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**Economics and Economic Policy in the Second Quarter of 1932.**(Down to July 25<sup>th</sup>, 1932.)

By E. VARGA.

**I. Economic Foundations of the Upheaval in Germany.**

The continual aggravation of the economic crisis has forced the German bourgeoisie to effect a political volt-face: The Papen-Schleicher Government represents a policy of invigorated, immediate, and violent assault on the working class in general and on the Communist Party and the revolutionary mass organisations conducted by it in particular.

Why, we are led to ask, has the bourgeoisie brought about this change?

Owing to the aggravation of the crisis, the predominance within the German big bourgeoisie has shifted in favour of those groups—East Prussian agrarians and the captains of the heavy industries—for which the method of a graded and systematic spoliation of the working class in favour of the bourgeoisie, as far as possible avoiding open strife, the method practised by the Centre Party and by the Social Democrats, was not sufficiently swift or energetic. These are the same classes which only twenty years ago managed with impunity to put across their standpoint of "cock of the walk", refusing to recognise trade unions, conclude tariff contracts, or suffer any organisations, other than yellow ones, in their works.

The rapid strengthening of the National Socialists made it possible for the agrarian and heavy-industrial reactionaries to attempt at a sudden blow to accomplish the long-maturing process of a successive liquidation of all the German working class had attained through the November revolution.

The bourgeoisie is reckoning (quite rightly, as developments have shown) with the fact that even if the Social Fascist leaders are whipped like dogs that have served their turn, they will not cease to serve bourgeois interests even in a political "Opposition", using all their influence to abate the revolutionary struggle of the workers against the establishment of Fascist dictatorship, to undermine it, and to divert it into the channels of a peaceful electoral campaign.

This transfer from the former bourgeois policy, which, alongside violence, did not eschew the employment of the proverbial "drop of oil" in social demagoguery, to a policy of

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open and brutal force, is not being effected quite without friction even within the bourgeois camp.

Altogether, friction between the individual strata of the German bourgeoisie has become far more pronounced during the crisis by reason of the great diminution in the total profit to be divided up between them. At the same time, however,

the maturing of a revolutionary crisis increases the necessity of unity among all exploiting classes.

In the method of a violent subdual of the proletariat, the agrarians and heavy industrialists hope to find a capitalistic way out of the crisis together with a full satisfaction of their own particular interests. Such sections of the German bourgeoisie as back the Centre Party and the Social Democrats, representing in part the finishing industries and commercial capital, are still uncertain whether these violent tactics of the Junkers and monopoly capitalists are the right and only possible ones to adopt, and whether they shall sacrifice their special interests to those of the heavy industrialists and agrarians for the sake of the preservation of a common class rule.

We will now attempt to analyse the change in the policy of the German bourgeoisie with reference to its economic foundations.

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In consequence of Germany's defeat in the world war, the German capitalism of to-day presents certain characteristic anomalies. Its monopoly character represents the highest stage of development; the concretion of industrial and banking capital to form financial capital and the concentration of enterprises in monopoly organisations of all sorts (cartels, trusts, and communities of interests) have progressed further in Germany than in any other country, with the possible exception of the United States. Through its defeat in the world war, however, Germany was deprived of its colonies and its capital investments abroad, disarmed, and subjected to a heavy tribute.

In the period of stabilisation, the reconstruction and the expansion of the production apparatus of German capitalism were to a great part effected by capital importation. A capitalist country at the highest stage of monopolistic development without colonies or spheres of interest, a monopolised form of capitalism forced to import capital instead of exporting it, an imperialist country disarmed and subjected to war tributes—such are the fundamental anomalies, over and above those common to all capitalist countries, which necessarily caused the international economic crisis to hit German capitalism particularly hard and greatly accelerated the maturing of a revolutionary crisis.

These special anomalies characterise the development of German capitalism in post-war times. But in the period of stabilisation their effects were at times counterbalanced by the gigantic influx of foreign capital (partly also a reflux of the German capital that had fled from Germany during the time of inflation), which rendered possible the elaboration and reconstruction of fixed capital in connection with rationalisation and a repletion of the stocks of raw materials and finished goods wholly exhausted in the inflation period, thus entailing a spasmodic expansion of the home market for the production goods of Department I, naturally followed by an increased sale of the goods of Department II as well.

The fact that the Reich, the countries, the municipalities, the big industries and the big agrarian interests were automatically relieved, by inflation, of their old debts, appeared to have made them likely receivers of credit: This provided the private-economic basis of the tremendous influx of foreign capital in the period of stabilisation, an influx great enough not only to cover the Reparations payments and the deficit on the commercial balance but also to entail a sort of unreal capital exportation by reason of the importation of capital.

For German capitalism upon the whole, as distinct from the working population, the onus of Reparations was at times eliminated by capital importation. No Reparations were paid out of the real product value of German capitalism; on the contrary, the latter received a surplus of values from abroad.

The data of Germany's balance of payments, as computed by the German Committee of Inquiries, figure as follows for the period from 1924 to 1930<sup>1)</sup> (Obviously, the accuracy of these returns, save in regard to Reparation payments, is somewhat limited. We have in part regrouped and reclassified the individual items, so as to make them more comprehensible to our readers):

### Germany's Balance of Payments from 1924 to 1930.

	Balance in Thousand Million Marks							Together 1924/1930
	1924	1925	1926	1927	1928	1929	1930	
Foreign								
Goods Trade	-1,8	-2,5	+0,8	-3,0	-1,3	+0,0	+1,5	-6,3
Gold and Foreign Bills	-1,3	-0,1	-0,5	+0,5	-0,9	+0,1	+0,1	-2,1
Services . . .	+0,3	+0,5	+0,5	+0,5	+0,5	+0,5	+0,2	+3,0
Interest . . .	+0,2	+0,0	-0,2	-0,3	-0,6	-0,8	-0,8	-2,5
Reparations	-0,3	-1,0	-1,2	-1,6	-2,0	-2,5	-1,7	-10,3
								-18,2

Covered by							
Capital Im-							
portation	2,9	3,1	0,6	3,9	4,3	2,7	-18,2

These totals were made up as follows:

Long-term								
Loans . . .	+1,0	+1,1	+1,4	+1,7	+1,7	+0,6	+1,6	+9,1
Short-term								
Loans . . .	+1,5	+0,3	+0,1	+1,8	+1,4	+1,1	+0,0	+6,2
Other Move-								
ments of								
Capital <sup>2)</sup>	+0,4	+1,7	-0,9	+0,4	+1,2	+1,0	-0,9	+2,9
								+18,2

The above items of Germany's balance of payments show the rapid growth of the burden of interest on imported capital, covered again and again by the incurrence of fresh loans from abroad. They also show a particularly rapid and spasmodic growth of short-term credits from 1927 onward. Thus Germany's creditary system became greatly dependent on foreign countries and was bound to collapse as soon as the current of short-term capital began to find its way back into foreign countries; hence the particular virulence of the credit crisis in Germany, leading to what is in fact bankruptcy in relation to foreign countries (albeit masked by the standstill agreement and the Hoover moratorium).

That in Germany the crisis has been considerably worse than in the other great imperialist countries, may be seen by the following figures:

From its peak until the beginning of 1932, the volume of output has decreased <sup>3)</sup> :			
In Germany	In the U.S.A.	In France	In Great Britain
49%	44.4%	30.5%	21.5%

Yet more drastically, the extent of the crisis in Germany is apparent from the following figures, comparing the present industrial output with that of 1913:

Volume of Industrial Output at the Commencement of 1932 <sup>4)</sup> .			
(On the Basis of 100 to represent 1913)			
Germany	U.S.A.	France	Great Britain
62	100	100	83

While in the United States and France the volume of output was, at the commencement of 1932, still every bit as great as in 1913 and in Great Britain, the country of chronic crisis, only 17 per cent. below it, it had fallen in Germany full 38 per cent. below the level of 1913. The tremendous significance of this fact is yet enhanced by the fact that the production apparatus of German industry is at present far greater than it was in 1913, that the industrialisation of the population has made great strides since then, and that the present decreased German territory is inhabited by about as many people as in 1913 inhabited the whole of pre-war Germany.

Rationalisation and the consequent extension of the productive capacity failed to lead to the result so desired by

<sup>2)</sup> Not to be calculated in detail, but including the sale of securities, houses, factories, etc., to foreigners and unrecorded short-term credits. The alienation of substantial portions of Germany's industry gives foreign capital powerful economic points of vantage, the political influence of which is likewise to be felt.

<sup>3)</sup> Weekly Report of the "Institute for Business Research", May 11th, 1932.

<sup>4)</sup> Ibid.

<sup>1)</sup> From "Production and Market Conditions of German Economy" (Final Volume of the Committee of Inquiries) by B. Dernburg, Chairman of the Committee, page 195.

Germany's capitalists, that of augmenting profit. It soon became apparent that in the period of the general crisis of capitalism an exploitation of the greater production capacity is hampered by the natural limits of the production system itself. This may clearly be seen in the following figures:

Proportion, per Hundred, of Workers' Posts Occupied.

	Total	Industries Producing Means of Production	Industries Producing Articles of Consumption
July 1928 . . .	74.7	75.8	72.8
July 1929 . . .	73.2	75.3	70.3
July 1930 . . .	53.1	48.6	59.1
July 1931 . . .	61.9	59.6	64.8
May 1932 . . .	42.0	36.3	49.4

This serious industrial crisis acts on the chronic agricultural crisis, which in its turn is enhanced and reacts aggravatingly on the industrial crisis. The dependence on foreign capital has led to a collapse of the creditary system which is far more serious and widespread than in the other great imperialist countries. All these circumstances in their entirety have most seriously shaken the structure of the capitalist order of society in Germany, aggravated the fundamental antagonism between the proletariat and the bourgeoisie, and placed the working peasantry too in violent antagonism to the monopolistic big bourgeoisie, while at the same time enhancing the differences within the bourgeoisie itself in regard to the division of profits which, in spite of an increased exploitation of the proletariat, are very greatly diminished by reason of the crisis.

In our opinion, this aggravation of all class antagonisms is the key to the volt-face in the policy of Germany's bourgeoisie.

## The Division of the Product Value: the Struggle between the Bourgeoisie and the Proletariat.

The crisis has led to a tremendous diminution in the number of workers exploited by capital. It is the endeavour of the bourgeoisie to make up, as far as possible, for this decrease in the number of exploited workers by an increase in the rate of exploitation. On this head there is no difference of opinion throughout the bourgeoisie, and to this end all means are tried, diminution of wages, augmentation of the intensity of work, curtailment of the wages already paid by means of taxes, dues, and duties on articles of general consumption, and so forth.

It is not possible to establish accurately how greatly the number of workers immediately exploited in Germany's industrial enterprises has diminished, though an approximate idea may be gained from the following figures<sup>5)</sup>:

Total of Occupied Workers according to Sick-Fund Statistics.

Maximum (in Thousands).

June 1929	June 1930	June 1931	December 1931
20,750	19,380	17,910	15,290

In December 1931, capital was thus exploiting some 5,460,000—roughly 26 per cent.—fewer workers than the maximum number. Added to this, several millions more were doing short-time work. Computing short-time work in terms of complete unemployment, we get the following figures: Of 100 workers, the number of those fully occupied was

In June 1929 . . . . .	88.6
In December 1931 . . . . .	47.4

Recession 41.2, or 47 per cent.

Before discussing the methods employed for increasing the rate of exploitation of the workers, we should like to refer to the obvious forgery of the unemployment total in German statistics. According to the above returns, the number of occupied workers must have decreased between June 1929 and December 1931 by 5.46 millions. According to the statistics of the labour exchanges, there were 1.46 millions of unemployed in Germany in June 1929; consequently, in

December 1931, there must have been 6.92 millions of unemployed, plus several hundreds of thousands who entered upon the working age during the 2½ years in question and minus the deceased workers. Official statistics, however, record only 5.67 millions of unemployed, at least 1.5 millions fewer than actually existed.

The bourgeoisie has undoubtedly succeeded in augmenting the rate of exploitation and thereby in counteracting to a great degree the shrinkage of the surplus value total caused by the decrease in the number of exploited workers. The most important method employed in this connection has been that of wage cuts.

There are no reliable statistics in regard to the development of wages. It is a fact that the rising tendency of monetary wages which commenced in 1924 had already terminated prior to the commencement of the crisis. Since time wages were largely regulated by tariff contracts, the diminution set in in the form of a curtailment of premiums and piece wages, i. e. a reduction of extra-tariff earnings.

The significance of this reduction of job rates is apparent from the fact that, according to the report of the Committee of Inquiries (page 81), some 75 per cent. of the workers were, in 1928, working on a job and premium basis and that the tension between tariff rates and job rates in the individual lines of industry ranged from "at least 10 to 15 per cent." in the plate-glass industry to 81 per cent. in the rolling mills.

Subsequently, thanks to the active co-operation of the Social Fascist trade union leaders and the Social Fascist arbiters, the years 1931 and 1932 saw a rapid curtailment of the tariff wages themselves.

According to the computation of the "Institute for Business Research", the average wage rates per hour figured as follow in Pfennigs for the highest age classes recorded in the tariffs<sup>6)</sup>:

	1930	1931	March 1932	Recession
Male skilled workers . . .	102.8	97.8	86.3	16%
Male assistant workers . .	80.7	76.7	67.1	17%

There can be no doubt that these returns have been forged in the interest of the bourgeoisie. This is patent in view of the following fact: Down to September 1930, the tariff rate per hour was reckoned for "trained and untrained workers". For the first nine months of 1930, it amounted to 111.9 pfennigs and 84 pfennigs, respectively. On the pretext that in the timber trade there has since then been no uniform tariff agreement for the whole Reich, this method of calculation was discontinued. Half a year later, there appeared the new calculation for "skilled workers and assistant workers" quoted above, which was on a far lower scale. Obviously, this was an attempt to veil the curtailment of tariff rates that had ensued during the crisis<sup>7)</sup>.

But even these reduced nominal tariff rates are not in all cases received by the workers. The "Frankfurter Zeitung" recently said quite openly that the trade union leaders close an eye to the fact that sub-tariff wages are paid.

A third factor is the increase of deductions from wages in the form of greater social dues, the introduction of new taxes (per capita taxes), and the like. If we put the curtailment of job wages, very moderately, at 25 per cent., that of wages per hour at 16 to 17 per cent., and the increase of wage deductions, also very moderately, at 5 per cent., it results that the earnings of employed workers, i. e. the wage total paid by the capitalists for the equal number of hours of work, has been reduced in the course of the crisis by at least 46 per cent.

The bourgeoisie, however, has yet a further means of increasing the surplus value total it appropriates, viz. by increasing the intensity of work. Unfortunately, no tangible data are available in this respect. But it is obvious that, in view of the tremendous extent unemployment, the capitalists are in a position to remove from the works all the least efficient workers and all such as offer most resistance to exploitation (particularly the Communists).

Over against these manifold ways of increasing exploitation, there is the reduction in the cost of living. For the same sum of money, the worker can at present purchase of the bourgeoisie a greater value in the form of goods (more "current working time"), hence also more practical values, than he could before the crisis.

<sup>5)</sup> From "Economic Figures 1925-1931" published by the "Institute for Business Research". (These figures do not coincide with those of the "Reichsarbeitsblatt", which latter exclude sick persons, women in childbed, etc.).

<sup>6)</sup> Quarterly Report, 7th Year, No. 1, Part B, page 47.

<sup>7)</sup> Since March, wages have been further reduced, in many instances to a very great degree.

The official cost of living (on the basis of 100 for 1913/14) has developed as follows:

Peak	Percentage			
June 1929	December 1931	May 1932	June 1932	Recession
154.4	130.4	121.1	121.4	28

Even if the official cost of living figures were accurate, it would result that the curtailment of wages in money (both job and tariff rates), the increased intensity of work, and the increase in taxation and social dues decrease the share in the product value remaining to the working portion of the proletariat to an extent exceeding the reduction in the cost of living by from 15 to 20 per cent.

But the official computation of the cost of living is obviously misleading. It is based on too high a standard of living and embraces far more foodstuffs of a superior quality (meat, fat, eggs) than the working class can at present consume in view of greatly reduced earnings and the necessity of maintaining great numbers of unemployed devoid of any form of relief. It is just these superior foodstuffs that have greatly receded in price, while the cheaper foodstuffs show a far smaller price decrease.

In summing up all we have said so far, we can arrive at the following conclusion:

The total sum of the appropriated surplus value would normally have receded by roughly 40 per cent. in the crisis in proportion to the smaller number of exploited workers. By cutting wages, augmenting the taxation of the workers, reducing social aid, and increasing the intensity of work, the bourgeoisie has succeeded in making up for a great part, in our estimation for at least half of the loss at the cost of the workers. There has thus been a pronounced shift in the distribution of the diminished product value in favour of the bourgeoisie and at the expense of the workers. In comparison with the time before the crisis, the loss of the workers as a class in the way of actual income is far greater still, seeing that added to the loss of the working section of the proletariat in favour of the bourgeoisie there is the forfeiture of a wage income through unemployment, compensated only to a fractional extent by unemployment relief.

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We must therefore unfortunately recognise that in the struggle between the bourgeoisie and the proletariat for the distribution of the product value during the crisis, the bourgeoisie has so far had the upper hand. It has to a great extent succeeded in shifting this distribution to its own advantage and the onus of the crisis on to the shoulders of the working class.

Most to be blamed for this development are the Social Fascist trade union leaders, who have done their utmost to suppress the struggles of the working class, the Social Fascist politicians, who have propagated the thesis that the crisis is a general national calamity to overcome which every one must make sacrifices, the Social Democratic arbiters, who themselves contribute to reducing the workers' wages, and the National Socialists, who have again and again attacked the struggling workers from behind. At the same time, the Communist Party of Germany and the Revolutionary Trade Union Opposition were not sufficiently well anchored in the works and unions to take an independent lead in the economic struggle and defend the workers successfully against wage reductions.

Though, expressed in terms of working time, the total of the surplus value has decreased by no more than roughly 20 per cent., the profit total, expressed in marks, will appear to have dropped far more, possibly by as much as 50 or 60 per cent. (albeit most irregularly in the individual lines of industry primarily according to the degree of monopolisation). Hence the devastating effect of the crisis, manifested in wholesale bankruptcies reaching right to the very strongholds of financial capital. It is this diminution of profits that drives the German bourgeoisie as a class to make assault after assault on the working class, at whose expense the process of shrinking profits, which threatens the very existence of capitalism, is to be stayed. This explains the economic necessity for the bourgeoisie to attempt an upheaval, so as to increase exploitation by a yet greater curtailment of wages and social services and thus to enhance the sum total of the appropriated surplus value and with it that of profits.

## The Division of the Surplus Value: the Antagonisms between Bourgeoisie, Landowners, and Working Peasantry.

The surplus value appropriated by the bourgeoisie does not entirely benefit the latter, part of it is absorbed by the landowners as ground rent by means of land monopoly. The ground rent is most apparent in the form of rent paid by capitalistic tenants to the landowners. The fact that in Germany there is a predominance of freehold farming, makes no difference in the economic system. The landowner farming the land himself with his own capital, divides the profit made on his working capital from the rent due for the land.

The larger the amount of ground rent is, the smaller is the balance remaining over from the surplus value to the credit of industrial capital (agrarian, industrial, and transport capital).

Objectively speaking, there is always an antagonism between the bourgeoisie and the landowners in regard to the division of the surplus value. In pre-war times there was in Germany a firm alliance between the big landowners and the heavy industries for the purpose of a common spoliation of the working population. The Papen Government stands for the renewal of this alliance, with a view to salving by all possible means—at the expense of the rest of the population, especially the proletariat,—these two politically powerful but economically just now more or less bankrupt groups of the ruling class.

All former German Governments, the Social Democratic ones not excepted, likewise imposed upon the working population the heaviest sacrifices in the form of very high duties on all agricultural products so as to raise the ground rent and protect the German landowners from the effects of the international agrarian crisis. But all such measures proved insufficient. Now the campaign of exploitation is to be continued on a yet larger scale.

The most important features characterising the position of German agriculture are as follows:

1. Within the period since the stabilisation of the mark—as calculated by the Central Credit Institute of the Reich down to June 30th, 1930—Germany's agriculture has incurred indebtedness of roughly 13,800 million marks (according to other computations—as in "Der Immobilienkredit", special issue No. 26 of the "Institute for Business Research"—only 11,800 million marks), after inflation had eliminated the former debts. Of these 13,800 millions, about 2,000 millions represent the valuation of the old debts, while no more than 3,000 millions were actually invested in the increase of stock, in new buildings, and the like. The balance of 7,000 to 8,000 millions has completely disappeared, being unproductively consumed by the Junkers or else absorbed in the form of interest on loan capital, fresh debts being incurred to pay the usurious interest on the old ones.

The big landowners east of the Elbe are most seriously in debt, having thoughtlessly allowed their debts to accumulate. In East Prussia, the indebtedness, on June 30th, 1931, averaged 559 marks per hectare, being 52 per cent. of the total fortune<sup>8</sup>). The aggravation of the agrarian crisis which has ensued since then, has still greatly decreased the price of land, which is therefore already in many cases exceeded by the debt total.

2. Contrary to pre-war times, when agricultural credit was very cheap in Germany, extremely high rates of interest have to be paid for credit since the mark stabilisation. In the middle of 1931, the burden of interest on agriculture was estimated by the "Institute for Business Research" at 1,000 million marks a year.

This is more than one tenth of the total proceeds of agriculture from the sale of its products. With the constant fall of prices for agricultural products, the onus of interest has become more and more burdensome. Arrears of interest have accumulated more and more from month to month, figuring in February 1932 at 60 per cent. of the total liabilities.

3. In spite of the constant raising of duties, of import prohibitions, of the milling regulation, and so forth, the "scissors" have grown during the crisis.

<sup>8</sup>) According to computation by the Preussenkasse.

### Wholesale Price Index (100 representing 1913)

	1928	1929	1930	1931	15. 6. 1932
Agrarian Materials . . .	134.3	130.2	113.1	103.8	91.7
Finished Industrial Goods . . . . .	158.6	157.4	150.1	136.2	117.7
Difference in Points . . .	24.3	27.2	37	32.4	26
Percentage Difference . . .	18	21	33	31	29

4. The protection of the landowners' incomes at the expense of the working class, has, however, been in two ways crossed by the crisis:

a) Through the increase in output and the decrease in consumption on the part of the broad masses, the degree of self-sufficiency in regard to foodstuffs—which long served as an ideological vindication of the agrarian policy of high protective duties—was practically reached in Germany in the most important lines.

The importation of agricultural products also produced in Germany dropped from 3,600 million marks in 1927 to 1,600 millions in 1931; two thirds of this recession may be put down to decreased quantities, one third to the price drop.

The quota of imports in consumption figured as follows<sup>9)</sup>:

	1927	1931
Meat . . . . .	8%	1%
Bread Cereals . . . . .	24%	4%
Feed Cereals . . . . .	21%	6%

This means that prices in Germany are increasingly determined by the supply and demand on the home market and that the duties have not had their full effect.

This development represents a peculiar aggravation of the crisis for the small and medium peasant farmers and for the most seriously indebted producers in general. By reason of the increased supply and the decreased purchasing capacity of the population, the prices of cattle and cattle products, which form the main source of income for the small and medium peasantry, fell most perceptibly. There ensued a special tension between agrarian products placed on the market mainly by big landowners and richer peasant farmers on the one hand and cattle and cattle products on the other. Thus, the index of wholesale prices (on the basis of 100 for 1913) stood as follows in May 1932:

Vegetable Foodstuffs . . . . .	121.2
Feedstuffs . . . . .	96.1
Dairy Products . . . . .	90
Cattle for Slaughter . . . . .	63.2

In such circumstances, the ruin of the small and medium farmers, carrying on cattle breeding with purchased feedstuffs, appears inevitable<sup>10)</sup>.

With the growing burden of indebtedness, the poorer and medium farmers have been forced, as have also the most seriously involved among the bigger landowners, to throw their grain on the market immediately after harvesting. In spite of the duties, prices therefore drop substantially each autumn, to rise again shortly before the next harvest, at a time when only speculators in grain and the rich producers are in a position to sell.

### Wheat Prices in Berlin (in Marks per Ton):

Harvest Year 1929/30	Harvest Year 1930/31	Harvest Year 1931/32
Sept. 1929	July 1930	Oct. 1930
227	300	226
		288
		208
		273

In these circumstances, the situation of the peasantry so rapidly deteriorated and their protests against high taxes and rates of interest, protests encouraged by the agrarians and voiced mainly by the Fascists, grew so threatening, that in the autumn of 1931 the Brüning Government decreed the suspension of all distraints and the reduction of the rates of interest by one quarter.

<sup>9)</sup> Weekly Report of the "Institute for Business Research", May 25th, 1932.

<sup>10)</sup> Germany's commercial policy has been made subservient to the interests of the cereal-growing landowners. The recession of imports figured as follows in millions of marks:

	1927	1931
Grain and Feedstuffs . . .	1,589	447
Animal Products . . . . .	1,334	1,025

In short, the attempts at artificially maintaining the pre-war level of ground rents during the agrarian crisis and thus preserving the German agrarians from the effects of that crisis, have not been successful, although the heaviest sacrifices have been imposed to this end on the proletariat and the working peasantry. The entire complicated system of measures for the maintenance of home prices is increasingly frustrated by the rapid shrinkage in the consumptional capacity of the broad masses<sup>11)</sup>.

In view of the stock-farming carried on by the Catholic peasantry in the south and west of Germany, the Centre Party was not in a position to continue a one-sided support of the agrarians east of the Elbe. Together with the Social Democrats, it desired to connect the further grant of subsidies to the bankrupt landowners in that part of Prussia with the purchase of part of their land for colonising purposes, so as to create the impression among its adherents in the working class that it was anxious to do something to alleviate unemployment. But the agrarian magnates would not part with any of "their" land. They demanded that they should be "salved" by the State. Though naturally not the actual cause, this was at any rate the immediate inducement for the brusque dismissal of Brüning and the establishment of a government which will attempt yet more unscrupulously and brutally to enforce the interests of the big landowners at the cost of all working classes.

## The Division of Profits: the Antagonisms between Industrial and Loan Capital.

The surplus value falling to the share of the bourgeoisie upon subtraction of the ground rent, is divided into two portions, one of which forms the interest on loan capital and the other the profit of the enterprise. The former accrues to the rentier class, the latter to the active capitalists. The higher the interest on the capital loaned, the smaller is the profit of the enterprise on a given gross profit. Hence there is a constant antagonism between the industrial capitalists and the rentiers.

Inflation destroyed loan capital in Germany almost wholly<sup>12)</sup>.

Hence the very high rates of interest that characterised the entire period since stabilisation.

In Berlin, the following rates were paid:

In April 1924:

Daily Loans . . . . .	45 per cent.
Monthly Loans . . . . .	44 per cent.

In 1929:

Long-term Foreign Loans . . . . .	7.8 per cent.
Credits for the Construction of Dwellings . . . . .	8.8 to 9.5 per cent.
Credits for Agriculture . . . . .	9.3 to 9.8 per cent.

(Data supplied by the Committee of Inquiries).

The interest payments weighed most heavily on those enterprises in which the turnover of capital is slow and the indebtedness great in relation to the owners' own capital. This is above all the case in the heavy industries. The mortgage debts of the Vereinigte Stahlwerke, e. g., aggregate 950 million marks, which is far more than the firm's own capital. In such circumstances, the heavy payments of interests absorb the entire profit, leaving nothing over for dividends; such enterprises must inevitably become bankrupt.

<sup>11)</sup> We have no exact data regarding the diminution of consumption in general and of that of the proletariat in particular. At the session of the Agricultural Council on June 11th, Baron Braun, Minister of Alimentation and Agriculture, spoke as follows:

"By reason of decreased purchasing power, we can record a recession of demand, amounting to at least 10 per cent. in the case of wheat, about 5 per cent. in that of butter, from 13 to 18 per cent. in that of sugar, 40 per cent. in that of beer, and 75 per cent. in that of spirits."

<sup>12)</sup> The savings deposited in savings banks, one of the chief sources of loan capital, figured as follows in millions of marks at the close of year:

1913	1924	1927	1929	1930	1931
18,800	500	4,800	9,000	10,400	10,000

Obviously, the rates of interest and their effect on the existence of the enterprise are widely different, according to the strength of the concern. The small, unmonopolised enterprises have been, and are still, obliged to pay the most usurious interest, the big industrial enterprises, which have amalgamated with the banks to form financial capital, pay relatively low rates, which are, however, still substantially higher than those paid by their competitors on the world market. The profit gained by these high rates of interest naturally only accrues in a very small degree to the small savers, who receive relatively low interest on their deposits.

The lion's share has been absorbed by the banks. But their benefit proved illusory. By appropriating a large proportion of the industrial and other profits through their usurious rates of interest, they drove their debtors, industrial enterprises, landowners, and merchants, to bankruptcy, the loaned amounts froze or were completely forfeit, the entire system collapsed, and strongholds of financial capital such as the Danat Bank and the Dresdner Bank themselves became bankrupt or else were saved by State subsidies, in the latter case naturally again at the expense of the working classes. Nor is there any guarantee that such salving measures are final, while it is an established fact that the entire iron and steel industry of Germany is very badly in need of a thorough "sanitation". One of the tasks imposed on the new government by the trust bourgeoisie, consists in effecting this measure unscrupulously at the expense of the working masses, so as to save Germany's heavy industries from bankruptcy.

## Monopoly Capital versus Unorganised Capitalists and Peasantry.

In the distribution of the profit total, monopoly capital in all its forms: cartels, trusts, business groups, communities of interests, and big banks, deprives the unorganised capitalists as also the artisans and peasants of part of their profit. This is effected by unduly high monopoly prices for their products<sup>13)</sup>, as also by exploiting all sorts of advantages accruing to the monopolies from their control of the State apparatus<sup>14)</sup> and their amalgamation with the banks. In this way the most powerful monopolies have succeeded, apart from their increased exploitation of the workers, in improving their position at the expense of the non-monopolised capitalist enterprises and "third persons".

Naturally there can be no question within the capitalist order of society of a real struggle between monopoly and non-monopoly capital, i. e. between the financial oligarchy on the one hand and the broad class of petty bourgeoisie on the other; the economic and political preponderance of the monopolies, waging the fight against the proletariat in the interest of all exploiting classes is established beyond discussion. The antagonism of interests, however, is manifested by the existence of various groups and intermediate parties.

On the other hand, the widespread revolt of the peasant masses last year in consequence of the aggravation of the agrarian crisis, is a matter of great political importance. The National Socialists, who by means of unscrupulous "anti-capitalistic" demagoguery have succeeded in getting great numbers of the peasantry and petty bourgeoisie under their influence, have been instructed by the big bourgeoisie to harness these malcontents once more firmly to the big-bourgeois cart. Seeing, however, that, even in the case of a "normal" development of the capitalist system of production, these classes are doomed to destruction, since the capitalist regime is not in a position to save them from the devastating effects of the crisis, they form potentially an important auxiliary of the proletarian revolution.

<sup>13)</sup> The "tied" prices of industrial raw materials and semi-finished goods stood in March 1932 (on the basis of 100 to represent 1926) at 84, the "free" prices at the same time at 47.9, the difference being no less than 75 per cent. of the free prices.

<sup>14)</sup> The taxes payable by the financial oligarchy are relatively far lower than those of the poorer classes of society. By founding various affiliated concerns abroad (in Holland, Switzerland, or Liechtenstein, where alone there are 25,000 joint-stock companies), they remove a great part of their capital abroad to escape taxation.

## Capitalist or Revolutionary Way Out of the Crisis?

The ruling classes in Germany are seeking feverishly for a capitalistic way out of the crisis. Even prior to the upheaval, their executive organ, the State, was intervening more and more in the process of capitalistic production.

In the attitude of the individual groups of the financial oligarchy in relation to the question as to who is to govern, very much depends on the question as to who is to benefit in being granted government aid. Apart from guarantees, the Brüning Government used 800 millions for "salving" the banks. But is allowed Borsig and Nordwolle to go bankrupt. The replacement of the Centre-Social Democrat Government by the Fascist government of Papen and Schleicher means that other groups of the financial oligarchy, more closely allied with the National Socialists, will in the first line be aided with government funds.

The Social Fascists seek to explain every interference of the State in economic life as a step in the direction of systematic economy and Socialism. This is naturally a fraud. The anarchy and chaos in Germany's economy are merely enhanced by the numerous decrees which follow one another in rapid succession and are frequently contradictory in character.

The situation of capitalism in Germany is characteristically illustrated by the following vicious circle:

The impoverishment of the workers, clerks, and petty bourgeoisie, so greatly increased by the economic crisis, leads to a marked restriction in the consumption of foodstuffs: Hence the home production of foodstuffs in Germany is more in a position to cover home requirements, agrarian duties become less and less effective, the wholesale prices of agrarian products sink, ground rents drop, and land becomes unsalable. The suspension of distraints and reduction of interest introduced to save the bankrupt landowners and farmers, have destroyed agricultural credit. All measures undertaken to combat the agrarian crisis have eventually led to its enhancement.

The aggravation of the agrarian crisis is restricting the purchasing capacity of the agrarian population for industrial goods to a minimum. Since by reason of wholesale unemployment and wage curtailment, the proletariat is likewise able to purchase less and less in the way of industrial products, the sale of finished goods (Department II) recedes more and more. This necessarily leads to a further shrinkage of the sale of means of production (Department I), the more so as even prior to the inception of the crisis there existed the superabundance of productional plants by which it is characterised. As a matter of fact, the home output of steel and iron, machinery and so forth is so small as not even any longer to cover the current sales.

A vicious circle is likewise to be observed in the relations between Germany's capitalism and the world market. The tremendously restricted consumptive capacity of the home market undermines the economic foundations of dumping<sup>15)</sup>.

Without colonies or monopolised spheres of influence and with a very small possibility of connecting its goods exports with an exportation of capital, Germany's industry can export only at a loss not compensated for even by the high rate of prices at home. But export it must so as to be able to import raw materials and to pay the interest on its debts to foreign countries.

The shutting-off of agrarian imports in the interest of the agrarians, however, has led in many countries to more and more special restrictions directed against industrial imports from Germany. The increasing narrowing of the world market accompanying the aggravation of the international economic crisis weighs most heavily on Germany, whose industrial exports are distributed among all countries of the world. The inflation in certain industrial countries further

<sup>15)</sup> If Germany's iron and steel industry could place only 25 per cent. of its output (corresponding to 10 per cent. of its productional capacity) at home, exporting 75 per cent. immediately or in a worked-up condition, it would be impossible to cover the loss on the sales abroad by the super-prices attained at home. Therefore, the iron and steel industry has had to retire largely from the world market. Germany's engineering works which were working in May with a 27 per cent. exploitation of their capacity, could dispose of only one third of their actual, or one ninth of their potential, output on the home market.

impairs the competitive capacity of Germany's industry on the world market. The more urgent exportation becomes for Germany's capitalism, the smaller becomes the possibility of effecting it.

The new government has been charged by the financial oligarchy with the task of breaking through this vicious circle and speedily finding a capitalistic way out of the crisis. What possibilities has it at its command?

A capitalistic way out of the crisis in Germany would only be possible on the basis of a suppression of the crisis throughout the capitalistic world. At any rate it is certain that a number of years will still have to pass before there can be any question of an appreciable revival along "normal" lines.

The question is whether the severely shaken structure of Germany's capitalism can still stand several years of crisis and severest depression. Will the apparatus of coercion in the hands of the ruling classes be able to withstand the revolutionary pressure increasing with the duration of the crisis? Will the ramparts of bourgeois rule, Social Fascism, National Socialism, and Centre Party, hold their ground<sup>10)</sup>? The bogey of proletarian revolution constantly threatens Germany's bourgeoisie.

Hence the task of the Schleicher-Papen Government in the first line to strengthen the coercive organisation of the bourgeoisie by enlisting the National Socialist stalwarts, to break the resistance of the proletariat by recourse to the army, material law, and brute force, and thus to find ways and means of more speedily getting the better of the crisis in view of the growing danger.

But the task of forcing a capitalistic issue is not only economically insoluble; any attempt in this direction must needs enhance the danger to the whole bourgeois regime. For all such measures as would be liable to accelerate a capitalistic way out of the crisis and restore a "normal" exploitation of capital, obviously necessitate a further shift in the distribution of the product value in favour of the bourgeoisie and a further impoverishment of the working class, the working peasantry, and the petty-bourgeois population. Thus all these measures must inevitably lead to an accelerated maturing of the revolutionary crisis and increase the degree of danger threatening the capitalist order of society.

What then can the Papen-Schleicher Government or a partly National Socialist government possibly succeeding it do?

It can have recourse to inflation, the advisability of which is urged by the indebted landowners and bankrupt heavy industries.

The economic presumptions of an inflation are undoubtedly given. If the strict measures now employed for its prevention (foreign exchange regulations, credit restriction, and the like) are once relaxed, it will inevitably ensue. Indeed, it can also ensue in spite of all measures to the contrary.

Inflation, however, stands for a redistribution of fortune and income in favour of the capitalists, especially the landowners and heavy industrialists, for the prevention of a decrease in the nominal value of capital through bankruptcies and sanitation, for a spoliation of the middle classes through devaluation of their savings, for a further indirect curtailment of wages, and for the destruction of the last remnants of social relief for the unemployed. It therefore means a spasmodic accentuation of class antagonisms and an acceleration of the revolutionary crisis.

What inflation will not entail is a speedier suppression of the crisis. Indeed, there might ensue a certain "refuge in material values" in the form of heavier purchases of clothes, shoes, furniture, and the like by the moneyed classes, but hardly any expansion of investments. Who should build new factories when the majority of the existing ones are at a standstill? Who should construct dwellings while so many are still empty? Thus there would also be no "inflation boom" within the country.

<sup>10)</sup> It is a particularly sly ruse on the part of the bourgeoisie that in the recent electoral campaign all the parties appeared to be in opposition to the Papen-Schleicher Government, not excepting the German Nationals and National Socialists, although these were in fact supporting the government.

Nor is a material expansion of exports to be looked for in the case of inflation. The consumption capacity of the world market has been greatly restricted<sup>17)</sup>. Free trade among the nations is giving way more and more to contingent agreements, preferential treaties, and an exchange in kind organised by the governments. An attempt on the part of Germany's bourgeoisie to increase its sales on the world market by means of inflation, would be answered by most of the other States by special economic-political measures, just as at present Germany collects additional duties on goods from countries with depreciated currencies.

The problem of interest due to other countries would not be solved by inflation either, since the debts are almost all contracted in foreign currencies or gold marks.

In short, inflation would by no means make for a speedy way out of the crisis.

The Lausanne agreement (supposing it is ratified) does nothing to alter the state of affairs existing since the Hoover moratorium. Therefore it would be altogether wrong to expect this agreement to alleviate the crisis. Political indebtedness, it is true, was undoubtedly an element aggravating the crisis, especially in the realm of international trade and credit. But the cause of the crisis does not lie here, as numerous bourgeois political economists affirm, but in the very nature of the capitalist order of society. Therefore a reduction of political indebtedness cannot by itself influence the international economic crisis at all decisively.

As regards Germany's economic position in particular, the state of affairs existing heretofore has so far not been altered in the least by the Lausanne agreement. It were idle to discuss in this connection whether the agreement is likely or not to be ratified at all. Germany has at any rate to pay at the very least the interest on the Dawes and Young loans, the Belgian payments in marks, its payments to the United States, and an amount of interest (deducting its own interest revenue from abroad) of at least 1000 million marks per annum, besides a 10 per cent. redemption of the debts subjected to the standstill arrangement. Altogether about 2000 millions yearly, a sum which obviously far exceeds the export surplus of the next few years<sup>18)</sup>.

The Lausanne agreement thus does not even solve the problem of balancing the German balance of payments. The peculiar difficulties of German capitalism, the Versailles system, the absence of colonies, and the lack of any greater possibility for capital exportation, are not affected at all by the new arrangement.

Similarly, the "autarchy" preached by the Fascists in particular (often in conjunction with the catchword "reagrarianisation") fails to represent a capitalistic way out of the crisis and still less an institution capable of preventing a repetition of the crisis, as the Fascists would like to make their adherents believe. It merely serves ideologically to pave the way for yet higher duties in favour of the agrarians and monopoly capitalists.

In the first place, an autarchy is quite out of the question in the case of Germany. The German capitalists must import raw materials of all kinds, ores, metals, oil, wool, jute, southern fruits, and so on. They must export finished goods to pay for their raw material imports.

Secondly, assuming for a moment the realisation of this nonsensical idea of an autarchy, it would not change the fact of Germany's being a capitalist country, so that the decisive internal reason of the crisis would remain unaffected.

The upheaval in Germany is an attempt to anticipate the full development of the revolutionary crisis by means of a violent change, to suppress the revolutionary movement among the workers, and thereby to gain power and time with a view to liquidating the crisis at the expense of the proletariat.

<sup>17)</sup> According to the computation of the Central Statistical Bureau, international trade in the first quarter of 1932 figured at no more than 50 per cent. of its pre-crisis value.

<sup>18)</sup> The big export surplus of the year 1931, figuring at almost 3000 million marks, was obviously an exception. In the first six months of 1932, the export surplus was only 540 millions, plus deliveries in kind 602 millions, and showed a falling tendency.

## II. General Section.

### Constant Increase of the Crisis.

In various big capitalist countries, such as the United States, France, Germany, Poland, and Japan, there has been a very rapid aggravation of the crisis. In the United States, e. g., the index of the "Annalist" for the month of May records the lowest ebb of the entire crisis, viz. 52.8, and may be assumed on the strength of data to hand, to have fallen still further in the course of June. How far the recession has exceeded the limits deemed possible a year ago, may be seen by the fact that in May 1931 the "Annalist" index was still at 78, so that there has been regression of fully 33 per cent. in the course of a twelvemonth. In most countries, the new output of goods does not even suffice to cover current sales. In the United States, the steel works are operating to 12 per cent. of capacity, an unprecedented fact in the history of capitalism.

The falling-off output and the other processes in the production sphere are decisive for the progress of events in the other realms of economy. The diminution of production is accompanied by a further price drop, a dwindling of profits, and a continuation of insolvency, to which in the last few months a further series of financial strongholds in the United States have fallen victims. (We refer primarily to the bankruptcy of Insull and the liquidation of Lee Higginson.)

Attempts to arrest the price drop by the formation of international cartels have proved more and more futile. The international copper cartel has now been officially dismembered, the European steel cartel exists only on paper, and the international sugar agreement gives rise to nothing but repeated conferences, since the former agreements are not adhered to by the participant concerns.

All economic measures for the purpose of getting the better of the crisis have proved ineffective, all bourgeois theories fallacious. In the United States, a policy of forcible credit expansion is being essayed: Several thousand million dollars of new credits have been placed at the disposal of the struggling capitalist enterprises without entailing the least improvement in the economic position. The "credit theory" advanced by Cassel and dozens of other professors, that the cause of the crisis is to be found in the lack of loan capital, which can be mitigated by a more generous accordance of credit, i. e. by "furnishing capital by means of credit", has to all practical purposes proved wholly unfeasible, as it was obviously bound to in view of its theoretic inaccuracy. Just as little result has attended the various plans for an autarchic development of economic, for reagrarisation, inflation, or deflation. The credit crisis has grown more and more acute, as has also the agrarian crisis, of which we shall have occasion to treat further on.

Apart from a very slight seasonal mitigation, unemployment continues unaltered. The summer brought no abatement worth mentioning, seeing that building activity is everywhere reduced to a minimum.

The separation of the means of production from labour has reached unheard-of dimensions in the chief capitalist countries. In the United States, Germany, and Japan, capital is no longer able to employ even one half of the working class. The maintenance of millions upon millions of unemployed workers is all the world over becoming an ever increasingly insoluble problem.

The tremendous strikes in Poland, Czechoslovakia, and, above all, Belgium, strikes which necessarily assume a political character and approach nearer and nearer to a form of civil war, illustrate the accentuation of the class struggle during the last few months.

In so far as the bourgeoisie has succeeded, in the face of the growing resistance of the working class, in deteriorating working conditions, i. e. further decreasing the working class's share of the product value, this makes for a better exploitation of capital and a rallentation in the shrinkage of the profit total; on the other hand, it means a further diminution of the consumptional capacity of the proletariat, i. e. a further restriction of home markets, and thus indirectly tends not to solve but to aggravate the crisis.

### The Credit Crisis and the Fable of a Restoration of Confidence.

The development in the realm of credit has in the last few months pursued the same anomalous course which is so incomprehensible to the bourgeois economist but easily comprehensible from the point of view of the Marxist, as a result of the aggravation of the crisis in the sphere of production.

The chief facts in this connection are as follows:

1. The superfluity of short-term loan capital has again been on the increase during the last few months. In July the private discount rate in London dropped to one quarter per cent, per annum, an unparalleled case in the history of capitalism<sup>19</sup>). Similarly low rates prevail in Paris, Antwerp, and New York. Tremendous masses of short-term loan capital are accumulating. In the Bank of France there is as much as 30,000 million francs' worth of non-interest bearing investments of the banks.

"The difficulty", writes the New York correspondent of the "Times", "is at present not in finding available capital, but in finding borrowers to make use of it."

2. The tension between the rate on deposits and that charged for credit has become very substantial. Whereas short-term capital fetches hardly any interest in London and the other big money markets, and while the London banks pay only ½ per cent. on deposits, it is only relatively seldom that they will accept less than 5 per cent. for current-account credits<sup>20</sup>).

Since by reason of the credit crisis, the banks constantly have great sums in ready money on hand or lent in the way of private discount at a very low rate, and as, moreover, great portions of their former credits are "frozen" and bear no interest, while the expense of their apparatus has remained practically unchanged, they shift the onus on to the small number of solvent clients who are desirous of incurring credit.

3. The dismemberment of the international money market continues, the central note banks systematically reducing their foreign bill holdings and hoarding their assets in the form of gold. This retraction of gold has acquired enormous dimensions of late. The main process was that of the withdrawal of gold from the United States and its accumulation in the West European countries, especially in France. Between September 15th, 1931, and June 15th, 1932, the stock of gold in the United States receded from 5,000 to 3,900 million dollars, a removal of 1,100 million dollars in nine months—undoubtedly the greatest movement of gold ever recorded.

The result is the altogether abnormal fact that France, with a population of one third, and an economic turnover of perhaps one tenth, of that of the United States, has not much less gold than the latter. Also that the gold holdings of Germany, whose commercial turnover is at least one and half times as great as that of France, has only about 6 per cent. of the amount of gold held by France, added to which even the small stock of gold in Germany is to the greater part borrowed. It is significant; moreover, that the note circulation is covered by gold to 100 per cent. in France and Holland and to as much as 180 per cent. in Switzerland.

4. In spite of the tremendous superabundance of loan capital, the emission of capital, i. e. the transformation of loan capital into productive capital, has shrunk to a minimum. The issues of capital in the big capitalist countries are extremely small, and of these small issues only an insignificant fraction falls to the share of industrial capital.

Capital Issues in the U.S.A. (Millions of Dollars)	First six months of			
	1929	1930	1931	1932
Total	4839	4127	2843	716
Thereof: for Industries	1638	747	256	0,4
for Railways	354	794	319	3,4

These figures show the complete standstill in the accretion of capital for productive purposes. If capital was invested,

<sup>19</sup>) "Times" of July 16th, 1932.

<sup>20</sup>) "Frankfurter Zeitung" of May 24th, 1932. London contribution.



it ensued in the form of loans for cities and for enterprises of public utility.

Capital Issues in the U. K. (Millions of Sterling)

	First six months of			
	1929	1930	1931	1932
Total	196	150	86	73
Thereof private	164	84	50	47

Of the 47 million pounds, 24,5 fell to the share of electric works, 4,6 to that of gas and water works, 3 to docks and harbours, 5 to railways, and hardly anything to industrial purposes in the strict sense of the word.

In Germany, there can be no question at all of an emission of capital. In the last three months, the total of capital issued for new foundations was 2,4 million marks, while the 69 millions issued for the purpose of increasing the capital of existing companies represent for the most part measures of financial relief.

Similar conditions prevail in all other countries.

5. Capital exportation has almost completely come to a standstill. In the United States, hardly a single foreign loan (not even for Canada) has been emitted in the last six months, as against 275 million dollars in the first half of 1931 and 381 million dollars in the first half of 1930. In Great Britain, not a single emission was made for foreign countries, compared with 8 million pounds sterling last year and 33 millions in 1930; only 20 million pounds, moreover, were emitted for other members of the Empire. The small exports of capital made by France were solely for political, i. e. armament, purposes.

It has become necessary to investigate the constant talk of restored confidence from a Marxian standpoint.

The crisis of confidence consists in the decay of credit relations, in the extensive refusal of the owners of loan capital to entrust it to active capitalists for productive purposes, and on the other hand in the refusal of the active capitalists to accept loan capital for productive investments. (We do not refer here to the acceptance of loan capital for the purpose of paying debts, since this does not entail alteration in the proportional dimensions of loan capital and industrial capital, respectively.)

Whence this difficulty in changing loan capital into productive capital? It is because, in view of the constant aggravation of the crisis and of the consequent price drop, the value of industrial capital, expressed in money, decreases each time it is turned over, because all fixed capital dwindles by reason of the price drop, and therefore the possibility of restoring the loan capital, which has turned into part of social industrial capital, gets smaller and smaller.

While the bourgeoisie politicians and economists are delivering innumerable speeches and writing countless articles as to ways and means for overcoming the crisis of confidence, the credit crisis is getting worse and worse. In the last few months there has been a pronounced aggravation in the chaotic fall of currencies, which is one of the very worst aspects of the credit crisis. A series of currencies were further depreciated. The disagio in relation to the dollar will be seen to have risen quite alarmingly in certain countries:

Japan . . . . .	45.8 per cent.	Chile . . . . .	50.0 per cent.
Argentina . . . . .	46.4 per cent.	Finland . . . . .	38.8 per cent.
Bolivia . . . . .	56.2 per cent.	Greece . . . . .	49.0 per cent.

Added to these, there is the group of countries involved in the depreciation of sterling: Great Britain, India, Australia, Canada, Sweden, Norway, Denmark, and the silver-currency countries Mexico and China. A number of countries nominally maintaining the gold standard, have now two currency rates, an official one at which, however, only privileged persons can obtain foreign currency from the note banks, and an actual rate; this is the case of Austria, Hungary, and Poland. In other countries, such as Germany and Italy, the rate is maintained at something like par by means of a very strict manipulation of the foreign-exchange regulations, that is to say by restricting importation. (The Italian currency has an official disagio of 3 per cent.) A real gold currency, that is redeemability of the notes in gold, together with a free manipulation of foreign values, is only to be found in the United States, France, Holland, Switzerland, Belgium, and South Africa. Not only the credit system but also the monetary system of capitalism is undergoing a process of rapid decay.

It seems strange in such circumstances that the board of the B.I.S. should speak at the present junction of the

necessity of restoring the gold currency and offer its services in this connection. (Announcement at the session of July 11th.)

The economic crisis has also dealt a serious blow to the activity of the League of Nations as a mediator of credits for the weaker countries. The majority of the League of Nations loans are "necessitous" and unsalable even at a very low rate.

League of Nations Loans.

	Total in Millions	Peak Rate 1932	Bottom Rate 1932	Mid-July 1932
7 % Bulgarian 1926	2.4 sterling	20½	9¼	12½
7¼ % Bulgarian 1928	5.0 sterling	28½	9⅞	15
7 % Esthonian 1927	0.7 sterling	29	24	24
Austrian 1923	650 gold crowns	92⅞	58½	77
7 % Austrian 1930	725 schillings	—	—	—
7½ % Hungarian 1924	250 gold crowns	59½	18	30

The losses incurred on the rates will render the mobilisation of any League of Nations loan very difficult in the future.

The Lausanne Conference.

What is the outcome of Lausanne?

1. The actual state of affairs, according to which Germany pays no Reparations, has been sanctioned for another three years.

2. The following liabilities, however, remain in force:

	Annual Sum in Millions of Marks
Dawes Loan . . . . .	80
Young Loan . . . . .	64
Belgian Mark Agreement . . . . .	26
Payments to the U.S.A. . . . .	60

230 Million Marks

3. After the lapse of three years, Germany is still to pay 180 millions per annum (supposing it is possible to place on the money market, at a rate of at least 90 per cent., Germany's 5 per cent. obligations to a nominal value of 3,000 million marks, placed in the hands of the B.I.S.).

Does this furnish Germany with a possibility of fulfilling its engagements to foreign countries?

By no means. As we already pointed out in Section I, Germany would have to pay to foreign countries, over and above these immediate Reparation liabilities of more than 400 millions per annum, at least 1000 millions of interest (in excess of its own interest revenue from abroad), this being the interest on such sums as Germany took up for the purpose of meeting its liabilities under the Dawes Plan and Young Plan, respectively. There is no probability of Germany's being able for any length of time to attain an export surplus to this amount on its commercial balance.

4. The Lausanne agreements come into force as soon as they have been ratified by the respective parliaments. But in the renowned "Gentlemen's Agreement", Great Britain, France, Italy, and Belgium have determined that the Lausanne agreement is only to be presented to the parliaments for ratification if in the meantime an arrangement has been arrived at in regard to the inter-Allied debts. Should this prove impossible, the old legal position, i. e. the Young Plan, will again come into force, and another conference must be convened. The fate of the Lausanne agreements is therefore dependent on the United States. Thus, though it is certain that Germany will never again be able to render the Young payments, because it will not receive the foreign credits requisite for that purpose, there can be no question of a "final" solution or of a "clearing of the international atmosphere".

5. The foreign-political outcome of Lausanne is a further accentuation of inter-imperialist differences, the crux of which continues to be the antagonism between Great Britain and the United States. The British bourgeoisie has certainly succeeded in scoring temporarily against the United States in view of the following facts:

a) At Lausanne Great Britain has established a uniform front of all the European debtor states against the United States, the responsibility for the ratification of the agreement being shifted in advance on to the latter;

b) the Anglo-French Entente has, to a certain degree, been temporarily restored;

c) any successful outcome of the Ottawa Conference will be directed in part against the United States.

Naturally it would be a mistake to overlook the conditional and temporary character of these achievements or to ignore

the great existing differences among the members of the "debtors' front", between Great Britain and France, France and Italy, or Great Britain and its Dominions. All such agreements cut both ways. If the Anglo-French understanding ranges France temporarily on the side of Great Britain against the United States, it also pledges Great Britain to the French policy. Hence the great number of complicated manoeuvres and counter-manoevres on the part of all and each of the parties to the Lausanne agreement, which was, as a matter of fact, closely allied with the Geneva Disarmament Conference.

The outcome of these complicated tactics is as follows:

a) An accentuation of the inter-imperialist differences (economically entailed by the aggravation and extension of the business crisis), and on this basis an understanding among the great imperialist powers, the United States included, for the sabotage of any disarmament at the Geneva Conference. (Germany alone voted against the Beneš resolution, not because it desires a greater degree of disarmament, but because it claims the right of effecting such armaments as will place it on a level with the other powers.)

b) A temporary uniform front of the European debtors against the United States.

c) The first beginnings of a formation of two blocs among the great imperialist states, with Great Britain, France (with its vassals), and Japan on the one hand, and the United States, Germany, Italy, and Kuomintang-China on the other. We repeat that it can only be a question of initial steps in this direction, steps liable to be crossed and frustrated in manifold ways by the antagonisms existing within these groups and particularly by the fundamental difference between the capitalist world and the Soviet Union.

One thing, at any rate, is sure, and that is that there can be no question of a "political pacification" resulting from Lausanne.

## The Shrinkage of International Trade and the Ottawa Conference.

It is not, as many affirm, the numerous reciprocal restrictions imposed on international trade that are to blame for its present shrinkage and thus for the crisis in general, but rather the crisis which is the cause, directly, of the falling-off of foreign trade and, indirectly, of the enforcement of greater restrictions thereon.

According to the calculations of the German Central Bureau of Statistics<sup>21)</sup>, the foreign trade of 48 countries, comprising together seven-eighths of the world's commerce, shows a material decline.

Percentage Decline of Foreign Trade in the First Quarter of 1932, as against:

	1st Quarter of 1930	1st Quarter of 1931	4th Quarter of 1931
48 Countries	53.5	33.3	20.6
25 European Countries	50.9	33.3	25.0
23 Extra-European Countries	57.0	33.4	12.2

These figures naturally conceal tremendous irregularities. Thus, in the first quarter of 1932, as compared with the first quarter of 1931, imports varied from an increase of 1.9 per cent. in the case of the Philippines to a decrease of 74.6 per cent. in the case of Chile, 63 per cent. in that of Uruguay, 58.1 per cent. in that of Argentine, and 52.7 per cent. in that of Hungary, while exports showed an increase of 10.7 per cent. for Tunis (the only country to record an advance) and a decline of 59.9 per cent. for Uruguay, 56.2 per cent. for Hungary, 55.8 per cent. for Chile, and 51.4 per cent. for Greece<sup>22)</sup>.

<sup>21)</sup> "Wirtschaft und Statistik", first July issue, 1932, page 401.

<sup>22)</sup> As regards the actual figures, Germany appears far to have outstripped the other countries in the matter of exports: Exports in the First Quarter of 1932, in Millions of Marks:

Germany	Great Britain	France	Belgium-Luxemburg	Holland	Italy	U.S.A.
1606	1362	877	482	371	363	1894

Germany occupies first position in Europe and second position in the world.

This decline in the foreign-trade turnovers is an immediate outcome of the crisis. Two factors are decisive in this regard, the decline in the volume of output and the fall of prices<sup>23)</sup>.

In some countries (Great Britain, Japan), there was a slight increase. On an average, the decline in all capitalist countries may be put at about 20 per cent.<sup>24)</sup>

The decline of prices may be estimated at roughly 10 per cent. in the countries with a stable currency. (In countries with a pronouncedly declining currency, there has been a price rise.) If we assume that about 20 per cent. fall to the debit of diminished output and 5 per cent. (taking into consideration the price increase caused by currency depreciation) to the debit of the price drop, there remains a recession of no more than 8 per cent. to be ascribed to foreign-trade restrictions. Were the latter to disappear as the result of a more lenient policy, it would be of very little material importance for the crisis<sup>25)</sup>.

It is, however, altogether unreasonable to speak of the possibility of a return to free trade. The general crisis of capitalism represents a constant aggravation—independent of the cyclic process—of the insufficiency of the consumption capacity of capitalist society in the face of the urge towards an expansion of output. In the present economic crisis this disproportion is particularly pronounced. The bourgeoisie of each country seeks to monopolise the home market by means of yet higher duties, import prohibitions, contingents, and the like, which must necessarily lead to a further restriction of international trade.

An additional motive arising in a great number of countries in the course of the last twelvemonth, is the necessity of righting the trade balance, since, given the practical cessation of capital exportation and the general tendency to withdraw the capital loaned in foreign countries, this represents the only possible safeguard for the currency. Hence the numerous forms of foreign-exchange manipulation, all of which ultimately amount to a further artificial restriction of imports.

\* \* \*

The Ottawa Conference is an attempt to mitigate the reciprocal tendencies towards trade restriction within the territory of the British Empire and at the same time as far as possible to paralyse divergent political forces in the Empire through an increase of the mutual interchange of goods.

This was one of the main objects in Great Britain's abandonment of free trade in favour of protection, since as a free-trade country it had no possibility of conceding the Dominions and colonies any preference on the British market in comparison with their competitors. On the basis of a closer collaboration of the Empire, the Ottawa Conference was intended to bring about a suppression of the agrarian crisis in the Dominions and colonies and of the industrial crisis in the mother country.

An analysis of the goods traffic between Great Britain and its Dominions, however, shows that neither would Great Britain, if it were to cover its requirements of such goods as are produced in the Dominions exclusively from these sources, succeed in materially alleviating the crisis in those predominantly raw-material countries, nor yet would the other members of the Empire, even supposing they covered their entire requirements of industrial products in Great Britain, be able to mitigate the crisis there to any appreciable degree.

But this presumption in itself is unrealisable. Great Britain cannot exclude the agrarian imports of the South American countries, Argentine in particular, whence its im-

<sup>23)</sup> "Monthly Bulletin of the League of Nations", June 1932.

Index of Industrial Output.  
(100 representing 1928)

	Germany	U.S.A.	Poland	France
1931, March, April, or May	73.9	74.8	72.3	101.6
1932, May	59.2	57.7	54.6	73.2
Percentage Decline	20	22	25	28

<sup>24)</sup> The accuracy of all these dates is very doubtful.

<sup>25)</sup> Estimating foreign trade at roughly 20 per cent. of output, 8 per cent. of this amount would represent only 1.6 per cent. of the output value.

ports are in any case already being ousted step by step by the United States and where it has invested tremendous sums (roughly 700 million pounds sterling), and would find it very difficult to discriminate in this respect in favour of the Dominions. Similar arguments apply to its trade with Denmark, Holland, and Sweden.

On the other hand, the presumption that the Dominions should cover their entire industrial requirements, in so far as this is possible with British goods, from Great Britain, is likewise irrational. For since Great Britain can by no means consume the entire exports of the Dominions in the way of wheat, wool, meat, and the like, and since in the present agrarian crisis, the end of which is by no means in sight, there is a constant over-production of these goods, the Dominions are obliged to buy industrial products from other countries too, so as to be able to dispose of their raw materials there.

The problem is rendered yet more complex by the aspirations of the Dominions, and even of certain of the colonies, to develop industries of their own. For this purpose they have introduced protective duties on industrial goods. They can therefore only accord British industry preferential tariffs by raising their duties in relation to other countries beyond the present level.

What results can in such circumstances the Ottawa Conference be expected to entail?

Either it will lead to nothing (some insignificant resolution or other being employed to veil its failure) and the Dominions will carry on their economic policies independently of Great Britain and of one another, which would necessarily lead to a further loosening of the economic and political structure of the Empire, or else an agreement will be arrived at which will strengthen the link between the Dominions and colonies on the one hand and Great Britain on the other, but at the same time impair Great Britain's trade with the countries outside the Empire and thus inevitably lead to an aggravation of the inter-imperialist differences in the world.

## Renewed Growth of the Agrarian Crisis.

On the northern hemisphere the grain harvest is in full progress. Although final results are naturally not yet available, it is already an established fact that in the chief grain-importing countries of western Europe, particularly France and Germany, the crops will be in excess of average. Added to this, the world's area under wheat will, contrary to reports hitherto spread, be roughly one million hectares larger than it was last year (since far less of the winter-sown wheat has been ruined) and that the presumable wheat harvest in the United States and in Canada will almost reach last year's level. This means—assuming an average grain crop on the southern hemisphere—that the over-production in the current year will be still greater than that in the harvest-year 1931-32, and that a further price drop will give rise to a further growth of the agrarian crisis. This will be the case all the more, seeing that the duration and further aggravation of the industrial crisis are constantly diminishing the consumptional capacity of the proletariat and the working population in general.

The following table, compiled on the strength of weekly reports of Germany's "Institute for Business Research", shows the price formation of the chief agrarian products on the world market:

### Raw Material Prices on the World Markets. (In German Marks per 100 Kilogrammes.)

	June 1929	January 1932	July 1932
Wheat, Manitoba II, c. i. f. Hamburg	19,52	10,32	8,81
Barley, Plata, Rotterdam	14,44	9,62	8,94
Maize, Plata, c. i. f. Hamburg	16,06	5,95	6,47
Mutton, Frozen, London	130,33	56,30	52,92
Bacon, Danish, London	—	71,62	73,99
Lard, New York	113,52	52,13	48,14
Butter, Danish, London	350,11	173,39	151,64
Sugar, Cuba, in Bond, New York	16,48	10,37	9,72
Cotton, New York	174,17	61,58	52,78
Wool, N.S.W., gr., London	432,37	145,62	136,80

This table shows that in the course of three years the agrarian products have dropped to half or to one-third of

their price, also that the price drop has continued during the first half of 1932.

Since this table was compiled wheat prices in particular have greatly receded on the world market. In Chicago, July forward wheat has gone down to 45 cents a bushel. Since the distances are great and railroad freights exorbitant, the farmer gets only 25 to 30 cents a bushel, ex farm, for wheat and from 7 to 10 cents a bushel for barley, so that poorer crops do not even pay the expense of reaping and therefore remain in part unharvested.

The further price drop to be expected will accelerate the process of degradation in agriculture (v. our Special Section, Poland) and increase the impoverishment of the poorer and medium farmers and particularly of the agricultural workers, on to whose shoulders the landowners and richer farmers shift part of the onus of the crisis.

## III. Special Section. Germany.

Having already discussed the great problems of capitalism in Germany in detail in Section I, we shall here merely devote ourselves to a discussion of the business position in the narrower sense of the word.

The most salient points are that the seasonal revival in the spring remained within very narrow limits and that, apart from seasonal moments, the crisis may be observed to have increased considerably. These facts are denied by no one; no bourgeois economist can point to any sign of improvement in the last few months. In such cases as occurred at all of an increased output, as e. g. in the iron and steel industry, the improvement was solely due to heavy orders on the part of the Soviet Union.

The almost complete lack of a seasonal animation is to be seen clearly in the following returns:

### Industrial Output in Germany. (100 representing the monthly average of 1928).

Quarterly Averages	1st 2nd 3rd 4th Quarter of 1931				January	February	March	April	May
	of 1932								
Total Index . . . . .	70,2	74,9	68,7	62,5	52,9	55,1	56,7	56,5	59,2
Thereof:									
Productional									
Goods . . . . .	65,8	69,1	62,3	51,8	40,8	43,1	44,7	46,6	52,6
Consumptional									
Goods . . . . .	76,1	84,9	80,1	81,2	74,0	75,9	77,5	73,6	70,7
Total Index									
(Apart from									
Seasonal									
Influence)	70,1	73,1	67,1	61,4	54,2	55,9	56,8	56,1	58,3

(Half-Yearly Report of the Reichskreditgesellschaft, page 3.)

The deterioration of the position extends to all lines of industry without exception, but is particularly marked in Department II, the industries producing consumptional goods. Whereas last year the output of consumptional goods in the second quarter year was 12 per cent. higher than in the first three months, the output of the second quarter of this year shows a falling-off in comparison with that of the first quarter. This fact reflects the great decrease in the consumptional capacity of the working class as a result of unemployment, wage reductions, deprivation of relief, and the fact that the last reserves have been consumed, while it also points to the adverse position of the peasantry.

The aggravation of the economic position extends, as has been said, to all lines of industry, as may best be seen by the course of unemployment in the Free Trade Unions. In May, the best building season, no more than one-fifth of the total number of builders were employed. Of all workers together, roughly one-third are still fully employed, two-thirds unemployed or doing short-time work. Between February and May there was a continuous increase of unemployment, if we disregard the typically seasonal industries. The decline is most marked in the metal industry, in engineering, and in the textile industry.

The position of Germany's iron and steel industry is altogether catastrophic.

"A degree of occupation fluctuating in the last few months between 22 and 25 per cent. of capacity, world-market prices down to 50 per cent. of their pre-war level, recession of the home markets to 15 or 20 per cent. of normal, the necessity of exporting directly about 30 or 40 per cent.<sup>26)</sup> of the output (at prices which in many instances cover only 70 or 80 per cent. of the cost of manufacture) and about as much again indirectly in a worked-up state (here again at a loss in view of the reimbursement agreements with the finishing industries), finally the heavy onus of great inland and foreign indebtedness just in the case of the very biggest concerns—all in all, it is a picture that cannot be painted in more gloomy colours<sup>27)</sup>).

A certain increase of output has been caused by big orders on the part of the Soviet Union.

"It is reported in regard to the meeting of the Crude Steel Union of the Product and Rodiron Association, that the general conviction obtains that . . . as soon as the Russian orders have been executed a perceptible deterioration is to be expected in the degree of occupation"<sup>28)</sup>.

The catastrophic position of the iron and steel industry reflects the standstill of building activity and the adverse situation of the productional industries in general.

Degree of Occupation in Engineering  
(Number of Hours' Work Performed in Percents of Normal)

1931		1932		
2nd Quarter	March	April	May	
43.8	29.3	29.1	29.8	

In the current year there can be no question of any improvement. This is apparent from the downward trend in the number of orders received:

Volume of Orders in Engineering  
(100 representing 1925-26)

	1931		1932	
	2nd Quarter	March	April	May
Total . . . . .	94	54	53	46
Thereof:				
Home . . . . .	39	19	21	20
Foreign . . . . .	55	35	32	26

Much the same is the aspect in regard to the consumptional industries. The great majority of the population only buys articles of consumption, other than those of daily use, in cases of absolute necessity.

#### State Means for the Bankrupt Heavy Industries.

The long duration and great, unprecedented virulence of the crisis, together with the substantial price drop, have caused practically all the big concerns in Germany to be actually "in need of being salvaged", or in other words, bankrupt. Most of them were founded in the period of stabilisation with tremendously "watered" capital in the hope of a lasting rise of capitalism in Germany and of big monopoly profits. At the same time, the individual enterprises were made so ingeniously interdependent and the concretion of industrial capital and bank capital became so intimate that the collapse of any great enterprise would again seriously endanger the big banks that have only just been salvaged at a tremendous expense to the State.

The Vereinigte Stahlwerke are perhaps the best example of the interdependence of concerns with "watered" capital.

These "United Steel Works", which comprise practically the entire iron industry of Germany, have a share capital of 775 million marks, "home" capital of 910 millions, and debts of 960 millions (307 millions thereof being short-term money<sup>29)</sup>).

<sup>26)</sup> Of late the big iron industrialists of Germany have almost completely withdrawn from the world market in view of the heavy losses they have sustained in export business.

<sup>27)</sup> "Problems of Germany's Iron Industry", by Dr. Paul Berkenkopf (Hamburg) in the "Wirtschaftsdienst" of June 3rd, 1932.

<sup>28)</sup> "Frankfurter Zeitung" of June 17th, 1932.

<sup>29)</sup> This status of September 30th, 1931, will certainly have been superseded by yet more adverse figures.

To all intents and purpose, the Vereinigte Stahlwerke are bankrupt, and their bankruptcy involves that of the Gelsenkirchen, Phönix, Charlottenhütte, and other concerns, whose fortunes and profits are mainly based on the Vereinigte Stahlwerke. This is plainly to be seen by the trend of these companies' shares.

A further collapse among the strongholds of financial capitalism in Germany would seriously endanger the rule of the bourgeoisie in that country. Such is the background of the recent purchase of a batch of Gelsenkirchen shares for a sum total of 100 million marks at a rate of 90 per cent. (the stock-exchange rate being in reality about 30 per cent.). This deal was still put through by Dietrich, Minister of Finance in the Brüning Government (the circumstances being such as caused the "Kölnische Zeitung" and "Frankfurter Zeitung" to accuse Dietrich pretty openly of having had personal advantages in view) and completed literally in the last hours of the Brüning regime, when the Ministers had practically resigned. The Papen-Schleicher Government naturally recognises Dietrich's measure as binding on themselves.

Herr Dietrich bought these shares of Herr Flick at a rate of 90 instead of 30, thus virtually presenting Herr Flick with 60 million marks or more out of the State funds.

The Stahlverein shares are at present at 12½ per cent. 100 million marks spent on the purchase of 100 million marks' worth of Gelsenkirchen shares—not even representing the majority of the Gelsenkirchen stock—mean a sum in excess of the entire present stock-exchange value of the Stahlverein stock (i. e. 756 millions at 12½ per cent., equalling 93,750,000 marks).

#### Agrarian Policy of the Papen Government.

The Papen Government stands to carry on, in an enhanced degree, the policy of its various predecessors, viz. protection of the interests of the landowners at the expense of the workers and cattle-breeding farmers.

The immediate motive for the overthrow of the Brüning Government and the change in agrarian politics lay in the question of colonisation. In the middle of May, an emergency decree was drafted for the purpose of allotting to settlement purposes—by means of enforced distraint—such of the large estates in the region covered by the "Eastern Relief" measures as were recognised to be past "salving". It was a question of about 1,550,000 acres, which the Reich was to purchase at 50 per cent. of their average value. Since the landowners in question were over head and ears in debt, this was in itself a kind of subvention. Schlange-Schoeningen, at that time Commissioner of Relief in the East, who in this connection was accused of "agrarian bolshevism" by the big agrarian and heavy industrial circles, wrote in the "Kölnische Zeitung" of June 16th:

"We have land enough which need not be rigorously disappropriated, since it is so encumbered that it could in any case not be maintained in the hands of its present proprietors."

The situation was therefore as follows: From a capitalist standpoint, the landowners had lost their proprietorship of the land; for the loss of this private right Brüning desired to compensate them, while the agrarian policy of the Papen Government is directed towards preserving the property for its present holders at any cost.

To render this possible, the agrarians demand in the first place further and more extensive relief, i. e. the payment of part of their debts by the State, and in the second place yet more effective measures to enhance the home price of agrarian products, especially those of the big landowners.

In satisfaction of their claims, the Papen Government has within its short term of office already taken the following steps:

1. The import of wheat at a lower rate of duty was not allowed to continue beyond June 30th.
2. The Maize Monopoly Bureau has raised the price of maize by 40 marks.
3. The duty on lard and bacon has been raised, in the case of lard from 6 to 10, and in that of bacon from 14 to 20 marks per double cental.
4. An increase of the timber duties has been resolved on.
5. Notice of cancellation was given, for the spring of 1933, of the German-Swedish Trade Treaty, so as to allow of the duties on timber and fodder to be raised.

It is therefore no wonder that the Agrarian Union and the Association of the Nobility should express their confidence in the Papen Government and promise it their support. This policy, however, must necessarily further impair the position of the working class and also of the medium, small, and smallest farmers and thus increase the class antagonisms prevailing in Germany.

#### Further Decline in the Position of the Workers.

The aggravation of the crisis and its long duration are rendering the situation of the working class worse and worse. Added to all else, there are now the emergency decrees of the Papen Government, viz., a means test for all unemployment after six weeks' enjoyment of the dole, which practically turns the whole unemployment relief system into a charitable organisation; reduction of all the rates of relief and of the time of their accordance; introduction of a tax on salt and a tax on slaughtering; repeal of the suspension of rent-tax, and so forth. Even before these latter measures came into operation, the official cost-of-living index—which by no means corresponds to the present situation of the working class and is therefore incorrect—registered a slight advance in June.

The recession in the income of the working class during the crisis, is put by the "Institute for Business Research" at 36 per cent.

"The total recession in the income from work amounts to about 36 per cent. For the average of workers, clerks, and employees, the wages and salaries have decreased within the same period by roughly 19 per cent., while the degree of occupation has declined by about 21 per cent. The latter factor is upon the whole more decisive for the reduction of the working income than is the decline in wages and salaries, for of the 36 per cent. recession in income 21 per cent. represent decreased occupation and 15 per cent. wage and salary cuts<sup>30</sup>).

In the weekly report dated May 18th, the recession in working income as against 1929 is estimated at 40 per cent. As will appear from our expatiations in Section I, this estimate is far too low. Meanwhile Germany's bourgeoisie is energetically preparing a further wage cut and, if possible, an abolition of collective wage contracts altogether. In the Ruhr District, the coal magnates are demanding an all-round wage cut of 12 per cent. (in the "border pits" still more), although in the course of the crisis the wages of the Ruhr miners have already been subjected to three individual reductions, aggregating 21 per cent. This in the face of a constantly increasing working output.

The tremendous stocks of coal at the pitheads, the great degree of unemployment, and the numerous leisure shifts encourage the coal magnates to attempt a fresh assault. If they get the best of the present struggle, it will be an incentive for a further all-round wage reduction.

Undoubtedly Germany's working class is approaching a new and serious economic struggle. Some of the capitalists are profiting by the enormous degree of unemployment, amounting at the end of June to 5.48<sup>31</sup>)—according to our own computation to at least 7—millions, to institute "black work", a particularly intensive exploitation of the workers, by means of which certain workers in receipt of unemployment or welfare relief are re-employed clandestinely at extremely low wage rates.

In an article headed "The Unemployed State", the "Kölnische Zeitung", of May 19th 1932, writes as follows:

"Another means is illegal, but widely employed. It is known as black work. It occurs at the present time that entire houses are constructed in this way. We know of industrial districts in which the workshops are provided with hidden exits and a special bell system, so that in the case of an inspection the workers can disappear unnoticed. The rigid system of wage agreements (!) has created two types of workers, on the one hand the privileged ones with a guaranteed wage, on the other hand such as are in receipt of relief or charity and attempt here and there to make up the difference by black work."

<sup>30</sup>) "Vierteljahreshefte zur Konjunkturforschung", 7th Year, No. 1, Part A, page 44.

<sup>31</sup>) In the middle of July—far earlier than otherwise—the unemployment total again began to rise.

In its attempt to divide up Germany's working class into different categories, fully employed workers, short-time workers on the dole, such as receive emergency or welfare relief, and those devoid of any form of subsidy, Germany's bourgeoisie has now created a new category, the "black" workers, and is endeavouring to establish yet another type, forced labour under the sonorous appellation of "Voluntary Service". A comprehension of all workers under a uniform revolutionary lead is all the more urgently necessary under circumstances such as these.

## France.

In the last few months French economy has rapidly declined, all lines of industry being affected. In view of the great delay to be observed in the publication of all French statistics, this fact cannot yet be sufficiently illustrated by numeric data. The delayed outbreak of the economic crisis is being compensated for by a more rapid rate of deterioration; in no other country has the proportional decline been so pronounced during the last six months as it has in France. Already in March, industrial production dropped for the first time below the prewar level. This sets back the volume of economic activity 25 years. Nor can there be any doubt but that the decline is going to continue.

#### Index of Industrial Output (100 representing 1913)

1929	Monthly Average	139
1930	Monthly Average	140
1931	Monthly Average	124
1931	December	111
1932	January	105
1932	February	100
1932	March	98
1932	April	95

The belated outbreak of the crisis was in part due to the fact that part of the investments which commenced after the stabilisation of the Franc, were not completed until 1930 (or in some cases even 1931). Since no new investments were then effected, a marked relapse in output in Department I was inevitable.

#### Production Index (100 representing 1913)

	March 1931	March 1932	Récession in Points	Percentage Récession
Foundries	113	71	42	37
Metal Working	144	99	45	31
Automobile Industry	596	466	130	22
Building	130	113	17	13
Textile Industry	82	55	27	33

In April the building trade and, in particular, the automobile industry recorded a further marked drop, in the latter case by no less than 7½ per cent.

Coal mining to some extent occupies a privileged position. A restriction of coal imports by means of very drastic commercial-political measures occasioned a slightly increased coal output, amounting in May to 157,102 tons per working day as against 151,924 tons in April. The iron and steel output is stagnant at a very low level. In May, the crude iron output was 459,000 tons, which was the same as in April, comparing with 724,000 tons in May of last year and a monthly average of 864,000 tons in the year 1929. The crude steel output amounted in May to 445,000 tons, against 457,000 tons in April and 674,000 tons in 1929. In May, there were 79 furnaces in operation, just like in April, while in April last year the total was 129.

In view of the decline in traffic during the crisis, the position of the railways is catastrophic.

"The year 1931 closed with a 10 per cent. falling-off in revenue and a new deficit of 2,600 million francs, so that the shortage in the 'fonds commun', with the inclusion of the new interest on loans, figures at almost 5,000 millions. In the first four months of 1932, there was a fresh recession of revenue by nearly 18 per cent., so that the financial position of the railways may be considered critical." ("Deutscher Volkswirt" of June 17th, 1932.)

The situation of French industry is rendered particularly difficult by the predominantly agrarian orientation of economic policy. The result is that France is practically the only country

in the world in which the "scissors" operate in favour of agricultural products.

The balanced price index (on the basis of 100 to represent 1913) figures as follows for the close of June 1932:

Total Index	Agrarian Products	Industrial Goods	Ores and Metals	Textiles
425	490	369	399	311

The wholesale index figures for agrarian products show:

a) That it has been found possible not only to maintain the price of wheat (the main product of the big landowners and wealthier farmers) for two years far above the world-market price level, but even to increase it absolutely by about 15 per cent. The marked price drop of wheat on the world market in the course of the last two years was thus eliminated and more than compensated for French producers by the prevention of imports (coercive milling of home wheat, at times to the extent of 95 per cent.).

b) That it has not been possible to prevent the price drop in regard to cattle products (with the exception of butter) and for wine. These are primarily such goods as the small and middle-sized farmers place on the market. There has been a regularly catastrophic price drop in the case of wine, affecting in particular the peasant producers of the south and reflecting the position of the broad masses under the crisis. While the big landowners and richer peasant farmers are at present receiving a higher price for their wheat than in 1929, the price of wine has dropped to less than half and that of wool to one quarter.

Apparently France is threatened with a development similar to that in Germany. Under the protection of the agrarian commercial policy, the cultivation of wheat is increasing (the harvest area this year being 300,000 hectares larger than in 1931) and as there are prospects of a good harvest this year and consumption is on the decline in consequence of the crisis, the output is likely to exceed the demand<sup>22)</sup>, which would diminish the efficacy of the duties and make a price drop inevitable.

This agrarian policy, enforced in particular by the Tardieu Cabinet, caused the position of French industry to be greatly impaired in its competition with foreign industries by reason of the high cost of raw materials and the high cost of living, the more so as many other countries responded with special measures against the import of French goods. The French method of establishing fixed contingents for the importation of goods from all countries, certainly protected the home market against foreign competition, but weighed heavily on the French exporting industries. These circles protested, and the new Herriot Government has already announced the successive abolition of the contingent system hitherto in force.

That the contingent system has not protected French industry against the effects of the crisis, is to be seen not only from the returns of industrial output already demonstrated but also from the development of foreign trade.

#### Foreign Trade in the First Five Months (In Millions of Francs)

	1932	1931	Recession
<b>Imports:</b>			
Foodstuffs . . . . .	4,350	5,780	1,430
Industrial Raw Materials . . . . .	5,720	9,440	3,720
Finished Industrial Goods . . . . .	2,610	4,060	1,450
Together	12,680	19,280	6,600
<b>Exports:</b>			
Foodstuffs . . . . .	1,230	1,750	520
Industrial Raw Materials . . . . .	2,040	3,300	1,260
Finished Industrial Goods . . . . .	5,240	8,650	3,410
Together	8,510	13,700	5,190

This brings up the question of France's balance of payments. It looks as if this balance were likely for the first time to show a deficit. An indication in this direction is the fact that, though the influx of gold has continued and the gold holdings of the Bank of France reached, on July 1st, the

<sup>22)</sup> In the middle of June, the yield of the wheat harvest was estimated at 90 million double centals and the home demand at between 83 and 84 million double centals. ("Le Temps" of June 23rd, 1932.)

record height of 82,300 million francs, this influx does not reflect any fresh accretion of capital from abroad but merely the exchange of foreign holdings and bills into gold. These two items together, moreover, show a falling-off since the beginning of the year.

The deterioration in the balance of payments is owing to the following factors: absence of Germany's Reparation payments, decrease of interest revenue from short-term foreign investments by reason of their withdrawal in the form of gold, and an extraordinary decline in the revenue from tourist traffic. (Prior to 1930, tourist traffic was estimated to yield an average of 12,000 million francs per annum; in 1931 the yield was about 4,000 millions; this year it is likely to figure at something between 2000 and 3000 millions.) This means that the further influx of gold will be in narrow limits, for it is now only possible to obtain more gold through a withdrawal of such foreign holdings as are still mobilisable.

The existence of this enormous stock of gold has by no means prevented the development of a credit crisis in France. True, there are tremendous sums of unusable short-term loan capital available, but they are without influence on the capital market. The emission of new capital, especially in the form of shares, is extremely limited. Official statistics furnish us with the following figures in this regard representing millions of francs:

	Shares of New Companies	Share Issues of Old Companies	Debentures
1928 . . . . .	4881	5920	4061
1929 . . . . .	4367	7622	6809
1930 . . . . .	2408	5239	17757
1931 . . . . .	1025	1937	14411
1932 (first five months)	199	347	3245

The bulk of the debentures represents credits on real estate.

It is symptomatic of the situation of the French capital market and for the small credit of the French State that while Great Britain is converting 2,000 million pounds' (equalling 180,000 million francs) worth of 5 per cent. war loan into 3½ per cent. obligations, France is raising a shabby 3,000 million francs at 4½ per cent. at an emission rate of 94, and this although 30 to 40 thousand million francs' worth of banknotes are being hoarded by the public.

These adverse conditions are occasioned by the difficulties of the French budget. The times of great surpluses are long past even for France. It was only by the greatest efforts that the deficit of the State budget could—on paper, at any rate—be reduced to a bearable sum. The tax revenue is unsatisfactory, and the actual deficit will far exceed the official computation.

The position of the working class has continued to decline during the last few months. Seasonally, it is true, unemployment has somewhat receded. The recorded number of fully unemployed stood in June at 315,502, as against 51,354 in June of last year. This is the figure contained in the official statistics, which comprise only such of the unemployed as are supported by the communities (and very inaccurately at that), so that it can be taken to indicate only the rate of increase of unemployment and not its actual extent.

According to indications of the Ministry of Labour, the concerns employing, individually, a minimum of 100 workers, were in April occupying in the aggregate 2,4 millions as against 2,82 millions in April 1931. The recession in the big concerns alone amounts to 420,000 in one year, or roughly 15 per cent. Since there was already no small degree of unemployment in April 1931, the number of fully unemployed may be estimated at at least 20 per cent. At the same time, there was a pronounced increase in the number of short-time workers. While the share of the short-time workers (doing less than 48 hours of work in the week) was 14 per cent. in January 1931 and 45 per cent. in December 1931, it had reached 52 per cent. in April 1932.

The income of the French working class must therefore have decreased considerably, the more so as wages are just now also being reduced, while the cost of living recedes but very slowly in view of the agrarian protective-tariff policy. Thus the price index for 13 important foodstuffs figured in Paris retail trade as follows (according to official returns for June of each year):

1930	1931	1932
593	632	548

The official cost-of-living index shows a yet slighter reduction:

#### Official Cost-of-Living Index in France

1928	1929	1930	1931	1932
507	547	565	590	534

After four years' rise there has thus only in the last twelvemonth been a slight relapse.

In this way, the growth of the crisis in France is also rapidly impairing the situation of the working class.

## Poland.

Among the bigger European countries, Poland has been the one to suffer most, economically, under the crisis. This is the outcome of a coincidence of circumstances which have rendered not only the agrarian crisis but also the industrial and the credit crisis particularly virulent for that country.

The agrarian crisis, because Poland is an exporting country as regards agricultural produce, so that there is no possibility of mitigating the price drop on the world market by duties, as is the case in France, Italy, and Germany.

The industrial crisis, because the consumptional capacity of the home market is extremely small in view of the impoverishment of working class and peasantry, while in the absence of colonies or spheres of interest exportation has to deal with the competition of the biggest industrial countries, finally also because Poland has no possibility of supporting its goods exports by an exportation of capital.

The credit crisis, because the country's own stock of loan capital is quite insignificant by reason of its poverty, Poland being very heavily in debt to other countries and unable to attain any further foreign loans in the present standstill of capital exportation. Added to this, a great percentage of Poland's industries is in foreign hands<sup>33)</sup>, so that not only the interest on the foreign loans but also a substantial part of the profits of industry goes abroad.

The further expansion and aggravation of the crisis in progress at present, is leading to an extreme accentuation of class antagonisms and to the rapid maturing of a revolutionary crisis.

### The Agrarian Crisis.

The agrarian crisis has attained such dimensions in Poland as already to amount to a degradation of agriculture.

#### Home Consumption of Fertilisers<sup>34)</sup>

	1931	1930	1929
a) Value in Millions of Zlotys . . .	26.5	58.4	90.4
b) Volume Index of Consumption . . .	37.7	74.3	102.9

The output of agricultural machinery amounted in the first quarter of 1932 to no more than 1½ per cent. of that in 1928, while imports of machinery stood at 3½ per cent. Replacement of machinery in Poland's agriculture is practically non-existent. In certain regions the peasants are returning to the use of wooden ploughs.

The area under cultivation is in part still being extended, but the yield per hectare shows a rapid falling-off, especially in regard to rye, the most important form of grain in Poland.

#### Agricultural Output

	1931	1930	1929
Harvest Area in Thousands of Hectares			
Wheat . . . . .	1819	1645	1427
Rye . . . . .	5771	5895	5798
Barley . . . . .	1265	1233	1258
Oats . . . . .	2171	2187	2191
Harvest Yield in Thousands of Tons			
Wheat . . . . .	2200	2240	1792
Rye . . . . .	5660	6958	7009
Barley . . . . .	1470	1463	1659
Oats . . . . .	2390	2347	2953

<sup>33)</sup> According to the "Bergwerks-Zeitung" (No. 45 of 1931), the percentage share of foreign capital figured as follows in regard to the share capital of Poland's concerns: electrical production 76 per cent., oil 71 per cent., mining 65 per cent., electric industry 40 per cent., metal industry 23 per cent., banking 24 per cent., textiles 15 per cent.

<sup>34)</sup> "Ostwirtschaft" of March 1932.

Indebtedness weighs very heavily on Poland's agriculture.

The position of Poland's agricultural producers, meanwhile, is rendered worse not only by the marked price drop of agrarian products but also by the fact that industrial products have fallen in price to a far smaller degree.

#### Wholesale Price Index (100 representing 1927)

	Industrial Materials and Products	Agricultural Products
Monthly Average 1929 . . . . .	103.2	85.7
Monthly Average 1930 . . . . .	94.0	68.5
Monthly Average 1931 . . . . .	79.4	59.7
March 1931 . . . . .	83.4	59.8
January 1932 . . . . .	74.4	51.8
February 1932 . . . . .	73.0	54.5
March 1932 . . . . .	72.2	54.1

Since 1927, the proportion between the prices of agricultural and those of industrial products has shifted by 25 per cent. in disfavour of agriculture.

This state of affairs has led to serious friction between the agricultural and the industrial bourgeoisie and to a great restriction in the sale of industrial products to the peasantry. The peasants are forced to sell their possessions, in particular their cattle and often their very last draughthorse, for a mere song so as to obtain money for the payment of taxes and usurious rates of interest. Nevertheless, the tax arrears accumulate from year to year.

The execution of the agrarian reform plans, providing according to the law of 1925 for the sale to the peasant farmers of 200,000 hectares of the big estates per annum, has been suspended, seeing that the expense for the State budget proved too great.

### The Industrial Crisis.

The recession of industrial output is more pronounced in Poland than in any other country. At the commencement of 1932, it figured at 52.1 per cent. from the peak output before the crisis and at 28.9 per cent. between the beginning of 1931 and the beginning of 1932, respectively<sup>35)</sup>. This shows that the industrial crisis in Poland is growing more and more rapidly on the basis of an impoverishment of the peasantry and the working class.

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

Average	Average	Average	December	January	February	March
1929	1930	1931	1931	1932	1932	1932
99.7	81.8	69.3	57.9	51.8	51.9	52.8

In the last few months there has been no actual improvement in the industrial position and only a very slight seasonal improvement in the textile industry. The crisis has continued to grow in coal mining and in the iron industry, partly by reason of the decreased consumptional capacity of the home market and partly because of keener competition (owing to the devaluation of sterling) on the part of the British coal mines on the North European markets, which are supplied by both Great Britain and Poland.

The decline in the home consumption of industrial raw materials and building materials may be seen in the following figures:

#### Home Consumption of Important Products (Returns for the Entire Year)

	1931	1930	1929
Hard Coal (Thousand Tons) . . .	19,042	20,291	27,122
Rolled Iron (Thousand Tons) . . .	185	278	380
Cement (Thousand Tons) . . . . .	513	758	908
Oil (Thousand Tons) . . . . .	110	127	133

The decline of industrial output is still more drastically apparent from the following returns:

	1931	1930	1929
No. of Active Industrial Works employing upw. of 20 Hands . . .	3848	4329	4471
No. of Works out of Operation . . .	1562	1059	662
No. of Workers occupied in Active Industries (End of December in Thousands) . . . . .	300	391	488

<sup>35)</sup> "Industrial World Production", weekly report of Germany's "Institute for Business Research", dated May 11th, 1932.

Protested bills, bankruptcies, and measures of Government relief are the order of the day.

### The Credit Crisis.

Ever since the end of the inflation period, Poland has, as a matter of fact, been suffering uninterruptedly under a credit crisis, manifest above all in the extraordinary height of the rate of interest. In view of the poverty of the country the formation of loan capital is particularly difficult. Thus Poland is very greatly in debt to foreign countries.

#### Poland's Indebtedness According to the Status of January 1st, 1930 (In Millions of Zlotys)

	Total Debts	Perc. Prop.	Short-term Debts	Perc. Prop.
Sum Total . . .	10 328,3	100	3 213	100
Thereof to:				
Germany . . .	1 213,2	11	607,6	19
Great Britain . . .	939,6	4,1	476,6	15
United States . . .	3 692,5	35	424,2	13
France . . .	1 559,6	15	340,2	10

Total of Poland's Assets Abroad: 1,483,9

Since July 1931, the foreign credits have, in view of the open outbreak of the credit crisis, been to a great part withdrawn. Thus the United States have decreased their credits by 75 per cent. ("Osteuropamarkt" of April 1932). No new loans are forthcoming; it was not even possible to raise, in France, the sum of 300 million francs required to carry on the construction of the railway between Upper Silesia and Gdynia.

The withdrawal of foreign credits has led to a marked diminution in the gold and foreign-bill holdings of the Note Bank, which figured as follows (in millions of Zlotys):

July 30th 1930		January 1932	
Gold	Foreign Bills	Gold	Foreign Bills
568	350	484	158

So as to protect the parity of Poland's currency, all possible means of fostering exports have been employed for attaining an export surplus on the trade balance. This has actually been effected, as the following figures show:

#### Poland's Foreign Trade (In Millions of Zlotys)

	Imports	Exports	Balance
1926 . . . . .	1540,7	2245,8	+ 705,1
1927 . . . . .	2892,0	2514,7	- 377,3
1928 . . . . .	3362,2	2508,0	- 854,2
1929 . . . . .	3111,0	2813,4	- 297,6
1930 . . . . .	2246,0	2433,2	+ 187,2
1931 . . . . .	1462,2	1878,7	+ 416,5
1932 (Jan.-Apr.) . . .	286,9	383,4	+ 96,5

This righting of the trade balance was effected by means of very high export premiums and freight facilities. The tension between home prices and export prices is extremely great. It is estimated that, in the current budget year 1931/32, the Polish State will have paid about 140 millions of zlotys in export premiums and accorded some 60 millions in freight rebates for export goods, making together 200 million zlotys or about 8 per cent. of the Government revenues. Alongside of the forcing of exports, imports are being prevented as far as possible. A Government decree of December 31st, 1931, authorised the Minister of Trade and Industry to permit exceptions to the general import prohibition. On this basis contingent agreements are concluded with various other countries.

In spite of the righting of the trade balance, Poland's currency is constantly threatened with depreciation. The cover of gold and foreign bills steadily decreases. The French loan of 300 million francs has not yet been attained. Therefore the Government has been obliged to bring pressure to bear on Poland's banks and bankers to refuse, as from June 6th, to supply their clients with foreign bills if the application therefor is not substantiated by a satisfactory proof "that the foreign bills applied for are required for the payment of imported foreign goods, for the payment of interest or redemption on foreign debts, or for financing journeys abroad." ("Deutscher Volkswirt", of June 10th, 1932.)

In view of such measures as these, there can be no further question of the actual existence of a gold currency in Poland.

### Position of the Working Class.

In the course of the last twelvemonth, Poland's proletariat has, under the lead of the Communist Party of Poland, been waging an heroic fight for the maintenance of its standard of living. It is only owing to this struggle that the position of the working class has not grown still worse than is actually the case.

Unemployment among the industrial working class is exceptionally great. According to official statistics, the number of fully unemployed, in thousands, was as follows:

	1931	1932
March . . . . .	373	360
April . . . . .	352	329

In this connection it should be remarked that, according to official statistics, the total number of workers occupied in industry and transport at the close of December last was roughly 520,000, of whom not all were fully occupied. It is certain that the actual number of unemployed is still greater than officially indicated, at least just as great, indeed, as the number of those still occupied. Recently the Upper Silesian Sejm put the number of unemployed in Upper Silesia alone at 150,000, while the official statistics recorded no more than 80,000 unemployed there.

The index of occupied workers, on the basis of 100 to represent 1928, dropped from the peak of 107,8 in December 1928 to 33 in March 1932, a recession of 69 per cent. Since even in December 1928, however, there were not a few unemployed in Poland, one is forced to conclude that in March 1932 about 75 per cent. of the industrial workers of that country were out of work. Unemployment in agriculture, meanwhile, which is very great in the winter in particular, is not covered at all by statistics.

With the help of the Fascist State apparatus, the employers are engaged in reducing wages. In Upper Silesia the miners' wages were reduced in February by from 8 to 10 per cent., while recently job wages in the iron and steel industry suffered a reduction of from 30 to 40 per cent. More and more openly, Poland's bourgeoisie, similar to that of Germany, is striving in the direction of an abolition of wage agreements<sup>36)</sup>.

At the same time, the budget deficit urges the necessity of a cut in the pay of the army and the civil servants.

As from June 1st, 1932, the salaries of the Government employees and of those of the State monopolies, Government works, and State banks were subjected to a 9 per cent. cut, following on a 15 per cent. curtailment last year. At the same time, military pay was reduced by 8 per cent. (in addition to the 5 per cent. knocked off last year). From these reductions, the Government clerks employed in Warsaw and the garrison of that city were exempted.

Since most of Poland's officials are heavily in debt, the new reduction of salaries is a heavy blow for the retail traders, who sell very largely on a credit basis.

Naturally the industrial and commercial clerks are also greatly in debt to retail merchants and usurers. The rates of interest charged for such accommodation to workers, clerks, and farmers, amount in some cases to as much as 100 per cent. per annum.

The wage reductions greatly exceed the recession in the cost of living, which even official computations put at no more than 20 per cent. in two years. While the farmer receives an incredibly low price for his products, the city worker pays very high prices for all articles of consumption in consequence of parasitic intermediate profits, exorbitant taxes, and usurious rates of interest.

### Great Britain.

To read the articles in British newspapers in the last few months you would think the British bourgeoisie had already succeeded in finding a capitalistic way out of the crisis.

They have naturally done nothing of the sort. True, they have succeeded in bringing about an improvement in certain important directions. The Budget has been balanced—on paper at least. The balance of payments has apparently been righted again. The trade balance has improved. The rate of sterling has, barring some slight fluctuations, remained stable for some months past. It has been found possible—and that solely in Great Britain—to get the better (at any rate for the Government loans) of the anomalous condition of an enormous

<sup>36)</sup> v. "Deutscher Volkswirt" of June 3rd, 1932, page 1176.



abundance of short-term loan capital on the money market in the face of stagnation on the capital market and to initiate a conversion of gigantic dimensions (£2,000,000,000), a measure such as neither France nor the United States have yet been able to effect.

But all achievements in the realm of credit and commerce must not blind us to the fact that in the fundamental sphere of production what has been attained is at best a rallentation in the rate of the crisis. This is manifested by the returns both of output and of unemployment.

Index of the "Economist" (100 representing 1924)

	January 1932	February 1932	March 1932	April 1932	May 1932	June 1932	June 1931
Imports:							
Raw Materials	106	104	109	101	92	93	93
Non-ferrous Metals	77	100	105	100	99	103	126
Exports of Finished Goods	64	64	65	69	69	68	63
Consumption:							
Iron and Steel	92	88	77	75	75	73	83
Coal	109	106	106	105	101	93	96
Cotton	107	101	102	97	97	87	68
Rubber	238	298	240	287	306	318	323
Electric Power	131	133	132	128	121	111	101

This table shows a recession in the consumption of the most important goods, characteristic of the general trend of production, coal, electric energy, iron and steel, cotton, and permits of the inference that in its entirety industrial output is declining.

On a percentage basis, the number of registered unemployed among insured workers stood as follows:

January	February	March	April	May	June
22.4	22	20.8	21.4	22.1	22.3

Now these figures, just like the absolute unemployment totals, are misleading, a fact established not only by us but also by the "London and Cambridge Economic Service". Since the enjoyment of the dole is now subject to the means test and since month by month several tens of thousands of unemployed are thus deprived of relief<sup>37)</sup>, since, moreover, in view of the chronic lack of work, there is little sense in continuing to register in hopes of a once the claim to relief has expired, the total of registered unemployed no longer coincides with the total of unemployed workers on the whole. The number of officially registered amounted on May 22nd to 2,750,000.

The number of insured workers was officially recorded as 12,770,000  
The number of occupied workers was officially recorded as 9,394,000

The number of unemployed workers was therefore 3,376,000<sup>38)</sup>

The real number is probably still greater, since many juveniles who have attained the working age, are not registered at all among insured workers. It follows that the above-mentioned percentage of unemployment is misleading, amounting in fact not to 22, but to something between 26 and 30 per cent.

The returns for the individual lines of industry also bear out the above conclusion.

#### Output of the Iron and Steel Industry (In Thousands of Tons)

	Coal	Iron	Steel
January . . . . .	19,000	335	436
February . . . . .	18,800	329	488
March . . . . .	19,100	341	470
April . . . . .	18,700	322	440
May <sup>39)</sup> . . . . .	16,700	320	430
June . . . . .	—	311.4	459
June 1931 . . . . .	18,200	324	429

The effects of the provisional 33 per cent. duties on semi-

<sup>37)</sup> The vicious campaign against the dole is best characterised by the following utterance by Professor A. Plant (in a lecture):

"At present it is a better paid occupation to be unemployed with a wife and child than to be working."  
(*"Times"* of July 20th, 1932).

<sup>38)</sup> *"Daily Herald"* of July 15th, 1932.

<sup>39)</sup> The output was smaller in view of the Whitsun holidays.

finished products (20 per cent. on pig iron) on the development of the iron and steel industry and, in particular, the metal-working industries are not yet easy to estimate. So far, the recession of imports is not very material<sup>40)</sup>, since the Continental producers are still incurring great sacrifices to dispose of their stocks of goods destined for the British market. The 33 per cent. duties have thus so far not proved prohibitive, as they were expected to. This state of affairs, however, is not likely to last long, since the Continental metal industry may be expected, rather, to strive at ousting the British finished-goods industry from the world markets.

The basis of the British metal-working industry was up to the present the duty-free importation of semi-finished products, received very cheap in view of the dumping practised by the heavy industrialists of the Continent. The crisis entailed a sharp setback of finished-goods exports in iron and steel.

#### Exportation of Finished Iron and Steel Wares (In Thousands of Tons)

1928	1929	1930	1931
2806	2798	2147	1087

On the basis of these results, a further recession may be looked for in 1932. The advantage gained by currency depreciation is counter-acted by the higher raw-material prices.

Now that the presumption for the competitive capacity hitherto existing—the very cheap raw materials—no longer obtains, while on the other hand the Continental producers excluded from the British market will concentrate on the manufacture of finished goods, the competitive capacity of British engineering, shipbuilding, etc., will be seriously threatened.

British shipbuilding in particular, which is working to no more than a few per cent. of capacity, as it is, stands to lose still further.

#### Status of British Shipbuilding

	1931		1932	
	1st Quarter	2nd Quarter	1st Quarter	2nd Quarter
(Thousands of Register Tons)				
Ships in Building . . . . .	693	556	373	280
Newly Started . . . . .	33	23	26	28

At the end of June, the shipbuilding tonnage was at its lowest for the last 50 years<sup>41)</sup>, in which connection it should be remarked that work has been suspended to more than 50 per cent. (159,000 tons).

The position of the textile industry continues to be very difficult, though just this industry records a not insignificant advance of output over last year. Attempts at a reorganisation of cotton spinning by means of an organised scrapping of part of the existing spindles at the common expense of the remaining ones, have completely miscarried.

The textile capitalists now call for a reduction of wages. The workers want to fight the issue. But the trade-union bureaucrats do not want a fight and are so arranging matters that the decision in regard to a strike will ultimately lie with them<sup>42)</sup>. They will undoubtedly do their utmost to meet the wishes of the employers. The strike which has already broken out at Burnley, however, is likely to upset their plans.

What is causing the British textile industry and British industry in general the greatest trouble, is the constant ousting of British industry from certain parts of the British Empire, especially British India and Canada.

<sup>40)</sup> v. *"Economist"* of May 14th, 1932, page 1062.

<sup>41)</sup> *"Economist"* of July 16th, 1932.

<sup>42)</sup> At the first ballot, 89,000 workers voted for a strike and 24,000 against it, but at the same time 63,000 voted for negotiations, which were opposed by no more than 30,000. The bureaucrats, who had put no definite question, arranged a second ballot for or against the strike, the result being 48.4 per cent. for a strike, 38.1 per cent. for negotiations, and 13.5 per cent. abstainers from the vote. The bureaucrats then started negotiating.

Imports into British India  
(Twelvemonths ending March 31st)

From	1925	1930	1931
	Millions of Sterling		
Great Britain . . . . .	104.2	82.1	33.6
British Empire . . . . .	118.7	98.3	42.5
United States . . . . .	10.8	13.4	9.6
Japan . . . . .	12.8	17.7	10.0
Germany . . . . .	11.7	12.5	7.7
All Countries . . . . .	199.0	187.3	94.8

The total of imports into India has dropped during the crisis to one half and British imports thither to 40 per cent., whereas the imports from the United States and from Japan are still 70 per cent. and 60 per cent., respectively, of what they were in 1930. The comparison with 1925 works out still worse for Great Britain.

A similar situation obtains in regard to Canada.

Imports into Canada (Millions of Dollars)

	1925	1931
From Great Britain . . . . .	151	101
From the whole Empire . . . . .	195	152
From the United States . . . . .	510	394
In all . . . . .	797	628

The decline of imports from Great Britain was 33 per cent., that of imports from the United States only 22 per cent.

British industrialists are hoping that the Ottawa Conference will check this development, but whether this will be possible is extremely doubtful.

#### The Ottawa Conference and the Fight against Ireland.

We have already stated the most essential facts about the Ottawa Conference in our General Section. In so far as can be judged from newspaper articles, Great Britain is faced with great difficulties at Ottawa. The Dominions have formed a more or less united front against the mother country, demanding the introduction, in Great Britain, of protective duties on grain and preferential tariffs for other foodstuffs and raw materials in favour of the Dominions.

Any such arrangement would render the position of British industry very difficult in relation to the overseas markets outside the Empire, which are at the same time very great exporters of raw materials to Great Britain. It would at the same time lead to an increase in the ground rent in Great Britain, to an enhancement of the cost of living, and thus to increased difficulties for British industry in relation to the British proletariat. In appreciating the standpoint of the British landowners in regard to this problem, it must be considered that of the total proceeds of British agriculture only a very small portion represents grain and by far the greater part fresh foodstuffs of superior quality, in which respect imports from the oversea Dominions do not involve any competition.

In this respect an exceptional position is that occupied by Ireland, whose agriculture is solely directed towards supplying the population of Great Britain with vegetables and products of cattle-breeding. In this regard Ireland's interests coincide with those of the British landowners. But De Valera's victory at the last elections has greatly aggravated the antagonism between Ireland and England, between which countries there is at present commercial warfare. The British Government has imposed an additional duty of 20 per cent. on imports Ireland, in which connection it is doubtful who will ultimately bear the expense of these duties, the English consumer or the Irish producer, seeing that for the time being these products of Irish agriculture are indispensable for supplying the British market.

The conflict between England and Ireland hinges on two points, on the payment of an annual sum of 3 million pounds representing the interest on an amount expended by the British Government to compensate the English landlords in Ireland for their loss of the ground rent, and on the question whether Irish Cabinet Ministers are to render the oath of allegiance to the British sovereign or not. The material side of the problem is not very weighty. The British budget figures at something like 800 million pounds per annum, of which sum the 3 million pounds above mentioned represent

not even  $\frac{1}{2}$  per cent. In reality, a serious political question is at issue. If at the present stage of military development the geographical vicinity of France is a danger to England, a hostile Ireland would amount to a most imminent menace. Hence the complete unanimity on this point among the three political parties in England. The position is so acute that the Irish delegates even declared their intention of not taking part at all in the Ottawa Conference.

#### The Great Conversion.

Great Britain is at present occupied, as every one knows, with the conversion of the 5 per cent. war loan, to a sum total of roughly 2,000 million pounds sterling, into a loan bearing  $3\frac{1}{2}$  per cent. interest. The State stands to save 30 million pounds a year, reduced to roughly 23 millions net through the loss on income tax by reason of this reduced income from war loan.

In terms of social economy, the conversion means that the actual increase in the income of the rentier class occasioned by the fall of prices is to a certain extent liquidated. It means a shift in the distribution of income in favour of industrial capital by the way of taxation.

That a diminution of the income of the rentier class in favour of industrial capital had become a matter of necessity during the crisis, cannot be doubted. According to a computation by J. Stamp, put forward recently in an address to the Statistical Institute, the index of the sum total of dividends (on the basis of 100 to represent 1924) declined from 114.3 in 1929 to 80.9 in 1931, a recession of roughly 30 per cent. Meanwhile, the sum total of the income accruing to the rentier class out of the Government debts has not only nominally remained the same but has also virtually risen not inconsiderably by reason of the pronounced price drop. Since in the current year the profit of industrial capital is bound to continue to decline, the "scissors" between the proceeds of industrial capital and those of rent capital threatened to become altogether unbearable.

The conversion was rendered possible by the extraordinary abundance of short-term loan capital on the London market, which was yet increased by special measures, such as the severe restriction of capital exportation. On this basis, the conversion was technically most carefully prepared. On July 30th, the Bank of England reduced the bank rate to 2 per cent., a level last obtaining 35 years ago, in the summer of 1897. Each separate holder of war loan then received a letter from the Chancellor of the Exchequer, informing him that on December 1st, 1932, his war loan would, if so desired, be repaid to him. If he desired this repayment, however, he must at latest by September 30th give written notice thereof to the Bank of England. In the absence of such notice, the Government would conclude that he agreed to the conversion, i. e. to the reduction of the rate of interest from 5 to  $3\frac{1}{2}$  per cent.

If, however, the holder of the 5 per cent. war loan gave his consent to the conversion of his share therein, he would, at latest a fortnight after receipt of his written agreement, be paid the amount of 1 per cent. of his war loan holdings in ready money. At the close of the letter, an appeal was made to the patriotic sentiments of the war-loan holder, who was asked to help his country in this way.

Under pressure such as this, the big holders of war loan, insurance companies, savings banks, and the like, have already given their consent to the conversion, a consent freely utilised in the press for purpose of propaganda. As regards the  $2\frac{1}{2}$  million of small holders, the overwhelming majority will refrain from cancelling their holdings, if only for the fact that, in view of the present super-abundance of loan capital, they have no prospect of safely investing their money (if returned to them in December) at a higher rate than  $3\frac{1}{2}$  per cent., all the less so since in consequence of the conversion the quotations of the other Government loans with a higher rate of interest have naturally registered a corresponding rise.

It is assumed that the cancellations will represent no more than a very few per cent. of the total sum and that, with the aid of the big banks, their repayment will afford the British Government no difficulty.

The success of this conversion is one of the main reasons for the optimistic attitude prevailing in Great Britain in spite of the constant crisis in industry.

## United States.

The process of production is sufficiently characterised by the index of the "Annalist":

### "Annalist" Index of Business Development.

	June 1932	May 1932	April 1932	March 1932	May 1931
Crude Iron Output . . . . .	19,7	22,5	24,9	27,9	58,3
Crude Steel Output . . . . .	20,2	23,1	25,0	28,4	61,7
Loaded Freight Cars . . . . .	50,1	51,2	58,2	60,1	76,2
Electricity Output . . . . .	68,5	67,9	70,4	72,3	83,8
Hard Coal Output . . . . .	44,4	47,7	54,0	74,5	73,6
Automobile Output . . . . .	47,1	43,2	32,7	27,4	75,8
Cotton Consumption . . . . .	57,5	55,7	56,8	73,2	77,0
Wool Consumption . . . . .	—	39,5	45,0	60,6	108,0
Footwear Consumption . . . . .	—	84,0	89,0	97,1	110,8
Output of Zinc . . . . .	34,7	36,0	40,0	41,3	49,3
Total Index . . . . .	52,1 <sup>43)</sup>	52,8	56,5	61,6	78,1

Yet more importance attaches to the following fact: The rate of aggravation of the crisis, as indicated in the "Annalist" index, will be seen again to have greatly increased in the last twelvemonth.

### Rate of Aggravation of the Crisis.

	1929	1930	1931	1932
"Annalist" Index in May . . . . .	110.1	90	78.1	52.8
Recession from Preceding Year . . . . .	—	20.1	11.9	25.3
Percentage Recession . . . . .	—	18.3	13.2	32.4

The index of the Federal Reserve Board comes to much the same result.

### Rate of Aggravation of the Crisis<sup>44)</sup>.

	1929	1930	1931	1932
F. R. Board Index in April . . . . .	124	107	90	64
Recession from Preceding Year . . . . .	—	17	17	26
Percentage Recession . . . . .	—	13.7	15.9	28.9

This index the construction of which somewhat differs from that of the "Annalist", shows the year-to-year aggravation still more clearly and drastically<sup>45)</sup>.

In keeping with this general aspect of continuous decline in output, are the returns of the individual lines of production.

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

	June 1931	March 1932	April 1932	May 1932	June 1932
Iron . . . . .	1639	967	853	784	628
Steel . . . . .	2028	1343	1180	1054	855

In the first half-year the crude iron output amounted to 5.16 million tons and is not likely to be more than 10 million tons in the whole year. The productive capacity of the works, meanwhile, is 52 million tons, new furnaces with a capacity of 7 million tons output per annum having been completed only last year.

The marked decline in welfare in the United States, the criterion of which was the automobile, may be seen by the uninterrupted fall in the automobile output.

### Production of Automobiles

(in U.S.A. and Canada, Thousands of Passenger and Goods Cars)	1929	1930	1931	1932
April . . . . .	664	468	354	155
May . . . . .	636	445	330	193
June . . . . .	567	350	257	195

The output no longer covers the current demand, estimated at 2½ millions a year. The number of automobile proprietors is rapidly diminishing, since workers, farmers, and small citizens are no longer in a position to replace their cars when ruined.

<sup>43)</sup> Provisional.

<sup>44)</sup> "Federal Reserve Bulletin" of June 1932, page 362: "Industrial Output."

<sup>45)</sup> The "Annalist" Index for Canada, it may be remarked, shows a similar decline:

	1929	1930	1931	1932
Index in May . . . . .	102.3	89	66.4	50.8

## No Signs of a Speedy Improvement.

United States statistics furnish a certain numeric basis for estimating the future development of the business position, by their current indication (albeit with two months' delay) of stocks, new orders, and volume of orders.

### Index Figures of Stocks and Orders (100 for 1923-25)

Federal Reserve Board	April 1931	Jan. 1932	Febr. 1932	March 1932	April 1932
Stocks . . . . .	144	161	158	155	150
Stocks, Industrial Products . . . . .	119	107	108	109	107
Stocks, Raw Materials . . . . .	162	199	195	188	179
New Orders . . . . .	60	39	36	36	—
Orders not yet Executed . . . . .	61	43	40	37	—

The new orders show a falling tendency and are on a very low level, the volume of orders not yet executed declines from month to month and is barely half what it was last year. The stocks of finished industrial goods remain unchanged; those of raw materials have decreased but are still in excess of those recorded last year.

A further aggravation of the crisis is to be seen by the pronounced recession of building contracts. The Dodge index of building projects shows the following development:

### Average Daily Number of Building Contracts (In Millions of Dollars)

June 1931	March 1932	April 1932	May 1932	June 1932
12.8	4.2	4.7	5.8	4.3

### Position of the Working Class.

The position of the U.S.A. working class continues to deteriorate from month to month. The increasing regression of industrial output throws more and more hundreds of thousands of workers on the streets. Nobody knows how great the number of unemployed really is. But all statistical references and estimates show a further rapid increase.

### "Annalist" Index of the Degree of Occupation (100 for 1926)

May 1931	February 1932	March 1932	April 1932	May 1932
78.7	65.6	64.5	64.9	62.6

According to these figures, 37,4 per cent. of the workers (in excess of the number of those already out of work in 1926) are fully unemployed. That means at least 40 per cent. But these figures are in a certain sense misleading. They are calculated on the basis of the wage lists of certain factories, disposing of an aggregate of 3 million working posts. Whether the workers have worked for six or only for three days a week, does not appear from these figures. And there can be no doubt, that of the number of workers now figuring on the lists as "occupied", a far greater proportion than in 1926 are doing short-time work.

The number of wage and salary earners may be put at present at roughly 35 millions. If, according to the above estimate, we assume 40 per cent. of unemployed, there result 14 millions of unemployed (workers, employees, and officials). This would correspond more or less to the total of 7 millions in Germany, since the decline of output is approximately the same in the two countries and the population of the United States about double that of Germany.

As to the development of the income of the working class, the index of wages paid in the factories mentioned above furnishes us with a certain measure of estimate:

### Index of the Wage Total (100 for 1926)

May 1931	February 1932	March 1932	April 1932	May 1932
70.1	49.6	48.2	47.2	45.0

The wage total paid in these factories amounted in May to no more than 45 per cent. of that paid in 1926, considering both the reduction of wages and the increase of short-time work. If we extend this to the entire working class the total wage income of the working class, in money, will appear to have sunk to less than half in the space of six years.

The loss of real income is naturally smaller, since the cost of living has also receded. An official computation of

the cost of living does not exist in the United States. The "National Industrial Conference Board", a bourgeois institution, publishes an index furnishing the following aspect of the case:

Cost-of-Living Index of the N. I. C. B.  
(100 representing 1923)

January 1932	February 1932	March 1932	April 1932	April 1931
81.4	80.1	79.6	78.8	88.2

Even if we assume these figures to be correct (they naturally show too great a recession in the cost of living), it results that a recession of the wage total of 55 per cent. is faced by a decline in the cost of living (only slight changes having obviously occurred between 1923 and 1932) of 18.6 per cent. There has therefore been a diminution of the real income of the working class to the extent of 36.4 per cent. This corresponds to the tremendous recession in output, the brunt of which is naturally borne by the proletariat.

Of late months, much has been said and written in America about "supplying work". The Reconstruction Finance Corporation received permission to issue an additional 1,000 million dollars' worth of debentures for financing public constructions. The entire policy of supplying work may be characterised as follows: On the pretext of supplying work, aid is given to the capitalists.

Under the impression of the hopeless position on the labour market, a pretty considerable re-emigration from the United States has set in, the authorities fostering it by "gentle pressure". In April 6746 persons re-emigrated, and in May 8577, while immigration amounted to no more than 2469 persons monthly.

#### Failures in Economic Policy.

From what has been said so far, it is clearly apparent that all economic-political measures have proved absolutely futile. They have mainly consisted in aiding the capitalists threatened with bankruptcy by means of fresh credits, directly through the Reconstruction Finance Corporation and indirectly through the so-called "open market policy", i. e. through the constant purchase of Government bonds and bills immediately by the Federal Reserve Banks with a view to creating monetary liquidity.

But even the greatest abundance of loan capital and an extremely low rate of interest<sup>46)</sup> fail to entail the resumption of investment activity, i. e. the transformation of loan capital into industrial capital. For this purpose it is necessary for there to be a prospect of adequate utilisation of the capital with "normal" profits, of which there can be practically no question. The 297 jointstock companies covered by "Standard Statistics", showed in the first quarter of 1932 a recession of profits by fully 60 per cent. compared with the preceding year. It is thus obvious that the emissional activity has come more and more to a standstill.

#### New Capital Emissions in the First Five Months<sup>47)</sup>

(Millions of Dollars, without Refundment)			
1929	1930	1931	1932
4648	4158	1970	582

For foreign countries, there was no emission at all in 1932.

The decline in share quotations reflects the dwindling of profits, but it is at the same time a great hindrance to any new emissions. The index of industrial shares in the "New York Times" dropped from 95 on April 6th, 1932, to 64 on July 13th, the index of railroad shares from 19 to 11.6; the index of 50 industrial and railroad shares has dropped during the crisis from 470 to 38.

Irresistibly the process of devaluation of capital continues. Gigantic bankruptcies, such as that of the internationally famous Insull Electricity Trust<sup>48)</sup> or that of Lee Higginson, make the market totter. The system of propping by means of the Reconstruction Finance Corporation slows this process

<sup>46)</sup> In New York, the bank rate was reduced on June 23rd to 2½ per cent. In the middle of May, Government bills were discounted at a rate of 0.45 per cent. per annum.

<sup>47)</sup> "Financial and Commercial Chronicle".

of purification and thereby also the process of liquidating the crisis. The constant expansion of credit through the purchase of Government bonds on the open market and through the credits of the Reconstruction Finance Corporation points in the direction of inflation.

The tremendous withdrawal of gold, prompted in part by fear of an inflation (we discussed this in the General Section), seems to have reached its termination in so far as the holdings of European central banks are concerned. This, however, does not exclude the possible renewal of such withdrawals if the foreign holders of American securities throw them on the market in any greater volume.

These difficulties and the danger of inflation are increased by the serious position of Government finances. While the bourgeoisie and their spokesman Hoover urge a strict curtailment of expenditure and an increase of the taxes, the members of the House of Representatives were not inclined on the eve of new elections to effect any new savings but even prepared a resolution for the payment of a bonus of 2,000 million dollars to the war veterans, a measure frustrated by the veto of Hoover<sup>49)</sup>. After lengthy Parliamentary struggles, next year's budget was balanced, on paper, and very high taxes were resolved. Up to 4000 dollars, income tax is 4 per cent., for anything exceeding this, 8 per cent. The super-tax starts at 6000 dollars with 1 per cent. and rises to 55 per cent on an income of 1,000,000 dollars.

The insecure position of Government finances is likewise a factor strengthening inflationary tendencies.

Economically, the following chain may be said to have resulted: The drop (caused by the economic crisis) in the prices of goods, securities, and real estate, has led to a practical bankruptcy of more and more capitalist enterprises. So as to save these enterprises from pronounced bankruptcy, ever increasing credits are granted, leading to an augmented removal of deposits from monetary institutions, to a hoarding of tremendous sums in the form of ready money (by both individual capitalist enterprises and private persons), the consequence being a lack of money as a medium of circulation and fresh emissions of banknotes on the basis of a purchase of Government securities, so that an ever growing portion of the banks' assets consists of Federal bonds. The fate of industrial, commercial, and banking enterprises, of the Federal Reserve system and of Government finances is thus more and more closely allied. Inflation approaches nearer and nearer, though an actual inflation cannot yet be said to exist.

#### Fresh Aggravation of the Agrarian Crisis.

In our General Section we made mention of the continued aggravation in the agrarian crisis. Grain prices, though fluctuating, are pronouncedly on the decline. A bushel of wheat costs 45 cents on the Chicago exchange. To the farmer, according to the distance from Chicago, there remain only 20 to 25 cents, while the costs of production are estimated in farming circles at one dollar per bushel of wheat. Even supposing this calculation to be 100 per cent. too high (i. e. if the cost of output is 50 cents a bushel) more and more farmers in the wheat region must be ruined. The case is worse in regard to the other forms of grain.

Nor is the situation much better in regard to cotton, although the area under cultivation has been diminished by roughly 4 million acres, 10 per cent. of the total land under cotton. The transitional stocks are so tremendous (one authority, Dr. Cox, puts them at 13 million bales on July 1st, which is just about as much as the consumption of the whole world in American cotton during the current harvest-year) that the entire crops of this year will be superfluous, even disregarding the further falling-off in consumption. In this year, therefore, a lasting increase in the price of cotton is altogether improbable, always supposing there is no catastrophic miscarriage of the harvest, which is now quite excluded.

The position of the farmers in the United States still remains catastrophic.

<sup>48)</sup> The personal fortune of Insull was estimated before the crisis at 500 million dollars. Now he is said to be living on the pension awarded him by the General Electric Company.

<sup>49)</sup> The thousands of unemployed veterans, who had assembled in Washington with the intention of not departing until their demands had been granted, were beaten off by the standing army of the U.S.A. bourgeoisie by the use of tanks, teargas bombs, and the like.