and

⁴⁷) It is interesting to note that fresh English meat remained at a firm price level throughout the last twelvemonth in spite of the great price-drop of frozen meat, bacon, butter, and other commodities on the international market.

policy of the industry a whole. Secondly, it recommends a transformation of the British Cotton Growing Association into a central purchasing agency for the entire requirements of cotton, and, thirdly, the formation of a colonial selling agency for wholesale business in the East. The Government, it is suggested, should play no more than a mediatory rôle in this connection.

"The Government can only stimulate, encourage, and assist the employers and trade unions of the industry in effecting the necessary measures in co-operation among themselves and with the aid of the banks⁴⁸."

This report will not help the cotton industry very substantially. True, the Lancashire Cotton Corporation is slowly expanding, but the comprehension of the individual concerns in groups is greatly hindered by the enormous burden of fixed-interest bearing loan-capital in the individual works and by the remarkable attitude of the Bank of England, which is only willing to advance fresh capital in the sense of circulating capital for investment purposes, but refuses to supply any funds for the satisfaction of fixed-interest obligations. On this subject there is much controversy in Great Britain, but so far the Bank of England has refused to alter its standpoint.

The employers attempt to reduce the cost of production by an intensification of labour. There is a struggle in progress in the weaving industry. In one mill at Burnley, the "eight-loom system" has been introduced, by which one weaver operates eight looms for a weekly wage of 49 shillings. The weavers' trade union carried on lengthy negotiations with the employers, but on August 18th these ended in failure, since the trade union demanded that prior to a general introduction of the eight-loom system and to an agreement regarding the wages to be paid in this connection, the wage tariff forced on the Burnley workers without the consent of the unions should be put out of operation. Sooner or later, however, an agreement will be reached and the eight-loom system will come into force, leading to a further increase in the number of unemployed without entailing any essential alteration in the position of the British cotton industry.

Early in October, a special commission of British textile industrialists, naturally accompanied by a representative of the textile workers' trade union, a Mr. Bell, visited Japan for the purpose of studying the methods of the Japanese textile industry and establishing the reasons of the superiority of the Japanese cotton industry over the British on Asiatic markets.

The situation of coal-mining remains as bad as ever. The competition of Polish and German coal in Scandinavia and United States coal in Canada, besides that of liquid fuel all the world over, weighs heavily on the British coal mines. Here too attempts have been made of late towards improving the sales of British coal by sending a commission to Scandinavia headed by the President of the Board of Trade. The situation of the iron and steel industry, meanwhile, has been adversely influenced by the decline of the Continental European Steel Cartel and by the rapid increase of undercutting on the world market.

The price-drop is making itself felt very keenly in Great Britain.

Wholesale Price Index of the "Economist" (On the Basis of 100 representing 1927.)

	Sept. 1929	June 1930	July 1930	August 1930	Sept. 1930
Cereals & Meat	95.8	82.2	84.2	82.5	79.5
Other Foods	86.6	77.8	76.3	75.2	74.5
Textiles	87.7	66.5	63.6	61.7	56.9
Minerale	96.2	82.8	82.1	81.5	79.5
Miscellaneous	91.5	84.1	81.5	79.7	76.7
Total Index	91.8	78.8	77.6	76.1	73.2

Retail prices, too, appear to be falling more markedly than is the case in most other countries. The official cost-of-living index has dropped from 165 in September 1929 to 156 in September 1930. Regarding foodstuffs alone, the price recession is yet more pronounced.

⁴⁸) "Manchester Guardian" of August 13th, 1930.

The Problem of Unemployment.

Unemployment continued to rise uninterruptedly throughout the summer. According to the latest statistics to hand, the unemployment total figures at 2,160,000, the highest recorded since 1921. Seeing that the crisis is still on the advance and that in the winter months unemployment is also liable to experience a certain seasonal increase, the total may be expected soon to have surpassed the peak figure of 1921.

During its administration of more than a twelvemonth, the Labour Government has not contributed in the least to decrease unemployment. It has proved incapable of keeping its election promises; what it has done is less than any Conservative or Liberal Government would have effected in this direction.

At the Labour Party Congress, Mr. MacDonald shifted the responsibility for unemployment off the shoulders of the Government by "blaming it" on the world economic crisis. That the members of the Party were not satisfied with this explanation, is proved by the fact that Thomas, the former Minister for Labour, was not again elected to the Executive Committee, while Mosley, who had resigned his Ministerial position as a protest against Thomas's inactivity in the matter of procuring opportunities of labour, secured a place in the said committee. This change is without any real significance. The Labour Party could only have relieved unemployment if it had made radical attacks on the capitalist system of economy by means of a vigorous curtailment of incomes derived from securities, the obligatory engagement of unemployed workers in the productive process on the basis of a greatly reduced working week, and similar measures. Such steps, of course, are absolutely incompatible with the capitalistic character of the Labour Party.

In consequence of the general crisis of capitalism, in consequence of the particular structural losses suffered by the main exporting industries of Great Britain, in consequence of the growing structural unemployment resulting from rationalisation, and in consequence of the world economic crisis, the British bourgeoisie is incapable of doing anything to alleviate unemployment. With capitalist conditions and by capitalist means, there is nothing to be done. The number of unemployed can only be diminished in the case of a great increase of industrial output, a development which lies altogether outside the power either of the Government or of the individual parties. It may safely be assumed that for many years to come the unemployment total in Great Britain will at best diminish only in quite an insignificant degree.

The Empire Conference.

As these lines are written, the Empire Conference is still in progress. But its issue is apparent. The main points appear to us to be as follows: There can be no question of Free Trade within the Empire. The delegations of the individual Dominions have spoken pretty plainly on this point. The whole aspect of the case was summed up very aptly at a banquet by Mr. Thomas, the British bourgeois Labour Minister, who said:

"Every Dominion Premier or representative in this country who had spoken so far, had said: 'Ourselves first, the Empire second.' That was exactly the position of Great Britain. He said, on behalf of the British Government, that their first thought must be their own country, with all its difficulties and responsibilities⁴⁹⁾."

This is a proper characterisation of the aspect of the Empire Conference. Each of the Dominions is anxious to defend its own interests and the position of its own bourgeoisie. Since such interests call for protective tariffs, there can be no question of free trade within the Empire.

Layton, editor of the "Economist", very rightly points out that, roughly speaking, the British overseas Dominions import finished goods every year to a total value of 730 million pounds sterling, whereas Great Britain's exports of finished goods figure at no more than 583 millions, so that the Dominions would seem to be in a position to absorb all Great Britain's finished-goods exports. If we examine the various items, however, we can easily recognise that this is not the case. Thus, in 1929, Great Britain exported 136 million pound's

worth of cotton goods, whereas the other parts of the Empire imported such goods to the value of no more than 90 million pounds, of which total, again, 46 million pounds' worth fell to the share of India, where Japan is gaining more and more ground. The case is similar in regard to other industrial products. Vice versa, moreover, similar calculations may likewise be shown to apply. Great Britain's entire requirements of foodstuffs and raw materials could easily be covered by the oversea Dominions, but the latter would still have a very great surplus which they must place outside the English market and that, mainly, in keen competition with countries not belonging to the British Empire.

Another salient point is the lack of a definite programme on the part of the British Labour Government at the Empire Conference. The Labour Government is opposed to the principle of free trade within the Empire and — actuated by the great mass of workers and by time-honoured traditions — particularly opposed to the introduction of duties on foodstuffs. It thus had no firmly established programme to submit to the Dominion representatives.

The lead at the Congress was assumed by the Canadian Prime Minister Bennett, who suggested that all members of the British Empire, including England, should introduce protective duties but at the same time mutually guarantee one another a general preferential treatment within the Empire to an extent of 10 per cent. This suggestion met with the enthusiastic approval of the English Conservatives. Their leader, Baldwin, stated in the name of the Party:

"I say without hesitation, that the great principle of Imperial Preference embodied in that offer is one to which we must and do subscribe, and I heartily endorse Mr. Scullin's statement that it is our duty to affirm not only the maintenance of that principle but also the extension of its operations. The policy of empire free trade has been condemned as being outside the realms of practical politics."⁵⁰⁾

Parallel with Bennett's suggestion of a general mutual 10-per-cent. preferential treatment, there were suggestions for the application of the contingent system for important products of the Dominions, especially for wheat, which also met with the approval of the Conservative Party.

A realisation of these suggestions would at any rate mean the introduction in Great Britain of duties on all foodstuffs and raw materials coming from countries outside the Empire, for this is a presumption for the possibility of according a 10-per-cent preferential treatment. It would mean higher grain and foodstuff prices in Great Britain and thus an increase of ground-rents, an important point for the British Conservative Party, which represents the landed interests. It would also mean a diminution of the real wages of labour in consequence of the increase in the cost-of-living, and likewise a fresh source of revenue for the State enabling the British bourgeoisie to reduce the onus of taxation.

We have already expressed the opinion in former reports that this was the general trend of development in Great Britain. At present, it meets with the energetic opposition of the workers, the Labour Party, and the Liberal Party. But that even these parties are by no means unanimous, may be seen by the attitude of a Liberal member, Simon, who in the Liberal Summer School advocated the introduction of protective tariffs; by the partially protectionist resolution passed by the British Trades Union Congress, and finally by the vacillating attitude of the Labour Party itself. The Government declares that it is opposed to any policy entailing an increase of foodstuff prices in England and that it will countenance no suggestion aiming at an immediate alteration of the commercial treaties at present in force. On the other hand, it is ready to investigate the necessity of a customs protection for individual British industries and to enter into special agreements for the exchange of British industrial goods against raw materials.

We are therefore under the impression that the Empire Conference will close without any positive result, but that the general development is in the direction of a protective-tariff system and that the Conservative Party will attempt to place the customs question in the forefront of the next election campaign and will, in the eventuality of a victory, definitely abandon the free-trade system in Great Britain.

⁴⁹⁾ "Times" of October 11th, 1930.

⁵⁰⁾ "Times" of October 10th, 1930.

United States.

Contrary to the optimistic utterances of Hoover and many other American authorities, the last few months brought a fresh aggravation of the economic crisis. This is to be seen in a further recession of the volume of output, in a further price-drop, in a continued recession of stock-exchange rates, and—a new feature—in the first great bankruptcies in the course of the whole crisis (Amalgamated Silk Company, one bank and two reputable broker firms in New York). The agrarian crisis continues undiminished. The drought which has ruined the maize crop in extensive districts, only temporarily served to enhance grain prices. Early in October, the wheat prices were lower than ever before in the course of the crisis and are now on the same level as 30 years ago.

The decline in the volume of production in industry is apparent from all statistics. The index of the "Annalist" reached its lowest point in September at 78.6, which is lower than the lowest point in the crisis of 1921.

The "Annalist" Index shows the following Development:

	Apr.	May	June	July	Aug.	Sept.	1929 Sept.
Crude Iron Output . . .	95.3	95.5	95.9	87.3	84.3	78.2	119.7
Steel Output . . .	92.8	88.1	87.5	74.3	77.1	69.8	117.6
Laden Freight Cars . . .	92.4	89.9	87.7	86.6	84.9	79.1	101.7
Electricity Output . . .	96.7	94.3	92.9	93.4	92.8	87.2	102.0
Coal Output . . .	89.0	82.4	81.2	78.7	76.1	78.4	96.0
Automobile Output . . .	101.2	95.7	88.0	71.7	57.7	61.5	123.0
Cotton Consumption . . .	90.8	76.7	76.7	75.2	67.9	72.2	103.6
Wool Consumption . . .	82.0	71.7	80.0	85.2	77.6	—	114.6
Output of Footwear . . .	102.2	93.7	93.8	88.0	87.7	—	111.1
Zinc Output . . .	76.9	75.7	79.6	73.2	74.8	75.7	101.3
Combined Index . . .	93.3	88.3	87.3	84.6	81.4	78.6	105.8

If we consider the production returns of the individual industries, we may remark the efforts of the capitalists to adapt supply to demand by severe restrictions of output, with a view to diminishing the accumulated stocks, a measure which has so far led to little result. A few examples will suffice to demonstrate this fact:

In the present calendar year, down to September 13th, the output of soft coal totalled 318 million tons as against 361 millions last year. The output per working day had receded from 1,835,000 to 1,525,000 tons. Nevertheless, the accumulated pithead stocks remain undiminished.

The production of crude oil stood in September at 2,421,810 barrels per working day as against 2,924,500 barrels in September 1929. The visible stocks of oil, however, have only sunk from 143 to 140 million barrels⁶¹⁾.

The automobile output sank in August to an extraordinarily low level. The total number of automobiles of all kinds produced in the United States figured as follows (in thousands):

April	May	June	July	August	Sept.	Sept. 1929
473	417	335	262	223	223	416

The output is roughly half that of September 1929, but sales still fall short of output.

The restriction of output is particularly marked in the case of the textile industry. According to the report of the Census Office, only 25.9 million spindles out of roughly 34 millions in the United States were running for an indefinite period of time. The exploitation of the productional capacity figured at no more than 65.2 per cent on the basis of 8.91 working hours a day. The marked recession in output may be seen in the following figures of former months on the same basis of one shift per day:

April	May	June	July	August	August 1929
96.3	83.6	76.3	67.4	65.2	97.3

From the analysis of the census figures made by the Association of New York Textile Traders it appears that the degree of occupation in August was the lowest in the whole eight years during which the Census Office has been publishing monthly returns of the cotton industry. The quantity of cotton

⁶¹⁾ "Financial and Commercial Chronicle" of September 27th, per 1927.

materials manufactured in August was roughly 262 million yards less than in August 1929.

On all sides we see much the same state of affairs: a pronounced restriction of output with a view to adapting supply to demand, but so far no great diminution of stocks, in so far as there are reliable returns in this regard.

The Price-Drop.

That the crisis continues undiminished is to be seen by the fact that prices still show a downward tendency. This circumstance is of particular importance for the American bourgeoisie, since falling prices mean a yet greater fall in profits. For us it is of special significance that the price-drop should have extended to the products of the big monopolies. The price of copper has within the last few days fallen below 10 cents a pound, as against 18 cents a year ago and as against the official cartel price of 10.5 cents. Similarly, iron prices have dropped in spite of the trustification in the iron industry.

The price fotation during the last few months is to be seen by the

Index of the "Annalist":

1930	Farm Produce	Food stuffs	Textiles	Oil	Metals	Buildg. Mat.	Chemicals	Miscellaneous	Total
April	127.1	136.5	129.3	153.7	118.3	149.9	131.1	116.1	133.6
May	125.8	135.6	126.1	156.0	113.5	149.2	130.3	113.6	132.1
June	120.8	132.9	121.1	154.9	112.5	144.3	129.4	106.8	128.5
July	112.2	128.2	116.0	153.6	109.9	142.7	128.2	101.8	123.0
August	114.1	127.7	113.2	153.8	108.6	138.9	127.1	98.4	122.8
Sept.	115.5	130.8	110.5	154.1	107.7	130.5	126.8	97.9	123.4
30. Sept.	110.6	129.5	107.8	153.8	107.1	130.1	126.8	98.4	120.9
Sept. 29	145.5	154.1	147.5	160.1	127.6	153.0	134.0	127.2	147.6

If we regard the development of the weekly indices, it will appear that early in September, when the grain prices went up in consequence of the failure of the maize crop, the index figures rose to 124.8. Since then the price index has been falling again steadily from week to week.

The above table also shows the marked inequality of price development in comparison with pre-war times. While fuel is still 54 per cent above the pre-war price level, metals have receded to 107 in spite of the pronounced monopolisation of the metal industries. The divergence of prices between the highest and the lowest group amounts almost to 60 per cent. It is obvious that within these groups there is a further diversification, so that the total divergence between the goods which have fallen most and those which have fallen least in price is practically 100 per cent of pre-war prices.

Stock Exchange, Money Market, and Capital Emission.

Diminished production, falling prices, and greatly decreased profits in the first half of 1930 were bound to lead to a further drop in share quotations. During the last few months, there have, as a matter of fact, been several sharp drops on the stock exchange, and it was only by heavy interventional purchases that the price collapse could be stayed. The following development in regard to 25 leading articles is shown by the

Index of the "New York Times"

May	June	July	August	September
333.01	276.68	286.57	294.14	252.98

The shares of some internationally well-known American companies have figured as follows:

	Peak Rate	Rate on Oct. 29th 1929	Rate on July 3rd 1930	Rate on Oct. 14th 1930
General Electric . . .	403	250	67 ⁵⁰⁾	56%
General Motors . . .	97 ⁵⁰⁾	47 ^{1/2}	40 ^{1/2}	36 ^{1/2}
U. S. Steel Trust . . .	261 ^{1/4}	185 ^{1/2}	157 ^{1/4}	148%
International Harvester . . .	142	85 ^{1/2}	82 ^{1/2}	62 ^{1/4}
American Smelting . . .	130 ^{1/4}	80	59	54 ^{1/4}
Du Pont de Nemour . . .	231	150	99 ^{1/2}	99
Chrysler Automobile . . .	135 ^{3/4}	39 ^{3/4}	27%	17%
Standard Oil New Jersey . . .	83	64	65	57 ^{1/2}
Radio Corporation . . .	114%	40	35%	24%
Westinghouse Electric . . .	292%	145	134	113 ^{1/2}

⁵⁰⁾ The shares were divided into quarters.

These figures show that during the last three months there has been a renewed sharp drop in the case of all leading shares. The majority of these shares are now at one half the peak rates of 1929.

In such circumstances it is not surprising that in the last few months the emission of shares has come practically to a standstill. If we compare the emissions of the month of August with those of August last year, the position is as follows⁶³⁾ (in millions of dollars):

	1930	1929
Total Capital Emission	204.4	858.8
Thereof, U.S. States	39.8	661.6

These figures most strikingly show the difference in the valuation of the capital market and of business prospects. Whereas capital exportation, State and municipal loans, etc., are just as great as in 1929, the issue of new shares has shrunk to an insignificant fraction of last year's total. A similar difference, albeit less pronounced, is apparent if we compare the results of the first eight months of the current year with the corresponding period of 1929

	First 8 Months (Millions of Dollars)	
Total Emission	5,631	7,180
Shares of U.S. Enterprises . .	1,330	4,203
Capital Exportation to Canada	255	271
Capital Exportation Elsewhere	631	351

In face of the greatly diminished capital emission for shares on the home market, there has been a great increase in capital exportation in spite of a markedly restricted total issue. Last year, until the end of September, the business boom greatly limited capital exportation. That at present the American capital exportation is not still greater, may be explained by the expansion of the economic crisis to all countries of the world.

The restriction of capital emission is accompanied by a great degree of liquidity on the money market as a natural outcome of the reduced volume of output and the lower price level. In the Harvard "Weekly Letter" of September 6th, we find the following interesting figures regarding the diminution of the credit accorded by the Federal Reserve system. The Federal Reserve Banks showed the following development (in millions of dollars):

	April 1930	July 1930	August 1930	August 1929
Sums advanced on Bills, Ac- ceptances, & Rediscounts.	1524	1319	1302	2434
Security Holdings	539	590	604	165

Thus the credits granted to member banks by the Federal Reserve system are continually shrinking and the Reserve Banks are forced to invest ever increasing sums in the purchase of Government securities. The purchase of the latter means an augmentation of the funds placed at the disposal of economy and serves the purpose of advantageously influencing business through the liquidity of the money market, the rates for loan capital being kept at a very low level. At present, first-class bills are discounted in New York at the rate of 2 or 3 per cent.

The same trend of development may be seen in the case of the other recording member-banks of the Federal Reserve System. The amount of the commercial shares (bill discount and rediscount) stood in August 1929 at 9,400 millions and fell by August 1930 to 8,500 millions. On the other hand, the holdings of securities rose from 5,500 to 6,300 million dollars.

The sum total of the money in circulation, however, continued to decline despite the heavy purchases of State Securities by the Federal Reserve system.

The Agrarian Crisis.

Upon the news of the serious damage caused to the maize crop by drought, the grain prices temporarily went up very markedly. It soon appeared, however, that the reports of a

catastrophe in regard to maize were exaggerated, so that prices recommenced to sag and have at present, save in respect of maize, reached the lowest level recorded for decades. The official estimate of the United States harvest published on October 10th, shows the following figures:

	October Estimate 1930	Definite Official Estimate 1930
Wheat	840	806.5
Oats	1411	1238.6
Barley	328	307
Maize	2047	2622

If we add together the returns for feed-grain — maize, barley, and oats — there results for the current year a harvest of 3,800 million bushels against 4200 million bushels in the preceding year. The loss incurred by the bad crop of maize is thus not so great as at first appeared to be the case (it must be remembered, however, that a bushel of maize is far heavier than a bushel of oats or barley). The hope that a bad maize crop might augment prices and free the Farm Board from its unfortunate position, has not been fulfilled.

The Farm Board's propaganda for a restriction of the area under wheat has remained absolutely without avail. On the contrary, in the western and south-western regions, which are well suited to operations with combines and tractors, there has again been a great extension of the area cultivated for wheat-growing.

So as to maintain the grain prices, and especially the price of wheat, on a higher level, Legge, Chairman of the Farm Board, now advocates that in the place of maize wheat and other sorts of grain should be employed as fodder, so that the surplus stocks may be used up, at any rate for the current year. It appears, however, that if grain is used for fodder to such an extent, the result will be an output of animal products that will unquestionably cause the crisis to spread to livestock-breeding as well. Already now, the prices for cattle and pigs are far lower than they were last year. In this connection interest attaches to the report that at the end of September the price of eggs of best home origin was lower than it had been for twenty years and the supply of eggs the greatest ever known. This is the consequence of the employment of grain to feed the hens and of the speedy delivery of the eggs by the automobiles now in the possession of every farmer. A dozen fresh eggs from the west costs 24 cents⁶⁴⁾.

In such circumstances it is comprehensible that the capitalist press is inclined to put the blame for the fresh drop of grain prices and for the agrarian crisis in general onto the Soviet Union.

Unemployment and Wage Cuts.

The crisis weighs most heavily on the working class of the United States. The fine words of Hoover and Green as to the necessity of not reducing wages, have long been forgotten. Unemployment, short-time work, wage reductions — such is the fate of the workers in the United States of America.

In the General Section of this Report, we calculated that unemployment in the United States must at present comprise something between 6 and 9 millions of the inhabitants. The hope that the April census would at length provide some definite returns in regard to unemployment, has been completely frustrated. The officially indicated number of 2,508,150 unemployed is barefaced fraud. None but the "definitely unemployed" were counted, while the entire method of counting was purposely so arranged as to show an inaccurate and far too small total.

It is characteristic of the embellishing methods of the United States Labor Bureau that the number of unemployed is given as "two per cent. of the population"; instead of comparing the unemployment total with the number of workers, the Labor Bureau compares it with the total population, which comprises all the old people and small children and all the members of the ruling class.

Over against the ridiculously small total of unemployed as recorded by the Bureau of Labor, the "Annalist" makes the following computation. According to the calculation of the

⁶³⁾ Returns from "Financial and Commercial Chronicle" of September 13th, 1930, p. 1266.

⁶⁴⁾ "New York Times" of September 24th, 1930.

Federal Reserve Board, there were on an average in 1923/25 (here put at 100) 8,410,000 workers in the factories. On the basis of figures supplied by factories employing together more than 3,000,000 workers, the "Annalist" arrives at the following results:

Computed Average Monthly Number of Workers (in Thousands)

		Number	Change
September	1929	8700	—
October	1929	8590	110
November	1929	8260	330
December	1929	7870	290
January	1930	7810	160
February	1930	7810	—
March	1930	7800	10
April	1930	7750	50
May	1930	7600	150
June	1930	7420	180
July	1930	7070	350
		Total	1630

In the first eleven months of the crisis, 1,630,000 workers were thus discharged from the factories, this being roughly 19 per cent. There is no reason to assume that in agriculture, mining, transport, commerce, etc. the number of unemployed was any smaller. (The A. F. of Labor, whose members are mainly printers, builders, and tailors, shows a proportion of 22 per cent. of unemployed.) Since the number of wage and salary earners in America is something between 30 and 35 millions, the official total of 2½ million unemployed must be considered a deliberate fraud.

What a tremendous loss the working class of the United States has suffered by the crisis, is to be seen by the "payrolls" of the factories. Putting the wage total of 1923/25 at 100, the following development results, from the index of the Federal Reserve Board:

Index of Wage Totals of Workers Employed

Line of Industry	Peak 1929	July 1930
Iron & Steel	111.6 (May)	78.6
Non-ferrous Metals	127.6 (March)	76.0
Engineering	131.9 (May)	90.9
Cement, Clay, Glass	92.5 (June)	66.4
Timber & Wood Products	96.8 (Oct.)	63.0
Means of Transport	117.0 (April)	71.7
there of Automobiles	152.0 (April)	72.4
Rubber Goods	125.7 (May)	80.8
Chemical Industry	118.2 (Oct.)	100.8
there of Petr. Refineries	129.4 (Oct.)	118.1
Paper & Printing	118.2 (Dec.)	107.3
Textiles	108.8 (March)	69.2
Leather, Footwear, etc.	105.0 (Aug.)	78.6
Tobacco Products	94.3 (Nov.)	81.9
Foodstuffs	108.8 (Oct.)	100.2
Total Index	111.3 (April)	82.0

It results that the total of wages received by the industrial workers of the United States in July 1930 was roughly 27 per cent. smaller than in April 1929. Though in the meantime retail prices have also fallen, there is a tremendous reduction in the quantity of goods which the workers are in a position to buy and consume. Since the loss of wages is most irregularly divided and there is no unemployment relief, the 27 per cent. cut in the wage total means want and misery for millions of workers in the land of Prosperity.

It is obvious that, in addition to the crisis, "organic" (or as the Americans say, "technological") unemployment plays a significant role. The United States railroads, for instance, which in 1920 employed 2,022,832 operatives, employed in 1930 no more than 1,565,056, though the volume of goods transported has greatly increased. The situation is similar everywhere.

The working output per head of the shifts has rapidly grown and the expansion of the labour market does not suffice to enable the workers released by increased productivity and intensity of labour once more to find work in the process of production. The problem of unemployment in the United States is by no means a problem of business possibilities which will disappear with the termination of the economic crisis, but the most serious of social problems which will assume ever sharper forms until the final collapse of the capitalist order of society.

Prospects.

There is no prospect at all of the crisis reaching its termination in a relatively short time. There can be no question of symptoms of a revival. On the contrary. Output is said by press telegrams again to have declined considerably. The fact that the volume of orders in the hands of the Steel Trust has receded by 400,000 tons shows that the backward tendency still exists. The constant price-drop and the increasing agrarian crisis also make for a great prolongation of the economic crisis.

The estimation of prospects in capitalist circles is very contradictory. Hoover, whose optimistic prophecies have become a subject of ridicule, has been silent of late. In his place, State Secretary Lamont, Hoover's successor in the Board of Trade, now prophecies the imminent end of the "depression". The well-known stock-exchange statistician Babson foretells a not very distant change and advises the public to purchase certain shares. The National City Bank opines in its August report that "the situation permits of the belief that the worst months of depression are over".

Mr. Green considers it his duty to support the bourgeoisie in its optimistic self-deception. The fact that the unemployment total among members of the A. F. of Labor receded from 22 per cent in July to 21 per cent in September, leads him to conclude that there is a "definite trend for the better" — an altogether unwarranted assertion since the recession is quite small⁵⁰⁾ and the membership of the A. F. of Labor cannot be considered typical of United States economy.

These optimistic forecasts have not proved true. According to reports so far to hand, September saw a further aggravation of the crisis. The provisional index of the "Annalist" for September shows a drop to 78.6, which is two points below the lowest point of 1921. Political events, such as the series of revolutions in South America, the outcome of the German elections and the accentuation of differences in Europe have led to general pessimism in United States banking and stock exchange circles. "The pessimism in the financial world is so great" writes the New York correspondent of the London "Times" on October 12th, "that an improvement of business is now often looked upon as an affair of years rather than months. This, it is true, is not the general opinion".

So much is certain; that there cannot be any question of an improvement in the economic position in the current year, that the crisis will last at the very least until far into 1931, and that there is so far no indication that the entire year 1931 will not also be a year of crisis.

⁵⁰⁾ The percentage of unemployment among the members of the A. F. of Labor figured as follows:

	September 1930	August 1930	September 1929
All Occupied Members	21	22	10
Building Workers	38	39	21
Metal Workers	8	8	3
Printers	8	8	3
All others	14	16	—

("Financial and Commercial Chronicle" of September 27th, 1930, p. 1960.)