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I. The Failure of the London Conference and the Insoluble Market Problem

“If normal life is to begin again the World Economic Conference must be a success.”—(Taken from the communiqué on the discussions between Roosevelt and the Italian Finance Minister Jung.)

The biggest of all international conferences at which 67 countries were represented by their most prominent statesmen has come to an inglorious end without solving a single problem. The conference was in fact sterile two weeks after it had begun when it rejected the planned stabilisation of currencies proposed by Roosevelt.

It is not our intention to deal here with the individual stages of the negotiations and with the numerous intrigues which crossed and re-crossed each other during the conference; most of all that is already known to our readers from the daily newspapers. It will be our aim to analyse the deeper causes which led to the failure of the London Conference. We shall attempt an analysis on the basis of the market problem in capitalism in general and in the period of the general crisis of capitalism in particular, and we shall show the connection between the economic and the foreign political side of the conference.

It was clear to any Marxist that the conference would not be able to solve the economic problems with which it was faced. The real basic problem facing the conference was the problem of finding a capitalist way out of the crisis, of finding a solution both of the general crisis of capitalism and of the present cyclical crisis on a capitalist basis.

The problem of the crisis naturally presents itself to the bourgeois economists and capitalist statesmen as a market problem, as a market problem to be solved in a way which would bring the utilisation of capital which has sunk considerably during the crisis—though not uniformly—back again to its normal level. And because the bourgeoisie of the capitalist world is divided into individual nationally limited groups, the market problem takes on the character of a struggle with customs duties, currencies, prices, etc. An agreement in any one of these questions would have meant the artificial levelling out of the existing unequal chances in the struggle for markets, an inequality determined by the unequal strength of the individual capitalist countries. It would have meant creating artificially equal chances for all in the struggle for markets, and for this reason the proposals were condemned to failure from the very beginning.

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But it is no question of the joint goodwill of statesmen and politicians; it is a question of contradictions between the capitalist countries, which are insoluble with peaceable means. And just for this reason the leading imperialist Powers looked on the London Conference as an excellent opportunity for strengthening their position in the coming war by the formation of blocs. In a certain sense the economic problems were only the pretext for foreign political manoeuvres on the grand scale, for most of the bourgeois statesmen are well aware—despite their repeated peace-loving assurances—that these economic problems cannot be solved with peaceable means.

But even from this point of view the London Conference was a failure. The imperialist contradictions proved to be so manifold and their ramifications so complicated that the conference was unable to create a permanent bloc system for the next world war.

One of the most important attempts at the London Conference was the one to form a permanent anti-Soviet bloc whose most active components would have been Germany, Japan and Great Britain. The struggle between the two systems always offers a general basis for the formation of such blocs.

The fascist regime in Germany tried to carry its internal struggle for the "destruction of Bolshevism" into the field of foreign politics and to place itself at the head of the anti-Soviet front with a view to breaking down the Versailles system in this roundabout fashion. This policy was laid down with clumsy brutality in the notorious memorandum of Hugenberg. Although the Hitler Government disavowed Hugenberg and officially declared that the anti-Soviet memorandum of Hugenberg had never been presented to the German delegation and had never been approved by the delegation, this does not alter in the least the actual line of German fascist foreign policy which was clearly shown by Rosenberg's previous journey to London and by the proposal made by Posse, after the publication of the Hugenberg memorandum, to the effect that the capitalist countries should already come to an agreement concerning the division of their spheres of influence in the territory of the Soviet Union.

The creation of an anti-Soviet bloc led by Germany at the London Conference was prevented by the intensification of the antagonism between imperialist France and fascist Germany. French opposition prevented temporarily the open and active participation of Great Britain, because in view of its fundamental antagonism to the United States Great Britain cannot bring itself to come into open political contradiction with France. As a result of the rapid development of military technique since the world war Great Britain has lost its strategic character as an island as far as France is concerned. In view of the great strength of French armaments in submarines, small naval units and aeroplanes, a war against France would mean for Great Britain the risk of paralysing its sea connections and perhaps face Great Britain with the possibility of having to conduct the war on its own territory, a prospect which the British bourgeoisie, which has seen no foreign enemy on its soil for hundreds of years, regards as highly dangerous.

Under these circumstances the logical and persistent policy of peace pursued by the Soviet Union succeeded on the basis of the manifold contradictions existing in the capitalist world in achieving a great diplomatic success at the London Conference in the shape of the conclusion of the various pacts of non-aggression and the re-establishment of normal trading relations with Great Britain.

"It sounds like a joke, but it is literally true that at the London conference, which was to overcome the world crisis of capitalism, only one State returned home with any concrete result, and this State was Soviet Russia!" wrote the "Arbeiter-Zeitung" on the 4th July, 1933.

With regard to the fundamental imperialist contradiction, i.e., that between Great Britain and the United States, neither succeeded at the conference in forging a bloc against the other, although despite the hypocritical phrases of peace and friendship, both sides undoubtedly did their utmost in this direction.

Although after his return from the United States MacDonald declared in his usual hypocritical fashion that the cardinal point of Great Britain's policy would be an active and untiring co-operation with the United States in all questions relating to the peace and prosperity of the world and to human progress (see the "Times" of the 17th May, 1933) this did not stop him bringing up the question of the inter-allied debts in his opening speech to the conference, although it had been previously agreed with the United States government that this question should not be dealt with by the conference. On the other hand, Roosevelt sent his Secretary of State, Hull, to the London conference to proclaim a policy of international co-operation, whilst at the same time Roosevelt himself was actually sabotaging the conference with his policy of continuously depreciating the dollar and by his blunt refusal to make any concessions in the question of the inter-allied debts and in the question of dollar stabilisation.

The possibility of creating an anti-British bloc led by the United States failed for two reasons:

1.—Under the influence of the Japanese drive into Asia which is threatening the position of the United States in the Pacific Ocean, the United States attempted by various manoeuvres to loosen Great Britain's relations to Japan, an attempt that has a certain basis in the intensification of the contradictions between Great Britain and Japan.

2.—The policy pursued by Roosevelt of continually depreciating the dollar, his refusal to make concessions in the question of the inter-allied debts, and the position of the American bourgeoisie in the question of armaments led to a sharp contradiction between the

U.S.A. and France. The bourgeoisie of France, in which the rentier class plays a large role and has not yet forgotten its losses in the inflation, has placed itself at the head of the "Gold Bloc," whilst objectively considered the U.S.A. is marching at the head of the inflationist group. Under these circumstances an alliance of France and the U.S.A. is not possible for the moment. However, an anti-British bloc led by the United States but without France is hardly possible.

But Great Britain has met with just as little success, or it has not been able to make up its mind to pursue an open policy of forming a bloc against the United States.

The relation of Great Britain to Japan, its strongest potential ally in any bloc against the U.S.A., is a very ambiguous one and has visibly deteriorated in recent months, even during the London Conference. Thanks to the depreciation of the yen and the tremendous exploitation of the proletariat, the Japanese bourgeoisie is able to conduct a highly successful struggle against the British manufacturing industries, and in particular against the textile industry, on the foreign markets in Asia and Africa and even in the British colonies and dominions. This fierce competition has in fact developed into a downright trade war, and special customs duties have been imposed on Japanese textile goods in India, whilst the Japanese textile industry is boycotting Indian cotton.

Although Japan is one of the most important factors in the imperialist policy of Great Britain both towards the Soviet Union and towards the United States, it must not be forgotten that the Japanese drive into China, the slogan of Japanese foreign policy, "Asia to the Asiatics!", and the manoeuvres of Japanese foreign policy to secure the abolition of all the unequal treaties—in other words, to establish a monopoly position for Japan in China—represent a threat to British interests not only in China itself, but also in India.

Whilst therefore Britain did its best on the basis of the Ottawa Conference to bind its colonies and dominions closer to the motherland, whilst it succeeded in exerting strong pressure on the Scandinavian countries and drawing them closer into its sphere of influence, whilst it succeeded in strengthening its position considerably in the Argentine, in Uruguay and Brazil by special treaties as compared with the United States, whilst it stresses at every possible moment its "traditional friendship" towards France, and whilst its parliament berates Hitler Germany in the sharpest tones, Great Britain was not able to bring itself to join the "Gold Bloc" at the present moment and thus openly take the leadership of a group against the U.S.A.

The British bourgeoisie is continuing its policy of manoeuvring. It approached very near to the Gold Bloc, but did not actually join it. It was characteristic that when, after the blunt refusal of Roosevelt to agree even to a temporary stabilisation of the dollar, the Gold Bloc, under the leadership of France, demanded the immediate abandonment of the London Conference in order to lay the blame for the failure of the conference on to the shoulders of the United States, it was Great Britain which prevented this exposure of the U.S.A.

Despite the strong pressure exerted by those European countries interested in a stabilisation of currencies under French leadership to secure the abandonment of the conference, Great Britain mobilised not only its colonies and dominions, but also its allied Scandinavian and South American States, in order to secure the continuation of the conference and save the United States from having to shoulder the responsibility for the collapse of the conference.

The complicated nature of the imperialist contradictions thus prevented for the moment the creation of a bloc against the U.S.A. under the leadership of France and Great Britain.

The third tendency towards bloc building is that which divides the European capitalist countries into a Versailles Bloc and an anti-Versailles Bloc. The natural members of the anti-Versailles Bloc are Germany, Italy, Hungary, Austria and Bulgaria, and the natural members of the Versailles Bloc are France, Belgium, Poland and the Little Entente. In order to loosen the bonds of the anti-Versailles Bloc France is striving for a rapprochement with Italy. These French efforts to divide Germany and Italy find an objective basis in the sharp antagonism between Germany and Italy in the question of Austro-German unity, whereby it is not merely the union of little Austria with Germany which is so important, but much more far-reaching questions of the struggle between

Germany and Italy for spheres of influence in Central Europe and the Balkans.

As a result of this antagonism and a number of antagonisms between the smaller States no permanent anti-Versailles Bloc has yet been formed. A certain role was played in this by the fact that Germany is on the side of the Gold Bloc in the question of stabilisation or the further depreciation of currency and against the United States.

In this way the London Conference ended without success also on the field of foreign politics; it was not possible for the leading imperialist Powers to form permanent blocs against each other or against the Soviet Union. Typical of the ambiguous situation which exists on the field of international relations was the ratification during the London Conference of the very vague Four-Power Pact between Great Britain, France, Germany and Italy, an agreement which permits the most contradictory interpretations and conclusions according to the circumstances and the needs of the individual signatories.

The fact that the complicated ramifications of the imperialist contradictions prevented the formation of permanent blocs at the London Conference naturally does not mean that such blocs cannot be formed in the immediate future. The existence of contradictions by no means excludes the possibility of the formation of blocs for the purpose of waging war. Great Britain and Tsarist Russia formed a bloc against Germany in 1914 although they had been fighting each other steadily for half a century in Asia and although these contradictory interests remained alive during the war against Germany. However, for the moment the complicated ramifications of the imperialist contradictions permitted the Soviet Union with its policy of peace to achieve a big diplomatic success in London.

Naturally, it would be quite wrong to assume from the failure of the attempts at bloc formation at the London Conference that the danger of war and intervention had thereby been lessened. On the contrary, during the London Conference armaments were pursued by all capitalist countries with increased intensity, and the failure of the Disarmament Conference is now openly admitted. The imperialist contradictions have become still sharper and the guns may go off "spontaneously" at any moment.

Following on the failure of the London Conference, the fight for markets will undoubtedly be continued with all possible energy, much to the distress of those bourgeois and social-fascist elements which still harbour the illusion, or at least still attempt to create the illusion, that peaceful agreements are at all possible in the period of the end of the capitalist stabilisation.

The whole character of capitalist development shows that any attempt to solve the market problem by international agreement is impossible and utterly hopeless. In order to demonstrate this fact we shall now attempt to give a theoretical analysis of the market problem under capitalism in general and in the present period of capitalism in particular.

The Market Problem in the General Crisis of Capitalism

"The contradiction between the growth of the productive possibilities and the relative stability of the markets is at the basis of the fact that the market problem is the chief problem of capitalism. The intensification of the problem of markets in general, an intensification of the problem of foreign markets in particular, and above all the intensification of the problem of markets for capital export, typify the present situation of capitalism. This also explains the fact that an incomplete utilisation of the factories and works is becoming a usual phenomenon. The strengthening of customs barriers only adds oil to the flames. Capitalism has not enough room within the framework of the present markets and spheres of influence. The peaceable attempts to find a solution of the problem of markets have not been successful and could not be successful. The declaration of the bankers in 1926 with regard to freedom of trade ended, as is known, in a collapse. The economic conference of the League of Nations in 1927 which aimed at 'uniting the economic interests of the capitalist countries' also ended in collapse. For capitalism there is no peaceable way to solve the problem of markets. Capitalism has only one way left: a re-division of the colonies and spheres of influence by violence, by means of military conflict, by new imperialist wars."—(Stalin.)

For the bourgeoisie, which aims at utilising its capital—a

thing which can only be secured under capitalism after the sale of commodities in the market—all the problems of capitalism take on the form of market problems. As in the capitalist system of production the social relations of human beings present themselves in commodity fetishism—the nucleus of the market—as the objective relation between things, all the internal laws of capitalism appear in a distorted and superficial form as market phenomena. The mysterious, incalculable "market" in which the capitalists must dispose of their commodities, in which the transformation of the capital value must take place from the commodity form to the money form, decides the fate of each individual capitalist—decline or rise, bankruptcy or prosperity. The market is the arena in which the struggle is fought out with all possible means, peaceful, deceitful, violent, the arena in which the weaker capitalist is mercilessly crushed by the stronger capitalist and expropriated.

The periodically recurring economic crises—necessary and inevitable results of the contradiction between social production and private appropriation—appear to the bourgeoisie as unintelligible and unexpected freaks of this mysterious "market." The general crisis of capitalism—an unavoidable stage on the way to the revolutionary collapse of capitalism—appears in the outward form of a chronic insufficiency of the "market."

The market appears as the fate of the bourgeoisie. The development of monopoly capitalism, the division of the world markets amongst the biggest monopolists, has not altered this fateful, anarchist, uncontrollable character of the market. The present tremendous economic crisis which burst in on the bourgeoisie, like all its predecessors, in the middle of a wish-dream of "eternal prosperity" is the best proof of this.

Just as the bourgeoisie will never be able to "control the market"—that is to say, to secure a permanent, constant and frictionless sale of its commodities at their production prices and thus to secure a steady and permanent utilisation of its capital, so will the bourgeois economists never be able to lay bare the laws of the capitalist market. Blinded by the commodity fetish, caught in the mesh of vulgar-economy, the bourgeois economic experts are utterly unable to grasp the essential laws of the capitalist market. The debates which were conducted at the London World Economic Conference and the debates which have been conducted around it since on the market problem are on an incomparably lower level than the debates between Sismondi and the supporters of Ricardo a hundred years ago.

The complete inability of the bourgeois economic experts to lay bare the real laws of the "market" which is of such decisive importance for the bourgeoisie is not at all fortuitous. On the contrary, it has a definite class basis. To lay bare the real inner laws of the capitalist market—as Marx did over fifty years ago in his treatise on the reproduction and circulation of social capital as a whole—would mean to lay bare not only the inner laws of capitalism in general, but also to demonstrate its character as a historically temporary mode of production inevitably developing towards its own destruction as a result of its own inner laws. This is the decisive reason why the bourgeois experts (and with them the social-fascist economic experts) are so helpless when faced with the problem of the market.

This incapacity to grasp the laws of the market was seen clearly during the discussions at the London World Economic Conference. The causes for the insufficient absorbing power of the market were sought for chiefly in the hindrances to the import of goods into foreign countries—that is to say, on the "foreign" market, by customs duties, import prohibitions, quotas, currency regulations, the compulsory use of home-made goods, etc., put into operation by the individual countries—that is to say, by the "national" bourgeoisies fighting for their share of the market.

We shall discuss the real significance of the external market for the bourgeoisie later on. All we wish to do at this juncture is to stress the fact that the problem of the insufficient purchasing power of the market could not be solved even if all the international trade hindrances were abolished and the world returned to unlimited and classical free trade, not to mention the fact that this could never be carried out in the present period of monopolist capitalism.

It is clear that each "home" market is the "foreign" market of all other capitalist countries, and that each "foreign" market is the "home" market of some bourgeoisie or the other. The total of all the home markets of the capitalist countries taken together equals the total of all the foreign markets of the same

countries; thus, the disappearance of all trade hindrances altogether would not make any difference whatever to the absorbing power of the capitalist world market as a whole, and would not in the least lessen the severity of the market problem for capitalism as a whole. What would thereby happen would be that the share of the various capitalist countries would change considerably. Monopoly capitalism in the most strongly developed industrial countries would push the industries of the less developed countries to the wall. In any case, it is clear that the capitalist market problem can never be cleared up if it is considered from the angle of the foreign market. In his analysis of the general laws of capitalism Marx therefore regards the whole world "as one capitalist nation." We must follow this example.

The Market under Capitalism

A certain limited commodity exchange existed in the pre-capitalist forms of society. A market also existed in which the surplus products of the one producer over and above his own needs were exchanged for products of a different use-value. But it is only under capitalism that all the products of labour and labour-power itself assume the form of commodities. Only under capitalism does the "market" become the great "regulator" of economic life through which all products must pass before they reach the consumer, in which all products must prove that they were produced at the prevailing "social cost of production" and that they are therefore suited to satisfy a social requirement.

The problem of the market impresses itself on the bourgeoisie in the striking form of periodically recurring crises, i.e., in a periodically recurring unsaleability of all commodities and general over-production. Only Marxism is able to answer the question of how it comes that the capitalist market is periodically glutted with commodities, and it does this by revealing the social relation pertaining to the commodity.

With the vulgar superficial categories of bourgeois economic science it is impossible to answer the question of how it happens that the capitalist market periodically becomes so "narrow" that all commodities become unsaleable. With the production of each commodity new "purchasing power" is created according to the price of the commodity! The price of each commodity resolves itself "in the last resort"—according to Adam Smith and since him almost all bourgeois economists down to Sombart—into wages and profit (the gain of the employer, interest, ground-rent), or, to formulate it differently, "the capital of the one is the income of the other." The sum of the purchasing power of society is equal to the price total of the commodities produced! How is it therefore possible that the commodities can find no purchasers? How is it possible that there can be a general over-production?

And the bourgeois economic experts answer logically: there can be no general over-production and no general unsaleability of commodities. There can be an over-production of individual kinds of commodities as a result of accidental disproportions which can lead to a general unsaleability of commodities by producing a credit crisis.

In analysing the market we must follow the example of Marx and assume a purely capitalist society, excluding the remnants of pre-capitalist modes of production, which can be found still almost everywhere, from our calculations—that is to say, we must assume the existence of a social order in which there are only two classes in existence, the bourgeoisie and the proletariat, and in which all the means of production are the property of the bourgeoisie, whilst the working class lives exclusively from the free sale of its labour-power. All the products of labour and labour-power itself take on a commodity form. All the economic relations between human beings take the form of the sale and purchase of commodities.

What are the inner laws of such a purely capitalist society regulating the exchange of commodities?

Marx solved this problem by restoring the unity of the whole process of capitalist reproduction which had been mechanically divided up by the bourgeois economists into production, distribution and consumption. He recognised the division of the process of production, and thus of all commodities appearing on the market, into means of production and commodities for consumption, section 1 and section 2; the division of consumption into productive consumption and individual consumption: division of the newly produced values of capitalist society into v and s ; the division of s into that consumed individually by the capitalists and the accumulated section, etc. In this way Marx constructed

the well-known scheme of reproduction which at once reveals the laws of production, distribution and consumption in capitalist society.

The apostles of class-harmony in the ranks of the social democracy—Kautsky, Bauer, Hilferding, Braunthal and Co.—have tried to show that Marx with his scheme of capitalist reproduction really wanted to prove the possibility of a development of capitalist production without crises—that is to say, viewed from the market angle, the possibility that supply and demand in the capitalist market could always be held in balance if only the proportions shown in the scheme were maintained.

It is not necessary to argue for long in order to demonstrate that this is a falsification of Marxism. The essence of Marxism is a recognition of the fact that the capitalist social order is a historically transitory form, that its inner laws of development inevitably drive it on to its own end, that the contradiction between social production and private appropriation can only be solved by the overthrow of the rule of the bourgeoisie, and that as long as the rule of the bourgeoisie is maintained there must inevitably be periodically recurring economic crises, and that the capitalist order of society produces both its grave-diggers, the revolutionary proletariat, and also the material basis for the forces of production to build up the new socialist order of society. The attempt of the harmony apostles to interpret the scheme of Marx in their sense is absolutely incompatible with this revolutionary essence of Marxism.

The interpretation of the scheme of Marx in the sense that there can be any permanent balance of supply and demand on the commodity market is only possible by ignoring the difference between "purchasing power" and "consuming power" in capitalist society, by identifying these two quite different conceptions, or, the same methodological error regarded from another angle: the false and one-sided interpretation of Marx's scheme as a simple value representation of the relations of the capitalist market, the ignoring of use-value, the necessity that each commodity which comes on to the market must, in order to find a sale, satisfy in its use-value a social need, naturally, a need backed up by the necessary purchasing power.

What is the difference between purchasing power and the capacity for consumption in capitalist society?

Under purchasing power of society Marx means the sum of the annual value of products, the sum of productive and individual consumption—that is to say, the sum c plus v plus s (whereby under c must be understood only that part of constant capital which is actually consumed during the year). Under the expression "consuming power of society" Marx means individual consumption: or v plus $(s-a)$ —that is to say, the annual production of values, less that section which is accumulated.

If we take a look at the value side of Marx's scheme—that is to say, only at the purchasing power of society—it appears that a general over-production and a general unsaleability of commodities is impossible, because the sum of the values produced, the annual value of the products produced, coincides with the sum of the purchasing power. But this is an incorrect and one-sided interpretation. The use-value of commodities cannot be left out of consideration. In the last resort the purchasing power of capitalist society depends on its power of consumption, but only in the last resort, because the successive development of the material forces of production—that is to say, the extension of constant capital—means a continuous extension of the capitalist market.

Or, in other words, the volume of the power of consumption—that is to say, the individual consumption of capitalist society—determines in the last resort the productive consumption; that is to say, also the total purchasing power of capitalist society which determines the capacity of the market.

However, the process of capitalist reproduction is at the same time the process of capitalist accumulation. This means that the organic composition of capital continually increases, v sinks in relation to c , v plus s sinks in relation to c plus v plus s , v sinks in comparison with s (because the rate of exploitation rises with the increase of the productivity of labour), the consumption capacity of capitalist society v plus $(s-a)$ sinks continually as compared with purchasing power c plus v plus s .

Thus accumulation, as Marx declares, means a continual relative over-production.

"Thus, in agriculture (as in all branches of production

which are capitalistically run) there is a continual relative over-production which is identical with the accumulation."

Thus Marx in his "Capital," and in "Theories concerning Surplus Value" we find the following:—

"The whole process of accumulation resolves itself at first into surplus production which forms an immanent basis for those phenomena which show themselves in the crises."

As a result of the fact that capital continually diminishes the relative share of the proletariat in the values produced, as a result of the fact that capital not merely keeps the situation of the proletariat stable, but actually increases the impoverishment of the masses, it creates inevitably the preliminary conditions for an insufficient absorbing capacity of the capitalist market.

The inner dialectic of the process of accumulation determines that this insufficient capacity of the capitalist market, "the accumulation which is identical with over-production," appears not as a regular, chronic and continuous process, but as the cyclical process of capitalist reproduction.

The Particular Limitation of the Capitalist Market in the Period of General Crisis

Considered from the market angle the period of the general crisis is characterised by the fact that the insufficient capacity of the market is chronic, not only in the crisis and in the depression stage of the cycle, and that the market is unable to take up all the commodities produced with the full utilisation of the existing forces of production. The result of this is that parts of the productive apparatus are closed down permanently and that there is chronic and mass unemployment. Capitalism is no longer able to use the productive apparatus created by it to its full extent even periodically.

What are the causes of this present chronic insufficient absorbing capacity of the capitalist market?

We can enumerate four main causes:—

(a) The relative tendency of the capitalist market to shrink as a result of the inner laws of development of capitalist society, as has been explained above.

(b) A very considerable reduction in the efficiency of one of the factors making for the extension of the capitalist market as a result of the double process of the successive transformation of those independent producers who produce chiefly for their own use (peasants, "third persons") into commodity producers for the capitalist market and thus into purchasers of capitalistically produced commodities, and of the successive transformation of these independent producers into small capitalists on the one hand and into wage-workers on the other.

(c) The effect of the monopolies which limit the absorbing power of the market.

(d) The limitation of the capitalist market by the existence of the Soviet Union.

Very little further need be said about factors (a) and (d), but factors (b) and (c) require more detailed treatment.

The theoretical expositions of Lenin in his work "The Development of Capitalism in Russia," are based on the idea contained in the first volume of Marx's "Capital" to the effect that the break-up of the peasantry producing chiefly for their own needs creates the capitalist market. Lenin writes:—

"The basic process for the formation of the inner market (that is for the development of commodity production and capitalism) is the social division of labour. It consists in the fact that the various forms of working up raw materials (and the various operations performed in this process) separate themselves one after the other from agriculture and form independent branches of industry which exchange their products (now already commodities) against the products of agriculture. And in agriculture itself, which also develops into an industry (that is to say, it begins to produce commodities), the same process of specialisation takes place."

Together with the extension of commodity production goes a process of differentiation in the ranks of the peasantry: on the one hand a rural bourgeoisie is formed, and on the other hand an agricultural proletariat, and the result is, despite the impoverishment of broad masses of the peasantry, a further extension of the capitalist market. Lenin writes further in the same work:—

"Thus, the development of the peasantry into an agricultural proletariat creates chiefly a market for products for consumption, whilst the development of the peasantry into a rural

bourgeoisie creates chiefly a market for means of production. In other words, in the lower sections of the 'peasantry' labour-power becomes a commodity, whilst in the upper groups the means of production become capital."

Lenin shows clearly the way in which the capitalist market develops from the peasantry originally producing chiefly for their own needs, in the following:—

"The growing market-agriculture creates an inner market for capitalism. First of all the specialisation of agriculture causes exchange to develop between districts, between undertakings of various forms of products. Secondly, with the increasing drawing of agriculture into the circle of commodity exchange, the demand on the part of the agricultural population for the products of the manufacturing industries intended for personal consumption increases. Thirdly, the demand for the means of production grows because it is not possible to produce for the market with the old peasant implements, buildings, etc., either on a small scale or a large scale. Fourthly and finally, a demand for labour-power develops because the formation of a rural petty-bourgeoisie and the introduction of the capitalist system into agriculture assumes the existence of a mass of landworkers and day labourers. The characteristic extension of the inner market for capitalism since the reform can only be explained by this growing production of agriculture for the market."

This considerable extension of the capitalist market and the transformation of the peasantry as described by Lenin had the effect in the historically determined capitalism of the period—which was by no means a "pure" capital as we assumed, following the example of Marx, in making our previous analysis on an abstract basis—of working against the limitation of the capitalist market which results from the inner laws of capitalist development, and in particular it facilitated the overcoming of the crises by the intermittent extension of the capitalist market.

The following is of importance for an understanding of the market problem in the period of the general crisis of capitalism:—

That process, which Lenin shows to be the basis for the development of the capitalist market, develops over a long period and gives capitalism the possibility of extending the capitalist market beyond those limits set by the laws of "pure" capitalism. This process is not yet ended all over the world, but in the history of capitalism it is a process which can take place only once. This is the special extension of the capitalist market—outside the limits of "pure" capitalism—which results from the transformation of the peasantry into commodity producers, with the break up of the peasantry into capitalists and wage-workers.

As far as this process is more or less ended in the most highly developed capitalist countries, the United States, Great Britain and Germany, capitalism in these countries is approaching more and more nearer to the stage of "pure" capitalism. As far as the inner market is concerned they no longer have the possibility of extending the capitalist market on the basis of drawing in the peasantry into it. The American farmer and the Danish peasant, etc., are already producing one or a few only specialised agricultural commodities. They satisfy their own productive and individual consumption to 90 per cent. with capitalistically produced commodities. The process of differentiation which turns the peasants into small capitalists and agricultural wage-workers is already very far developed.

The extension of the capacity of the capitalist market in these countries can therefore take place exclusively on purely capitalist lines. Therefore these countries in which the relative narrowing down of the consumptive capacity as a consequence of the very high organic composition of capital is farthest developed, show the chronic limitation of the capacity of the market characteristic of the general crisis of capitalism in a particularly pronounced form. Therefore, also these countries show in an equally pronounced fashion the phenomena of chronic mass unemployment and the chronic idleness of great quantities of fixed capital.

The stressing of the importance of the breaking up of the peasantry for the creation and extension of the capitalist market, and also the significance of the conclusion of this process for the inner market of the most advanced capitalist countries has nothing whatever to do with Luxemburgism. Rosa Luxemburg was of the opinion that it was the existence of the independent producer which was the preliminary condition for the possibility of resolving surplus value. However, Lenin proved on the contrary

that it is the **disappearance** of the "third person," the process of the breaking up of the peasantry, which creates the inner market for capitalism.

We can supplement this now that the process of breaking up the peasantry has come to an end, by saying that the capitalist market is now developing according to its own inner laws: it is extending as a result of the increase of constant capital, and it is diminishing as a result of the reduction of the consumptive capacity of society, and in the advanced countries of capitalism it no longer has the possibility of intermittently extending the market by breaking up the peasantry, by transforming the "third persons" from independent producers into capitalist and wage-workers, into buyers and sellers of commodities within the limits of the capitalist market.

A new factor which limits the capacity of the market is formed by the monopolistic character of capitalism which developed inevitably out of free competition by the concentration of capital through accumulation and centralisation. Monopoly means the sale of commodities above their production price (cost price plus the average rate of profit). A new element enters into the "normal" alteration of the division of the annually newly produced values between capital and labour, between the bourgeoisie and the proletariat, the increase of s at the expense of v , determined by the increase of the productivity of labour-power. And this new element is the monopolist profit, the "artificial" and supplementary increase of s at the expense of v , at the expense of those "independent producers" who are still in existence, and at the same time within the ranks of the bourgeoisie an alteration in favour of a close circle of finance oligarchs. The consumptive capacity of capitalist society and thereby in the last resort the capacity of the whole capitalist market are diminished by the formation of monopolies.

As we have already shown above, the contention of the bourgeois economic experts that the absolute volume of the newly-produced values determines the consumptive capacity of society, and that the proportion of the division between the bourgeoisie and the proletariat, and the proportion of the division inside the bourgeoisie between the finance oligarchy, the middle class and the petty-bourgeoisie are unimportant, is incorrect. The total sum of v , the total income of the proletariat, is individually consumed, is expended for commodities in Section II, whereas only a part of the total sum of s , the income of the bourgeoisie, is individually consumed, and another part is accumulated. The greater the part of s , the income of the bourgeoisie, which falls to the share of the finance oligarchy, the relatively smaller is the part which is expended for commodities in Section II, despite the insane luxury of these great monopolistic exploiters. The consumptive capacity of capitalist society becomes relatively smaller with the development of its monopolist character, and as in the last resort the volume of consumptive power determines the volume of **purchasing power**, the contradiction between productive possibilities and market possibilities becomes greater and greater and the market problem more and more insoluble.

Monopolist profits do not arise exclusively from the sale of commodities by the monopoly at prices higher than the normal production prices, but also from the purchase of raw materials and other commodities at monopoly prices which are lower than production prices. In purchasing agricultural products from the peasantry and industrial commodities from the handworkers, artisans and small capitalists, monopoly capital expropriates a part of their value by fixing prices which very often leave the independent producer not as much as the income of a wage-worker. The consumptive capacity of these groups is thus particularly diminished.

But monopoly capitalism diminishes the **purchasing power** of capitalist society in another and direct fashion. Sale at monopoly prices is only possible when the supply of monopolist commodities on the market is limited. In order to secure this possibility the development of production must be limited and the development of new branches of production in the monopolist industries must be adapted to the possibilities of sale artificially limited by the high prices.

In the pre-monopolist period of capitalism when the capitalist mode of production was still on the up-grade, when the tendency to limit the consumptive capacity of society, and in the last resort the purchasing power of society, caused by the inner laws of development of capitalism, was more than compensated for by the

extension of the outer field of capitalism, as Marx calls it, and the capacity of the capitalist market rapidly increased, the newly accumulated capital in the money form was invested as rapidly as possible in the means of production, was used for the purchase of commodities from Section I, whereby the market was still further extended. In monopolist capitalism the monopolists seize an ever-increasing share of the total profit and accumulate tremendous sums, but the necessity for keeping the supply of the monopolist commodities within narrow limits is a great hindrance to the productive investment of the newly accumulated capital. The possibility of extending the capitalist market by "production for production," on which Lenin laid such great stress, is greatly diminished by monopolist capitalism.

On this basis a new contradiction arises in monopolist capitalism. The efforts to limit the supply on the market in order to **keep up prices** leads to the prevention of the extension of production. On the other hand, the efforts to **lower the costs of production** (it must not be forgotten that the monopolies do not abolish competition, that competition is still strong inside one branch of production with outsiders, between the monopolies themselves where their commodities could replace each other, by substitutes, and between the monopolies of all sorts "for the consumer's dollar"—that is to say, for the share of their commodity as use-value in the total consumption of society)—lead to the **building of new and technically more advanced factories, and this is necessarily connected with an increase of productive capacity.**

This contradiction between the efforts to limit production in order to prevent an excess of supply on the market, and the efforts to lower the costs of production which leads to an increase of productive capacity, causes national capital to seek for a solution in the adoption of different policies for the inner and the outer markets. At this point of our inquiries we must therefore abandon our assumption of the capitalist world "as one nation" and take a look at the question of the outer market.

The Struggle for Foreign Markets

In the pre-monopolistic period of capitalism there was no fundamental difference between the inner and the outer market. Free competition prevailed on both of them. The geographical boundaries between the inner and the outer markets were very often, as Lenin showed with the example of Mongolia, indefinite. In the struggle against the Narodniki, who, like Rosa Luxemburg, Sternberg and others later on, believed the "outer market" to play a special role in the realisation of commodities in general and of surplus value in particular, Lenin demonstrated the essential economic oneness of the inner market and the outer market and showed the historic cause for the development of the outer market. In the work, "The Development of Capitalism in Russia," Lenin wrote:—

"The necessity of an outer market for a capitalist country cannot be explained at all on the basis of the laws for the realisation of a social product (and of surplus value in particular), but only from the fact that capitalism appears only as the result of a highly-developed commodity circulation which oversteps national boundaries. Therefore it is impossible to conceive of a capitalist country without foreign trade, and in fact such a country does not exist. As the reader can observe, the cause is a historical one."

With the development of monopolist capitalism a sharper difference, of importance for the utilisation of capital, arises between the inner and outer market. In the highly-developed capitalist countries, in which capitalism has become "over-mature," and in which as a result of the particularly high organic composition of capital the rate of profit is low, capital export begins. At the same time in these countries and for the same reason the consumptive capacity of society is particularly low in comparison with the productive capacity. Therefore the new investment of accumulated capital finds itself without sufficient room within the narrow limitations of the inner market.

Capital in such countries seeks to solve the problem of utilisation by adopting a different economic policy for the outer market than for the inner market: high monopolist prices for the inner market, dumping prices for the outer market. The bourgeoisie which controls the market seeks by customs duties, import prohibitions, etc., to monopolise the inner market of its "own" country completely for its own commodities at high monopoly prices. For this purpose the supplies to the inner market must be kept low. This leads to a very considerably reduced utilisation of the exist-

ing fixed capital and therefore to a considerable increase of productive costs.

Monopolist capital seeks to overcome the contradiction that high monopoly prices in the inner market must be bought by a considerable increase in the costs of production, by forcing sales on the outer market. Those commodities which are in excess on the inner market as a result of the impoverished situation of the proletarian masses and the high monopolist prices are then thrown on to the outer market below the inner-market price, below the production price, and very often below the actual cost of production. Dumping is indissolubly connected with monopolist capitalism, and in the period of the general crisis of capitalism dumping develops more and more into a specific form for the sale of industrial commodities on the world market.

In view of the low capacity of the inner market, determined by the capitalist laws of development, the outer market acquires special importance in the period of the general crisis of capitalism. The theory of the lessening importance of the outer market preached by Sombart and other representatives of the policy of economic self-sufficiency (autarchy) is absolutely false, quite apart from the purely numerical deciding of the question whether the export quota shows a falling or a rising tendency, a question which we shall not discuss in this connection. **Export is of decisive importance for the utilisation of capital as a supplement to the inner market which is too narrow in comparison with the productive capacity.**

From this it follows that the significance of monopolistically controlled markets: colonies, semi-colonial countries, spheres of economic influence—in which it is possible to sell commodities without dumping—is of decisive importance for the utilisation of capital. Such monopolistically controlled colonial markets form, so to speak, a geographically extended inner market. The efforts of the imperialist countries are directed towards monopolising the colonial markets in the same way as they monopolise the inner markets, for instance, as Japan has done with Korea, and France with its North African colonies.

But neither the inclusion of the colonial markets as inner markets, nor the violent conquest of foreign markets by dumping can solve the market problem as a whole, because the process of the relative diminishing of the purchasing power of capitalist society is proceeding all over the capitalist world, although this process is a very irregular and not at all a uniform one.

In the period of the general crisis of capitalism the market problem for the whole capitalist economic system is particularly aggravated by the chronic agrarian crisis, which forms a part of the general crisis of capitalism and whose basic cause coincides with this general crisis. The penetration of agriculture by capital—which as a result of monopoly formation and the surplus of constant capital in industry could find no profitable field of investment—leads to a steady increase of agricultural production which is not accompanied by a corresponding increase of consumption, and which in phases of crisis is even accompanied by an absolute reduction of consumption. The particular conditions of agricultural production and the fact that it is carried on by hundreds of millions of small producers permit no adaptation of production to consumption by the limitation of the former such as the monopolist concerns can do with a certain amount of success in large-scale industry.

Whilst in industry the limitation of the market capacity—apart from periodical crises—is expressed above all in the existence of a large surplus and unutilised productive apparatus, the same causes in agriculture lead to a continuous over-production of agricultural commodities, to an accumulation of huge stores of unsaleable commodities and in consequence to a tremendous fall in prices. The over-production of agricultural commodities permits monopoly capitalism to purchase agricultural raw materials from the agricultural producers at particularly low monopoly prices. Under these circumstances the steady process of differentiation in the ranks of the peasantry, which as Lenin showed created and extended the capitalist market, develops into the mass ruin of the poor and middle peasants and even of a section of the rich peasants. A tremendous impoverishment of the agricultural labourers and the rural proletariat results and leads to a further considerable reduction of the capacity of the capitalist market in the period of general crisis (unlike in the period of rising capitalism, the labour-power released by agriculture can find no place for itself in industry).

One of the means by which monopolist capital tries to overcome the narrowness of the inner market is the export of capital. But as far as the market is concerned, the export of capital is a double process. By exporting capital the highly-developed imperialist countries make it possible for the capitalists of the less developed and non-imperialist countries to purchase commodities from them which they could not otherwise have purchased. In this connection the export of capital means a direct extension of the capacity of the capitalist world market.

But capital export leads not only to the opening up of new sources of raw material and the building of the means of transport to export it, but it also leads to the development of industry, particularly the manufacturing industries in the agrarian countries, for instance in China, India and South America. Thus in the long run capital export leads to a reduction of the capacity of the world market to take the commodities of Section II from the capitalist countries. This is seen most clearly in the decline of the textile industry of Great Britain. Whilst therefore the outer market takes on an increasing importance for monopoly capital in the highly-developed industrial countries, the possibility of exporting industrial commodities is being steadily reduced by capital export which develops the manufacturing industries in the agrarian countries, to a great extent with the assistance of imported means of production from the older industrial countries.

The whole development was summed up by the Communist International as follows:—

“The increased productive forces of capitalism are colliding more and more with the limitation of the inner markets, which have been still further narrowed in a number of imperialist countries by the ruin brought by the post-war period and by the increasing pauperisation of the masses of the peasantry in the colonial countries, and with the structure of the world economic system whose contradictions have been intensified by the new fundamental antagonism between the Soviet Union and the countries of capitalism, and which have become much more complicated.”

—(From the resolution of the Eleventh Plenary Session of the E.C. of the C.I.)

On this basis the idea of autarchy arose in various countries. From our earlier remarks it is clear that autarchy can offer monopoly capitalism no solution of the market problem. In fact, however, the supporters of autarchy do not want any limitation to the inner market, but have merely given a new name to the efforts of monopoly capital to monopolise completely the inner market and if possible stop all imports, whilst at the same time continuing to export. German fascism, for instance, supplements its slogan of autarchy, which forms at the same time the ideological basis for the necessity of a more modest mode of life, or, in other words, the lowering of real wages, by demanding the return of the former German colonies and a policy of expansion towards the East at the expense of the Soviet Union in order to make autarchy at all possible in the first place.

As monopoly capitalism cannot discover a solution of the market problem as a whole on an international scale, a bitter struggle is developing for foreign markets, whereby each imperialist Power is doing its best to solve its own market problem at the expense of other countries. This struggle leads to the intensification of imperialist contradictions which we can see to-day everywhere and to that development, full of conflicts, and leading to catastrophe which characterises monopoly capitalism in general, and the general crisis and its third period in particular.

The world economic crisis which has now been going on for four years has still further exacerbated the market problem. The crisis, which is developing as a periodical crisis on the basis of the general crisis of capitalism, has led to a limitation of the capitalist market in general and to a limitation of the outer market in particular. World trade to-day has sunk to a third of its value in the time prior to the crisis. The bourgeoisie of the individual countries, failing to grasp the inner laws of capitalist reproduction, are all trying to solve the market problem for themselves by monopolising the inner market 100 per cent. for themselves whilst at the same time forcing their sales on the outer market with all possible means of economic and political pressure. On this basis an economic war of all against all has developed; an economic war which is the preliminary to a real war, because in the last resort the bourgeoisie has no other way out but war in

which the victor hopes to secure the longed-for extension of the market at the cost of the vanquished.

The Market Problem at the London World Economic Conference

Under these circumstances it is not difficult to understand that the London Conference was not able to solve a single one of the problems facing it, for the problems were factors of the general market problem and the proposals which were made at the conference involved an artificial levelling out of the chances in the competitive struggle for world markets. Each "solution" would have meant for some one the abandonment of some particularly favourable weapon in the struggle for markets, and none of the imperialist Powers was prepared to surrender anything, or was in fact able to do so in the present situation.

Let us take the question which, as the French say, "torpedoed" the conference, the question of a general stabilisation of currencies.

The crisis has necessarily led to an inflation in many countries, including two of the leading imperialist countries, Great Britain and Japan. The depreciation of their currencies resulted in a temporarily increased competitive capacity for these countries on the world's markets. Last spring the United States also abandoned the Gold Standard. This was the obvious way out in order to diminish the weight of debt which had become intolerable as a result of the tremendous fall in prices, to save the banking system of the country from collapse, to secure an improved utilisation of capital by an inflationist increase of prices at the expense of real-wages, by the expropriation of a part of the property of the rentier class, and to secure equal chances with Great Britain and Japan in the fight for world markets. Although in this way the abandonment of the Gold Standard by the United States was a result of the world crisis, it was not bank-technically speaking, a compulsory step as was the case with Great Britain and Japan.

The United States government made no attempt at all to use its tremendous gold supplies to maintain the level of the dollar. Had it done so the depreciation of the dollar could undoubtedly have been prevented, at least for a long time. On the contrary, however, the depreciation was deliberately forced by numerous measures, and this was done immediately before and even during the London Conference, although the question of stabilising currencies was placed as the first task on the agenda of the conference with the agreement of the U.S. experts.

The bourgeoisie of the European States did not want to adopt a policy of inflation although the maintenance of gold parity in their currencies reduces their competitive capacity on the world markets, and although the majority of these States (Germany, Austria, Poland, Hungary, etc.) possess only a very small gold reserve and parity can be maintained only by intense restrictions (payments moratorium for foreign debts, import prohibitions, the prohibition of the export of home currency, etc.).

The reasons for this strong wish to hold on to gold parity are as follows:—

In France, Holland and Switzerland, the countries of the actual Gold Bloc, the influence of the rentier class is very strong. Especially for the French bourgeoisie it would be politically very difficult to expropriate the small savers again after having expropriated four-fifths of their savings in the inflation after the war, particularly in view of the fact that France has a very large gold reserve.

In Germany, Italy, Poland, Hungary and Austria, where capitalism has been very much weakened by the crisis, the bourgeoisie is afraid of the inflation because as a result of the experiences in the post-war inflation they cannot hope to be able to draw the line when they want to. And, further, a new inflation would lead to a great intensification of the class struggle and would accelerate the growth of a revolutionary crisis.

The Gold Bloc and with it almost all European States exercised strong pressure on the United States, but without any success. In a blunt and brutal fashion Roosevelt refused even to agree to a temporary stabilisation of the dollar. Roosevelt was not prepared to abandon an important weapon in the struggle for world markets, no matter how urgently the Gold Bloc countries announced that it was necessary for the "restoration" of capitalism as a whole.

All other proposals at the conference, for the reduction of import duties, for a "customs truce"—that is to say, for an agreement not to raise customs duties any further, even only during

the course of the conference—were rejected. The U.S. government proposed an all-round reduction of import duties to the extent of 10 per cent., but the British government answered with the argument that such a proposal for a uniform reduction of customs duties would hit only those countries which impose relatively low customs duties and relatively few trade restrictions, whilst those countries which impose prohibitively high customs duties and which restrict imports by prohibitions and the setting up of quotas would hardly be touched by the proposal. And in fact, even during the course of the conference, it was not possible to obtain a customs truce. For instance, neither France nor Germany bothered to wait for the end of the conference before announcing the imposition of new customs duties.

It would lead us too far to follow the bankruptcy of the London Conference in all its points. The essence is the same everywhere and in every case: the struggle for the monopolisation of the inner markets and for increased shares in the trade of the outer markets has become so fierce that the bourgeoisie of each country is using every weapon at its disposal. The economic war is proceeding with increased intensity and it will end inevitably in a war with lethal weapons.

II. The Real-Visage of German Fascism

Laws in Favour of the Capitalists

During the past few months the fascist government of Germany has issued a tremendous number of new laws, all of them in favour of the big capitalists and against the interests of the workers. The most important of these laws was undoubtedly that one which deprives the trade unions of any influence on the determining of working conditions and which transfers the old functions of the unions into the hands of the so-called executors of labour.

"Only the executor has the right to decide on working conditions, so far as they were previously agreed upon between the employers' associations and the trade unions. The executor is at the same time arbitrator with unlimited powers. He is not bound down to any particular procedure—as the law expressly points out—but only to the general instructions and guiding principles laid down by the government. . . . The State has taken over the responsibility for the level of German wages." ("Deutsche Volkswirt," May 26, 1933.)

Up to the present the Hitler government has not dared to order any general reduction of tariff rates, but German capitalism is not satisfied with this situation. In the same article the "Deutsche Volkswirt" declares:

"No one can say whether the slogan of wage stability issued by the government will not by the force of circumstances be rendered impossible of maintenance before the achievement of the occupational constitution."

As the so-called executors of labour have been chosen from amongst those whose reliability is beyond doubt, the law giving them power in fact gives capital dictatorial power to fix working conditions and establishes the employer as "master in his own house" to a greater extent than was the case in pre-war Germany.

Apart from this abandonment of the workers to the mercies of their employers, a series of other laws have been issued in favour of the capitalists. Under the pretext of "creating work" a proposal of the German *Engineering Association* was adopted almost word for word in a new law which provides that monies expended for the purchase or production of machines, tools, etc., shall be deducted afterwards from income tax, trading tax, and so on. This means great tax facilities for capital. Further, the law making motor-cars free of taxation, although dictated by military considerations, is also a gift for the capitalists.

Another big reduction of the taxes paid by the capitalist class is already announced. On the 1st June the Secretary of State in the Reich's Finance Ministry, Reinhardt, declared that during the course of the year there would be a far-reaching tax reform. "The government," he declared, "was firmly determined to cut down thoroughly the burden of taxation resting on production and it had made a beginning with the tax on motor-cars. However, it would be possible to carry out this reform plan only if taxes were paid punctually." ("Frankfurter Zeitung," June 2, 1933.)

The houseowners are provided with State assistance for the maintenance and repair of all rural and urban houses, and in particular for work to divide up houses into flats, etc.

The original programme of the National Socialist Party called for the nationalisation of all trusts. At the moment exactly the opposite is taking place in Nazi Germany. In the spring of 1932 the Bruening government saved the then head of the Associated Steelworks, Flick, from bankruptcy by purchasing Flick's shares in the Charlotten foundries for the terrifically inflated price of 100 million marks. This purchase made the State the controlling influence in the Associated Steelworks. It is now planned to amalgamate the Associated Steelworks with the two Holding Societies Gelsenkirchen and Phoenix, and the result of this would be that the 125 million marks in shares held by the State in the amalgamation would be faced with 533 million marks in shares in private hands, so that the State would lose its control over the steel works without receiving anything in return. The "Frankfurter Zeitung" of the 2nd June writes:

"In short, this would mean that the works would once again be put into private hands without a single mark of capital being expended. The works would again be in private hands, but the government would have lost its controlling interest without gaining anything in return."

This proposal to place the Associated Steelworks in private hands again was made to the Bruening government by the directors of the company. In the same article the "Frankfurter Zeitung" writes:

"The authorities refused to accept this proposal. They declared that they could see no reason why the government should abandon its controlling interest for nothing. . . . In the meantime, however, the political leadership of the State has changed."

After the appointment of Thyssen as economic dictator the handing over of the Associated Steelworks to private interests will proceed without a hitch.

Monopolist capital is reforming the occupational or vocational ideology of fascism in its own interests. The law prohibiting the opening of new retail shops is being supplemented by measures which mean a compulsory cartellisation and a prohibition of the forming of outsider undertakings which could threaten the price dictatorship of monopoly capital. On the 23rd June the Reich's Economic Commissioner Wagener declared at a meeting of the members of the Association of Central German Industrialists:

"If the productive capacity of the factories was greater than the demand, then something must be done, a reasonable planning. In this case the cartel was the best way. Two things could be obtained by means of legislation: first of all there must be no outsiders, and secondly no new factories should be opened."

Director Heuer, the chairman of "Heidelberger Cement," declared to the general meeting of that company:

"If only one of the many projects which are totally superfluous and represent a complete misuse of capital are actually carried out, then a considerable number of the old works which are now working at no more than a quarter of their capacity will feel nothing of the efforts to get industry started; workers and clerical employees would have to be dismissed and in the long run the works would have to close down. . . . There must and there will be no more planless building and founding." ("Vossische Zeitung," June 29, 1933.)

The same tendencies can be observed in the metal foundry industry. The "Frankfurter Zeitung" of the 29th June reports:

"At a meeting of all the West German metal foundry employers held a little while ago in Cologne a proposal was adopted to appeal to the government to issue a temporary prohibition against the opening up of new metal foundries. It was said that the existing over-production urgently demanded such a measure."

The policy of establishing the rule of monopoly capitalism in the form of compulsory cartels set up by law is showing itself more and more clearly, and the real character of the fascist régime is revealing itself all along the line. All attempts to cloak this real character with hypocritical demagogic phrases must be unsuccessful in view of the overwhelming weight of the facts. The fascist activity in favour of capital can be seen on all fields. This can be seen with particular clarity in the question of the big department stores, a favourite target of petty-bourgeois demagogy.

The new economic laws do not adopt the proposal of a special tax on the turnover of the department stores, although the German States have been given permission to double the taxes on the

department stores if they choose. The department stores are forbidden to maintain small workshops, with the exception of workshops for millinery, etc., but the department stores may lease out such of their departments to individual employers. It is clear that under such circumstances pseudo-leases to individuals will permit the maintenance of the old state of affairs. The food departments were not prohibited and the restaurants in the department stores were subjected to certain limitations only.

The treatment of the directors of the big banks by the Nazi government is typical. "Grabbing capital," the "tremendous salaries of the Jewish directors of the big banks" were for years a favourite theme of the Nazi demagogues. A few months after the Nazis came to power the Reich's Ministry for Economics ordered that the salaries of the directors of the Dresdner Bank, which is under government control, should be reduced to 3,000 marks a month and that the special payments to the directors for board meetings should fall to the bank. Referring to this government measure the "Arbeiter-Zeitung" of the 18th July writes:

"The bank directors paid no attention whatever to these express instructions of the government; they neither cut down their own salaries nor did they hand over the special payments for board meetings to the bank. They did not even trouble to make any reply to the government in the matter. When the employees' council at the bank protested against the attitude of the directors its representatives were informed that the directors would never submit to 'bolshevist methods,' and that the instructions in question were undoubtedly based on a 'misunderstanding.'"

And that was the end of the matter. The Jewish bank directors were not only left in peace whilst hundreds of thousands of poor Jews were being robbed of their existence, beaten up and mocked, but their huge salaries were left untouched. Now that the "national socialist revolution" is officially at an end, the directors of the big banks are naturally perfectly safe.

The Disappointment of the Peasantry

In his programmatic speech delivered on the 1st May last Hitler declared:

"We shall therefore begin in the first place to restore the farmer and agriculture to economic health, because we know that this is the preliminary condition for the recovery of our whole economic system."

In fact, however, the policy pursued by the Nazis serves exclusively the interests of agrarian capital. True, the measures taken to limit the production of margarine, which led to a diminution of the import of fats and to a rise in the price of butter, were declared to be in the interests of the small cattle-breeding peasant. By prohibiting the import of foreign fats, by introducing the margarine quota and the fats tax the Nazis declared that they were restoring the profitability of peasant cattle breeding. At the same time, however, there was a rise in the monopoly prices for foreign fodder: linseed-cakes, maize, etc., which meant a general increase in fodder prices and thus a new burden on the cattle-breeding peasants in the interests of the grain-producing rich peasants and landowners.

The exclusion of foreign fodder was intended to persuade the small peasants to limit their grain production and to go in more for fodder production in order to lessen the burden on the grain market. However, the great plan to save the peasants quickly revealed itself as a means of assisting the large-scale grain producers in a roundabout fashion. The "Frankfurter Zeitung" of the 11th June writes:

"The fact is that the increase of production which the industries working up raw materials need most urgently of all, has in part been switched over to the production of agricultural raw materials, although in recent years very considerable sums have been expended in subsidising this branch of agricultural production. The actual aim of the measures is thus to support the grain market, and in particular the market for oats. Despite all the efforts of the Reich this had not been achieved to the extent desired by the interested parties and could not be achieved so long as the over-production of grain, resulting from the extension of the area under cultivation, increased, and so long as the fodder-user was able to use cheap linseed-cake fodder."

As we have already pointed out, as a result of the extension of

the area under grain and at the same time a diminution of the consumption, aggravated during the last two years by good harvests, Germany has become a country with an over-production of grain. Inner German prices for grain were no longer determined by world prices and the height of the import duties on grain, but by the declining purchasing power of the population. Although the world market prices in gold are to-day considerably higher than they were a year ago, German grain prices are considerably lower. Here is a comparison of grain prices in 1932 and 1933:

	July 12, 1932	July 12, 1933	In Gold
Wheat in Chicago—			
Cents per bushel ...	46.5	106.3	72
Wheat in Berlin—			
Marks per 100 kilos ...	238	188	—
Rye in Berlin—			
Marks per 100 kilos ...	182	154	—

The bad financial situation of the German government made it impossible to maintain grain prices in Germany at their last year's level by State purchases, particularly in view of the fact that the surplus supplies were considerably larger this year than last and still larger sums would have been necessary. The "Frankfurter Zeitung" of the 9th June, 1933, gives the following statistics of the German Agricultural Council with regard to Germany's grain supplies:

"The surplus this year was 370,000 tons of wheat more than last year, 550,000 tons more of rye, and 300,000 tons more of oats. The figures concerning the supplies available for sale are also considerably larger than last year."

Under these circumstances the increase of fat prices was intended to persuade the peasantry to limit the production of wheat and rye and in this way to adapt the production of grain for bread to the diminished consumption.

However, this plan broke down as a result of the utterly insufficient purchasing power of the urban population and in particular the working class. The increase of fat prices led to an extension of the fattening of animals for sale and to an over-supply of meat, whilst at the same time as a result of the increase in the prices of butter and margarine the demand for meat diminished. And the immediate result of the fat plan was a fall in the price of meat:

"The increase of the prices of fats whilst the income of the urban consumers remained unchanged meant that there was a lowered demand for other foodstuffs. The butchers in particular are complaining of bad business and the cattle prices have fallen to a new level during the past few days."

Great indignation arose in the circles of the urban petty-bourgeoisie and the peasantry at the increase of fat prices. The small tradesmen in the Palatinate declared that in view of the terrible economic situation they were unable to ask their customers for the increased prices for butter and proposed that butter should no longer be ordered. In Munich the authorities caused the arrest of 169 small tradesmen for price usury with butter. The arrested men were sent to the concentration camp in Dachau in a demagogic attempt to persuade the public that they were responsible for the increase in price. The governor of Thuringia and the State government demanded and obtained from the Reich's authorities an increase in the quota for margarine on the ground that "owing to the big increase in price, butter is unobtainable for large sections of the population of Thuringia."

The lowered purchasing power of the urban population brought Hitler's plans to nought, and this was admitted ruefully by the fascist press itself. The insufficient purchasing power of the urban population rendered the whole idea of increasing grain prices indirectly by increasing the prices of fodder quite nugatory. The whole situation once again proves the contention made in our last economic survey in these pages that the situation of the German peasantry is indissolubly bound up with the situation of the German working class, and that the sale of peasant products: meat, milk, butter, etc., is directly dependent on the level of working-class wages. As a result of the fact that monopoly capitalism with the assistance of the Hitler terror forces down the standards of living of the working class, it at the same time depresses the sales and causes a drop in the prices of peasant products, and no customs duties and no government measures can alter this logical result. The higher up prices are forced, the lower consumption falls and the more desperate becomes the situation of the poor and middle peasants.

The law passed by the Hitler government concerning the undivided inheritance of peasant farms by the eldest son shows clearly that Mussolini's example is being followed in an attempt to strengthen the well-to-do peasants whilst abandoning the attempt to satisfy the poor and middle peasants by politico-economic measures. The fact that the younger children of the peasants are disinherited by this law will artificially increase the proletarianisation of broad sections of the peasantry and at the same time increase the numbers of those who are hostile to the Hitler régime.

The Hitler régime could offer the urban petty-bourgeoisie just as little as it could offer the masses of the poor and middle peasants. The fate of the petty-bourgeois attack on the big department stores is symbolical. The increase in fat prices, the severer measures adopted in the collection of overdue taxes, the compulsory collection of "voluntary contributions" for the "National Labour Fund," and for the equally "voluntary contributions" to pay the debts of the Nationalist Socialist Party, "Hitler Fund," reveal more and more clearly the policy of the fascist system. Both the contributions for the "National Labour Fund," and for the "Hitler Fund" are being squeezed out of the business men, tradesmen, peasants, handworkers and industrialists by sheer intimidation and take on the character of supplementary taxation.

The petty-bourgeois masses in town and country are being more and more disappointed by the development of fascist policy. The Nazis are compelled to take action more and more energetically against the so-called "grouzers." In a speech delivered on the 25th June the fascist leader Esser declared:

"Some of our old party comrades have already become impatient. I know that some of us would gladly have seen things going a bit quicker, and I know that some of our comrades expected more on the economic field. To-day the grouzers, the defeatists and the trouble-makers are showing themselves. Hardly three months after the seizure of power they are criticising the government which is still engaged in seating itself firmly in the saddle."

The demagogy of the fascists is still having its effect, but in view of the progressive pauperisation of the petty-bourgeoisie it will steadily lose its effectiveness and the vacillating petty-bourgeoisie will develop from a reserve of the counter-revolution into a reserve of the proletarian revolution.

Hitler's Struggle Against the Working Class

The "end of the revolution" and the open proclamation of the domination of large-scale capitalism in Germany is logically accompanied by an attack on the situation of the working class, by a considerable deterioration in working-class standards, and none of the efforts of the fascist press to turn this process into its contrary in the eyes of the masses will be successful.

The few months since Hitler has been in power in Germany have seen the working class robbed of its rights in favour of the capitalist class. The trade unions, the factory committees, the labour courts, etc., which formed the whole legal system for the defence of working-class interests, have been deprived of all their effectiveness. The trade unions have been turned into an instrument against the working class. Legally the working class has now not the least word to say with regard to the fixing of working conditions which are fixed arbitrarily by the so-called executors of labour. Strikes are naturally prohibited. It is true that even prior to the fascist accession to power in Germany the bourgeoisie had succeeded by corrupting the social-fascist trade union leaders in turning the trade unions to a great extent into organs of "class harmony." As revolutionaries we have no tears to shed over the fate of Leipart, Grassmann and all the others, but it is a fact that the practical destruction of the trade unions as organs for defending the interests of the working class is a heavy blow to the workers.

A section of the workers attempted to develop the National Socialist Factory Organisation into a weapon for defending the interests of the workers, but the capitalists immediately protested strongly and the fascists obeyed their orders. At a district meeting of the N.S.B.O. (National Socialist Factory Organisation) in Bochum, Schumann, the leader of the "German Labour Front," declared:

"The National Socialist Party never intended the N.S.B.O. to become a trade union organisation. The N.S.B.O. is not a trade union organisation, it is the political weapon for winning the factories for the leader. The N.S.B.O. has banished

materialist ideas from the heads of the German workers and made them into idealists in the service of the nation."

By an "idealist" Schumann means a man who lets himself be exploited to the uttermost by capitalism patiently without offering any resistance.

Parallel with the destruction of the trade unions as organs for the defence of wage standards goes the process of lowering wages. The old right of the unemployed workers to refuse work except at trade union rates is being rapidly abolished. As an example: 400,000 unemployed workers are to be employed, according to plan, in road building, etc., however, not at normal rates, for the law regarding their employment expressly declares that they shall not be regarded as in work in the legal sense, and that they shall be paid at the rate of 25 marks for four full working weeks, the 25 marks to be paid out in cards which can purchase only clothing, utensils, etc. In addition they are to have one warm meal a day. Under similar conditions 120,000 young unemployed workers have been handed over to the rich peasants for harvesting.

The abolition of the still existing remnants of social legislation is proceeding rapidly. In the 1934 budget the supplements for unemployment support have been cut by 410 million marks, or almost down to half. Domestic employees have been taken out of the unemployment insurance scheme altogether. A campaign of incitement against the whole unemployment insurance scheme is being deliberately carried on at the instructions of the highest fascist authorities. In an interview with the British journalist Fraser, Hitler declared last May:

"Unemployment support is demoralising and it must stop. My government intends to turn unemployment support into wages."

And whilst the unemployment insurance scheme is being cut down on all sides, the precarious financial situation of the towns and municipalities is being utilised in order to cut down the scales of out-door relief to a minimum. Amongst the measures being introduced to abolish unemployment insurance support is a law in preparation in the Reich's Ministry of the Interior, "Against Planless Migration to the Towns." The "Frankfurter Zeitung" of the 21st June declares:

"Presumably the law will contain a provision according to which persons who come into towns in which they have neither homes nor work will be supported only with the very minimum necessary to hold body and soul together. Such support would be under the normal rates."

The attack on those workers who are still in employment is proceeding along various lines. Up to the present the Nazis have not found sufficient courage to decree all-round wage-cuts in view of the increasing number of strikes (despite the strike prohibition), in view of the dissatisfaction in the ranks of the Nazi storm detachments and in the ranks of the N.S.B.O., and, above all, in view of the fact that despite a murderous terror and barbarous persecutions the influence of the German Communist Party is rapidly increasing again. However, the reduction of those wages which are above tariff rates, and the reduction of piece-work rates is proceeding everywhere.

The "voluntary contributions" in support of the "National Labour Fund" have developed into a thorough-going tax. By political pressure and terror the workers are being compelled to contribute 25 pfennig a week from their wages to this fund and their "contributions" are being deducted directly from their wages. Twenty-five pfennig a week are 13 marks a year, a very large sum in view of the low wage standards prevailing in present-day Germany.

The most effective attack is being made on real wages in the form of increased prices for foodstuffs. The increase of the price of margarine from 25 pfennig to almost a mark represents a heavy blow for the workers. The cost of butter, bacon and fat of all kinds is being rapidly increased by new customs duties. The result is an increase in the cost of living to such an extent that even official statistics are compelled to recognise it. The figures given by the Reich's Statistical Office are:

Cost of Living Statistics (1925/29 level is 100)

	April	May	June 1933
Total Costs	79.4	80.5	80.9
Food Costs	70.8	72.9	73.7

The cost of foodstuffs is decisive for the workers to-day because in any case they are not in a position to spend much of

their earnings on clothing, etc. In three months of Hitler's rule the cost of foodstuffs has increased by 4 per cent.!

And that is according to official figures. An independent calculation made by Kuczynski in the "Finanzpolitische Korrespondenz" of the 18th July gives the increase in the price of foodstuffs for a working-class household in the same period as 8 per cent.!

Thus we see that the situation of the working class is being worsened from all angles: social welfare is being cut down, wages are being reduced, increased sums are being deducted from wages in the form of "voluntary contributions," and above all, food prices are rising.

The increase of foodstuff prices has resulted in a drop in the consumption of white flour, meat, fats, beer, cigarettes, etc. According to figures published in "Wirtschaft und Statistik" in various numbers, the consumption of the following articles has decreased this year as compared with the last quarter of 1932: meat by 6.2 per cent., beer by 9 per cent., sugar by 30 per cent., and cigarettes by 2 per cent.

The Fraud of the So-called Liquidation of Unemployment.

In his programmatic speech delivered on the 1st May Hitler announced the approaching "abolition of unemployment by the provision of work." In a speech delivered at Erfurt on the 18th June he declared:

"We have now held the reins of government for a little over four months and we can say with pride that the unemployment figures have fallen by about 1.2 millions. We shall not rest in our endeavours until we have finally abolished unemployment."

The reduction of unemployment figures which takes place every spring as a result of seasonal causes is claimed as a success of the fascist government! With the assistance of clumsy falsification the fascist press now announces in flaring headlines that the liquidation of unemployment has already begun. On the 20th July the "Voelkischer Beobachter" announced that there were now no longer any unemployed in three districts of East Prussia. However, this is hardly an epoch-making achievement. East Prussia is an almost purely agrarian district; the harvest work is proceeding at full swing and formerly Polish labourers were temporarily employed to bring in the harvest, and in addition the frontier fortification work is proceeding apace. The fact that during the harvest in an agricultural area there is no unemployment was thought worthy to be communicated to Hindenburg, Hitler and the rest of the world in special telegrams of triumph. It would be difficult to imagine demagogy more empty or more clumsy.

The situation of unemployment in the other parts of the Reich is very different, even taking the official figures which are being cooked to an increasing extent. According to the figures of the Health Insurance Institution the number of workers employed at the end of May was as follows:

1929	1930	1931	1932	1933 (in thousands)
18,799	17,256	15,197	12,744	13,170

In other words, the total result of the fascist provision of work campaign is that the total number of workers employed has allegedly increased by 426,000 compared with the previous year. On the 31st May the total number of workers unemployed was officially reported to have been 5,039,000, and in June it was reported to have been less than five millions for the first time since November 1931, but a glance at the above, also official, table of statistics shows the falsity of this contention. Between May 1929 and May 1933 the number of employed workers diminished by 5.6 millions. And in May 1929 there were also hundreds of thousands of unemployed workers in Germany. In addition, the ranks of the unemployed have been swollen during the course of four years by those young workers who have left school and by those innumerable petty-bourgeois tradesmen who have gone bankrupt and lost their existence. It is clear therefore that the real figures of German unemployment are considerably larger than the five million admitted officially. A hundred thousand are in Hitler's concentration camps, tens of thousands have fled over the frontiers, hundreds of thousands no longer dare report themselves at the labour exchanges and out-door relief offices for fear of arrest. That is how Hitler is solving the unemployment problem. The falsity and hypocrisy of the official unemployment figures can also be seen from the unemployment statistics issued by the trade unions, which are now under Nazi leadership:

Percentage of Trade Union Members Unemployed

	All Members		Metal Workers		Textile Workers	
	Fully employed	On short time	Fully employed	On short time	Fully employed	On short time
May 1932 ...	43.3	22.5	47.3	29.3	34.5	42.4
May 1933 ...	44.7	21.6	50.3	26.9	32.5	34.2

Thus we see that the number of trade union members unemployed in May 1933 was greater than in May 1932, and in particular, over the half of all metal workers were unemployed as compared with 47 per cent. last May. That is the real truth about Hitler's "provision of work."

The helplessness of the fascists in face of the unemployment problem can be seen in the reactionary prohibition of the application of modern machinery in the building, glass and cigar trades. The State Commissar for the Thuringian Chambers of Industry and Commerce, Bichmann, has issued an order forbidding the working of a week exceeding 48 hours either for men or machinery, and forbidding the use of any further machinery which would displace glassblowers. Naturally, all such measures are nothing more than the product of temporary embarrassment. They are opposed to the interests of capital and in the long run they will be dropped.

In order to allay to some extent the discontent existing in their own ranks the Nazis are making an attempt to provide work for the oldest members of their party. All members with membership books from 1 to 100,000 are to be given work. The same system is in operation amongst the State officials: those who are not Nazis are being flung out of their jobs in order to make way for party members. Naturally, the problem of unemployment is not even touched with such measures.

The Fraud of the Alleged Improvement in Trade and Industry

The official fascist statistics are being strained to the utmost in order to prove that the economic situation has improved under fascist rule. Official reports point out that the number of employed persons has increased, that the number of hours worked in industry has allegedly increased from 35.7 in May 1932 to 41.4 in May 1933, and that the daily working hours performed have increased from 6.96 to 7.30 in the same period. Since last September the improvement in production is said to have been 5 per cent.

However, through all the optimistic reports the strain of cautious pessimism can be seen. In fact that small increase of production which has actually taken place is artificial and was caused chiefly by the feverish increase of war armaments. The considerable increase in automobile production resulted from the measures taken to motorise the army. The considerable increase of steel production (by 40 per cent. as compared with May of last year) is in obvious contradiction with the stagnation of the engineering industry (level of employment in May 1932 32.6 per cent. and in May 1933 33.4 per cent.), and with the electrical industry (May 1932 40.6 per cent. and in April 1933 40.9 per cent.) and can be explained only by the increased preparations for war. Hitler's whole "work provision plan," the much-heralded building of automobile roads, etc., has military aims and serves to provide the "volunteers" with military training.

The best description of the economic situation in Germany from bourgeois sources is that given by W. Bosch in the "Wirtschafts Dienst" of the 7th July, 1933.

"First of all, the increased figures of production and the orders given to the iron, cement and other building industries are undoubtedly chiefly the result of the government's work provision measures. . . . It is certain that only a very small part of these orders comes from industry itself.

"Secondly, the improvement in the textile industry can be explained for the most part by the fact that the trade is replenishing its stocks and only to a small degree by actual increased sales.

"Thirdly, not one single industry can yet show an improvement based on the only really secure cause, namely, the increase of normal purchases. The consumption of articles of daily mass necessity is undoubtedly not less to-day than it was in 1932, but it is certainly not any larger. Only here and there can any slow improvement be recorded.

"The consumption of meat in the first quarter of 1933 was a little more than five per cent. less than it was in the first quarter of 1932, although in the meantime there has probably

been a little increase again. On the other hand, the purchase of such goods as are also of necessity, but whose purchase can always be postponed a little, i.e., clothing, furniture, etc., has obviously increased very little. . . .

"Where unemployment prevails the need of the people is undoubtedly greater than it was at this time last year, for in the meantime the final reserves have been used up almost everywhere. On the whole poverty to-day is hardly less than it was in the beginning of 1932. Just as the consumption of articles of daily necessity has by no means considerably increased all along the line, so has the demand for the means of production also not increased to any extent and is hardly greater than in 1932.

And fourthly, there is the drop in exports. Reckoned from January to May inclusive and according to value this drop was about 20 per cent., and according to quantities it was about 11 per cent. Directly and indirectly this means an increase in unemployment of something over 200,000 workers and their families. This demonstrates what a serious hindrance the drop in exports is for a general return to prosperity."

When considering the significance of this article we must remember that the strictest control is exercised over the press in Germany and that "grouzers" and "trouble-makers" are very easily liable to end up in the concentration camps. Only when this is taken into consideration can it be realised how bad Germany's economic situation must be to permit the publication of such an article at all.

But still further factors must be considered: by threatening to adopt an open inflation Schacht secured a transfer moratorium for half of the interest sums due and the amortisation of the long-term credits, but the stability of the mark is by no means secure thereby. The favourable balance of German foreign trade is not even sufficient to cover the interest sums reduced in this fashion and the amortisation of the short and long-term credits. The deficit in the State budget amounts to several milliard marks; what the exact sum is no one knows. A number of the big towns are bankrupt. Inflation is approaching more and more rapidly.

And in this catastrophic economic situation, amidst an uninterrupted flood of phrases about "idealism," the "equality of hand and brain work" and similar nonsense, German monopoly capitalism is steadily pursuing its aim of increasing the utilisation of its capital at the cost of the proletariat. Whilst real wages are falling the productivity of labour-power is being increased by rationalisation and speeding-up. The last quarterly report of the official Institute for the Study of Variations in Trade and Industry puts the increase of the productivity of labour-power obtained during the course of the crisis at 20 per cent. The same report also remarks that, "the steady increase of the productivity of labour has led to a reduction of the costs of production."

These efforts of the German bourgeoisie to reduce the costs of production at the expense of the proletariat are shown still more clearly in the weekly report of the same institution published on the 19th June, 1933:

"Wages have not decreased further to any considerable extent, but they have decreased so considerably during the past few years that they have more or less adapted themselves to the yield, and above all it must be remembered that everywhere where time rates are paid the increased productivity of labour-power means that wages play a more productive rôle in industry."

But this all-round pressure on the wages of the working class reduces its purchasing power with the result that the situation of the peasantry is also deteriorated and as a further result the situation of industry itself which acts only to a low degree as the purchaser of its own products owing to the standstill in investment activity. The deliberate encouragement offered by the Hitler government to the attempts of monopoly capitalism to find a way out of the crisis at the cost of the working class leads not only to the increased impoverishment of the working class, but also of the broadest sections of the petty-bourgeoisie both in town and country, and to the turning away of the petty-bourgeois masses from the Hitler régime at an accelerated pace. The intensified wave of terror which is accompanying the announcement that "the revolution is at an end" demonstrates the internal weakness of the Hitler régime.

III. The Speculative Boom and the New Stock Exchange Crash in the United States

The period from April to July inclusive produced a very considerable upward tendency in the United States and a new stock exchange crash. It was proved that inflation is not a panacea for the solution of the crisis, a fact of which all Marxists are aware. The factor of especial interest in the United States venture was that as a result of special conditions—particularly low purchasing power of the proletariat coupled with a tremendous accumulation of unutilised means of production—the crash took place in an unusually short space of time as compared with other countries. The effect of the general crisis of capitalism showed itself in the case of the United States with particular clarity. The development of capitalism in the United States has reached a particularly high level and as a result its monopolist character is particularly pronounced, thus making the overcoming of the crisis unusually difficult.

The recognition that the "good old times" of U.S. capitalism when every crisis was the beginning of a new and powerful development of production, are now past is beginning to spread in bourgeois circles in the U.S.A. For instance, Roosevelt writes in his book "Looking Forward":

"So long as we still had unused land, so long as our population continued to increase by leaps and bounds, so long as our industrial production was insufficient to satisfy our own needs, society chose the method of giving the ambitious people a free hand and unlimited possibilities providing they built up the necessary economic apparatus. . . .

"Looking back now we can observe that the change took place at the beginning of the present century. At that time we reached our last frontier. There was no longer any unused land and our industrial combinations developed into tremendous, uncontrolled and irresponsible centres of power within the State. . . .

"It seems to me that our economic structure will not develop in the future at the same speed as it has developed in the past. We may build new factories, but the fact remains that we already have enough of them to satisfy our home needs and much more if necessary. With these factories we can produce more boots and shoes, more textile goods, more steel, more radios, more automobiles and almost more anything than we can consume."

The protracted nature of the crisis and the intolerable increase in the burden of debt owing to the drop in prices which threatened the whole credit and banking system with collapse—as was seen in the bank crash in March—compelled Roosevelt to resort to inflation despite the solemn promise to the contrary in the election programme of the Democratic Party and against the will of a certain section of the big bourgeoisie.

The inflation led to a result not expected by Roosevelt and his staff of "scientific advisers," the so-called Brain Trust, namely to a great increase in production, in prices and in the share quotations, and to a fever of speculation which ended in June in a new and tremendous stock exchange crash, the closing of the grain exchanges and to a new disappointment for those circles which had already begun to talk of renewed prosperity. From the beginning of March production began to rise rapidly, embraced one branch of industry after another and in an extraordinary short space of time it reached phenomenal capacity. The Stock Exchange experienced a boom equivalent only to that of pre-crisis days and quotations jumped up in leaps and bounds. As, however, at the same time the dollar was steadily falling the greater part of these increases was only an apparent one. Following on the Stock Exchange crash on the 20th July the gold quotations of the share market are probably as low as at any time during the crisis. Parallel with the increase in share quotations went a rapid increase in commodity prices, but the gold prices continued to sink, because rapid as the increase in prices was, it did not keep pace with the fall in the dollar.

The whole course of development from April to June was characterised by the typical speculation of the inflation period and its weaknesses and its inevitable collapse must have been obvious to any trained and objective observer. However, "prominent experts" so far forget themselves as to describe this speculation fever as the beginning of a new period of prosperity. In a report made on the

4th July the President of the New York Board of Trade, Magnus, declared:—

"When we read the reports of the economic organisations of the United States the conclusion is unavoidable that the depression is over and that we are firmly on the way to recovery. The four months, March, April, May and June have brought alterations of tremendous magnitude.

"... Business is now on the way to recovery. There may still be reverses experienced, though we sincerely hope not, but should there be, then we are sure that they will be temporary only. We are probably on the way to one of the greatest periods of stabilised prosperity in the whole history of our country."

This optimistic estimation was utterly without foundation. The speculative character of the whole movement was clear at the slightest examination. There were two chief points to be considered:—

1.—The supplies of finished commodities which had been reduced to a minimum during the long period of crisis were rapidly brought up to and above normal in expectation of a further rise in prices. This was the basis for the increase of production. The factories and both the wholesale and retail traders replenished their stocks. However, consumption by no means kept pace with the tremendous increase of production, and two circumstances were decisive.

There was and there is no renewal and extension of fixed capital and no building activity. The increase of production did not affect Section I. of production, the production of the means of production. The general crisis of capitalism and the chronic surplus of fixed capital proved to be the chief hindrance to a permanent improvement. The great increase of steel production was absorbed by the automobile industry, the production of refrigerators, and by the smaller branches of industry working for household needs, and by the war industry, that is, as far as the steel works were not deliberately piling up their stocks. The building industries and the railways, two of the most important customers of the steel industry, took little or no part in the purchases, and this fact was registered in all the economic publications. The weekly economic report of the "Iron Age" on the 28th July, writes:—

"Orders from the building industries and from the railways were negligible, and the question now arises, how long can production in the steel industry continue to rise without orders from these two purchasers. The steel works cannot hope to obtain orders in connection with the programme of public works before the autumn and there is no hope of any increase in railway orders in the near future. As far as the steel industry is concerned the first phase of recovery seems to be at an end."

For a very long time there can be no very considerable renewal of fixed capital. A report of the "Standard Statistics Company" of the 27th June declares, referring to the iron and steel industries: "It seems unlikely that there will be any very considerable replacement of the means of production during the course of the year." And referring to public utilities the same report declares: "They will have no very considerable building needs for several years." And therefore a drop in production was expected as early as the end of July. The "New York Times" of the 3rd July writes:—

"A drop in production is expected soon, probably before the end of July. . . . It is expected that August will be a lull period because recent purchases were purchases for stock, to a certain extent speculative purchases, both of steel and steel products. General opinion is that the lull will not be a serious one and that it will not last long. A new forward impulse is expected from increased orders from the building industries and the railways."

However, building operations remain negligible. The daily average of building contracts was as follows (in millions of dollars):—

1933				
March	April	May	June	June, 1932
2.22	2.26	2.97	3.97	4.35

Building activity in June of this year was thus lower than the lowest level of 1932.

2.—The second factor of decisive importance in the whole boom was the tremendous lagging of wages behind the increase in production, the startling drop of the share of the proletariat in the total of newly-produced values, in other words, the very considerable increase in the rate of exploitation whereby the purchasing power

of the workers for the commodities of Section II. of production (commodities for consumption) relatively lagged behind although the workers are the decisive purchasing factor on this field.

As a proof for this thesis we give the official figures of the Federal Reserve Board whereby the average of 1923-25 is set at 100:—

	Production of the Manu- facturing Industries	Number of Workers Employed	Wage Totals
May, 1932 ..	60 ..	61.3 ..	46.2
May, 1933 ..	80 ..	60 ..	42

That is to say, an increase of production of 33 per cent. was obtained with 2 per cent. less workers, and these workers received 10 per cent. less in wages. These official figures give the real picture of recent development in the U.S.A.

The question now arises, how was it possible that such a wide gap could open up in the space of one year between the development of the volume of production and the number of workers employed and the total of wages paid out? How was it possible for the iron and steel industries to increase their production by two-thirds inside a year and at the same time lower the number of employed workers by six per cent.? Or to take the figures for the automobile industry, an increase of production by 6 per cent., a drop in the number of workers employed by almost 12 per cent., and a drop in the total wage sum by 25 per cent.?

It is obvious that the following factors played a decisive role:—

- 1.—The concentration of production in the best equipped factories.
- 2.—The selection of the, from the point of view of the capitalist, "best" workers, that is to say, the workers who were not prepared to offer resistance to the dictates of capitalism.
- 3.—The intensification of the productivity of labour-power; and
- 4.—The reduction of wages.

In this way capitalism seeks to overcome the crisis at the cost of the working class, and to secure the utilisation of capital by considerably increasing the rate of exploitation. However, as each capitalist undertaking pursues the same aim by reducing wages the result is a decrease in the purchasing power of the workers and a decrease of the possibilities of selling articles for consumption to the proletariat.

Now this was the case in former times of crisis also, but to a considerably less extent. However, on the other hand, the reduction of the wage share in the total value of production was levelled out and more than compensated for by a considerable extension of activity in Section I. in the production of fixed capital, in building, etc., in the phase of trade revival and prosperity. As this was not the fact during the past few months of pseudo-boom in the United States, the reduction of the income of the working class, coupled with an increase of production by leaps and bounds, necessarily led to a crash. The real situation was realised by a number of intelligent bourgeois experts. The report of the Department of Commerce declares:—

"The level of employment and the total of wages still remain considerably behind the increase of production. Although the level of employment and the wage total rose last month and the rising tendency was maintained in June, the indexes in May were still below the low levels of last year. The average hourly rates of pay in the factories fell to a new low level during the month.

"... The indexes of purchases by consumers show that for the most part commodities are not taken by the consumers as quickly as they are produced. The increase of certain indexes (textiles and tobacco) is much too great for it to be explained by purchases made by consumers."

The inevitability of a reverse was frankly admitted:—

"A disquieting factor is that in a short space of time industry is engaged in such a degree of over-production as a result of the precipitate expansion that activity might be temporarily paralysed.

"... There is reason to fear that when this first impulse is past employment will deteriorate sharply."

After the speculative fever of the months from April to June inclusive, United States capitalism is once again helpless in face of the crisis. The first stage of this speculative boom ended in the great stock exchange crash from the 20th to the 22nd July. The bourgeoisie of the United States is now faced with the following alternative: either to attempt to maintain the speculative boom for a while by causing a further depreciation of the dollar, or to content itself with the present depreciation of the dollar which has

brought it down approximately to the level of the British pound and to take upon itself a "crisis of stabilisation." In either case, the big stock exchange crash must be the forerunner of a sharp drop in production in the very near future and certainly still during the present year.

Fascism Disguised as "Planned State Capitalism"

Roosevelt is seeking the way out of the crisis by "planning" within the framework of capitalism. It is not the much boasted "Brain Trust" which is following this policy, but Roosevelt himself as can be seen clearly from his book. This policy is laid down clearly in the Industrial Recovery Act. This Act has been heralded with a tremendous expenditure of social demagoguery as a step towards "planned capitalism" which will radically improve the situation of the working class and make crises impossible in the future.

The Act provides that the capitalists of each branch of industry shall associate themselves and work out a Code of Fair Competition, if possible in agreement with the respective trade unions. These codes will then be confirmed by the President if they meet with his approval and for two years they will have the force of law—that is to say, for as long as the Act remains in force, which is two years unless it is renewed by Congress. The violation of the law is to be punished with a fine of 500 dollars (!) or imprisonment not exceeding six months. A code of fair competition must specify the minimum wages to be paid, the maximum weekly working hours, and the maximum utilisation of the productive capacity in existence.

At the moment we are in possession of only one of these codes, that for the cotton manufacturing industry which was signed by the President on the 17th July and therefore has already legal validity. This code provides:—

- (1) Wages shall be 12 dollars a week in the south and 13 dollars a week in the north for a maximum working week of 40 hours. This is no guaranteed minimum wage. Should less than the hours per week mentioned be worked, then wages will be correspondingly less.
- (2) Children under 16 years of age shall not be employed.
- (3) No factory may work more than two shifts at 40 hours a week each.

(4) A series of provisions concern the limitation of production, the prohibition of the purchase of new machinery, and the increase of customs duties to be obtained in co-operation with General Johnson, the administrator of the Act.

(5) The workers may join trade unions if they wish, and the employers may not exercise pressure on them to force them to join company unions.

The other codes which are still under consideration contain similar provisions with certain variations. The electrical industry proposes a minimum wage of 35 cents an hour and a 36-hour week. The shipbuilding industry proposes 35 cents an hour in the south and 40 cents an hour in the north, with a 40-hour week. The coal-mining industry proposes a minimum shift wage of 5 dollars, coupled with a demand that the miners shall be compelled to join the company unions.

The drafting of these codes is greeted by the radical bourgeoisie and the social-fascists as the beginning of a new era of peaceful revolution. Here are a few examples:—

Norman Thomas, the leader of the American Socialist Party, and Green, the President of the American Federation of Labour, both speak of the beginning of State capitalism. Professor Tugwell, the Secretary of State for Agriculture, and one of the chief supporters of Roosevelt, declares that the Industrial Recovery Act is "a peaceful revolution" which has taken the place of a violent overthrow of the whole capitalist structure of society which in his opinion was threatened at the beginning of Roosevelt's administration.

The European social-fascists are also not sparing with their praise. The Vienna "*Arbeiter-Zeitung*" publishes an article entitled "The American Experiment" and sub-titled "State Capitalism as a Way Out of the Economic Crisis," on the 14th July, declaring:—

"The men of the Brain Trust, which advises President Roosevelt, are very far removed from the idea still widely prevalent in Europe that the way to overcome a crisis is by lowering wages. On the contrary, they continually point out expressly that it would be useless to force up the prices of com-

modities by inflation and cartellisation and to increase production without at the same time correspondingly increasing the wages, i.e., the purchasing power of the masses of the people."

In an article which appeared in the same paper, entitled "Socialism without Socialists?" Brailsford praises the policy of Roosevelt, which is in the last resort fascist, and declares: "The Roosevelt government is beginning to regard the economic system as an affair relating to the general well-being."

What is the real social character of the Industrial Recovery Act?

(1) As a result of the 30 per cent. depreciation of the dollar and the special measures which have been taken to increase the prices of wheat, maize, cotton and tobacco, the cost of living will considerably increase in the United States during the next few months, and minimum wages are now being introduced and represented as a great gain for the workers in order to cloak the approaching reduction of real wages as a result of the increase in the cost of living and thus to make wage movements difficult by a wave of demagogy. The present fixing of minimum wages are intended to spare the capitalists wage increases later on in order to bring wages in some relation to the lowered purchasing power of the dollar.

(2) The giving of legal force to a maximum working week does no more than sanction the already existing situation. The capitalists of the United States have given up hope of employing all the workers for a long time. The aim of the maximum working week provision is to secure a planned division of the existing possibilities of employment and to lessen the great social danger of an unemployed army of from 12 to 14 million workers.

(3) The law gives the big monopolist undertakings the possibility of gaining control over the smaller undertakings and the outsiders under the slogan of "fair competition." Roosevelt, who used the sharpest possible words against the big monopolies during his election campaign, is now following Hitler's example and removing all the formal obstacles which hindered trust and monopoly formation in the past and delivering over the small capitalists completely into the hands of the monopolists.

In the crisis, capital with a lower organic composition than monopoly capital gained an advantage. The so-called permanent or fixed costs, and therefore the costs of production, were lower for this more backward form of capital than for monopoly capital and in this way monopoly prices could be undercut. Further, as a result of the lower organic composition of capital such undertakings in which v played a larger role were able to lower costs more easily and more quickly by lowering wages than the monopoly undertakings could. The former chairman of the United States Steel Corporation, Farrell, never lost an opportunity during the crisis of denouncing the cut-throat competition of the independent iron and steel industrialists and of demanding State assistance. The utilised capacity of the independent concerns during the crisis was and still is considerably greater than is the case with the big steel concerns.

Utilisation of Capacity in the Steel Industry

	U.S. Steel Corporation	Independents
June 26, 1933 ..	40	58

This is the situation which Roosevelt wants to end with his Industrial Recovery Act. Through this Act the independent capitalists come completely under the dictates of the monopolists. The provisions of a code are determined by the capital majority in each industry and the "minority" is compelled to adhere to these provisions by a licensing system. The fixing of a maximum working week does not affect the steel industry in the least because for a very long time now it has been on short time. However, the compulsory payment of equal wages for the same hours can finish off the independent capitalists altogether, or at least greatly reduce their capacity to compete with the big monopolies. This is the case not only in the iron and steel industries, but in all the basic industries of the United States.

Harry Sinclair, the chairman of the Consolidated Oil Corporation, declared in a speech delivered on the 20th June:—

"To put it clearly, this declaration does not mean that the oil industry intends to break the code, but it does request the President to begin the new period with a licensing system which in reality must mean: follow the rules or get out of the business!"

The copper expert, Guttermann, declared in a report on the copper industry published on the 1st July:—

"None of the big copper companies working with low costs has been prepared to spend the money of its shareholders in order to buy up undertakings producing at high costs and probably with antiquated equipment. Under the provisions of the Industrial Recovery Act, however, these big undertakings working at low costs are to make every effort jointly to buy up such undertakings working with high costs, but having large ore reserves, in order to hold them as a reserve and to use them only when the pressure of demand is sufficiently great."

The gravamen of the question is the reduction of the total capacity by excluding the weaker capitalist elements and by re-shuffling the remaining capacity in the interests of monopoly capitalism by reducing the competitive chances of the capitalists outside the monopoly.

Taking it all in all we can describe this plan with no other word but fascist, a policy which seeks with the assistance of a great expenditure of democratic and social phrases to hand over the workers completely, with the assistance of the social-fascists, to the dictates of finance capital under the form of a "Class Cooperation" enforced by the State. The Communist Party of the United States will have to summon up all its forces in order to oppose successfully this fascist demagogy and to enlighten and mobilise the working masses.

IV. General Section

Four Years of Crisis

The world economic crisis has now lasted a full four years. The open outbreak of the crisis took place only in October, 1929, but the crisis was already clearly visible in July of that year, all that could not be seen was the exact moment at which the crisis would break out. At the X plenary session of the E.C. of the C.I. we were able to prophesy that the phase of capitalist prosperity would come to an end in 1929 and that a crisis would break out.

But despite all its "scientific economic inquiry institutes" equipped with the most modern means of investigation, the bourgeois world was taken by surprise by the crisis. In his farewell message to the congress Coolidge announced that prosperity in the United States had never been so great, so general and so secure as at that time! And a little while afterwards the crisis broke out, a crisis deeper, longer and more intense than any previous crisis and bearing with it apart from the characteristic factors of all cyclical crises a series of new ones such as general inflation, moratorium, an all-round trade war, which ended the relative stabilisation of capitalism and opened up a new period of wars and revolutions, a crisis out of which there is no "usual" capitalist exit.

At the same time these four years have demonstrated to the simplest workers in the capitalist world the absolute superiority of the socialist system in the Soviet Union over the capitalist system in the bourgeois world. The world-wide crisis stopped at the frontiers of the Soviet Union. During the same four years in which the capitalist world was thrown back for decades, millions and millions of workers thrown out of employment and still more millions of peasants ruined, the first Five-Year Plan in the Soviet Union was carried out and tremendous successes in the building up of socialism achieved.

From the highest point of production down to the lowest point reached during the crisis there is a drop for the world as a whole of almost 40 per cent., and for the United States and Poland of over 50 per cent. In Germany the drop is 40 per cent., in France almost 40 per cent., in Great Britain 25 per cent., in Japan almost 20 per cent. As far as can be seen from the insufficient material available the drop is about twice as large as was usual in former crises. The lack of uniformity in the reduction is partly only an apparent one, due to the various way of compiling the indexes, and is partly due to the special conditions of each individual country.

Lack of uniformity exists not only between individual countries, but also between various branches of industry in the same country. The drop is much greater in Section I of production, the production of the means of production, than it is in Section II,

the production of articles for consumption. This is the result of the chronic surplus of productive capacity characteristic for the period of the general crisis of capitalism. The drop in production is therefore particularly heavy in the building, iron, steel, engineering and shipbuilding industries. The drop in production is less in the so-called new industries, those which are intimately connected with the production of armaments which occupies an exceptional position in the crisis: the production of motor-cars and aeroplanes, artificial silk, etc. In analysing the lack of uniformity in the development of industry in the various countries the preparations for war plan an important rôle.

Parallel with the industrial crisis the chronic agrarian crisis is intensifying. It is closely connected with the industrial crisis because the latter considerably reduces the demand for agricultural raw materials and at the same time reduces the purchasing power of the working masses so that there is a diminished demand for foodstuffs. Tremendous unsaleable stores of agricultural raw materials piled up whilst the prices fell to one-third of the 1929 level. This price drop coupled with the weight of lease rents fixed in a period of high prices, the high rates of interest on debts and mortgages, and heavy taxation led to the ruin of great masses of the small and middle peasantry, and in some countries even of the big peasants and the backward landowners. The process of relative permanent differentiation amongst the peasantry characteristic for capitalism in normal times developed into the mass ruin of the poor and middle peasants. As a result the purchasing power of the peasantry for industrial commodities decreased sharply and formed another and important factor in the intensification of the industrial crisis.

In industry with its highly-developed monopolies there was a systematic limitation of production and monopolist capital tried to adapt its production to the lessening purchasing power and to find a way out of the crisis thereby, but there could be no "organised" limitation of production in agriculture, despite numerous plans and attempts. The fact that agricultural production is carried on by millions and millions of small undertakings and the great weight of "fixed costs": lease rent, interest, the amortisation of live and other stock, taxes, and the impossibility of using the available labour-power of the family anywhere but in its own undertaking are the chief reasons.

The decline of agricultural production takes place in the crisis above all in the form of the degradation of agriculture caused by the inability of the small agricultural producer to maintain even simple reproduction. The result of this is the deterioration of live-stock, a failure to replace machinery, a lesser use of artificial fertilisers, etc.

At the same time the break-up of the peasantry referred to previously ceases and even turns to a certain extent into its opposite. Production for the market lessens. Instead of producing one or several specialised products for the market, many articles are produced for home consumption. This process can be seen most clearly in the British dominions and in the United States where State propaganda is being made to encourage this alteration of the direction of production under the slogan of "diversified farms!" As the crisis has driven many workers back to their parents and relations in the countryside where they can at least find something to eat, there is in many cases a return to primitive methods of production; instead of complicated machinery, tractors, combines, etc., there are again horse-drawn machines and cheap, because otherwise unusable, hand labour.

The way in which the farmer is trying to save himself is by producing for his own needs with his own labour-power and by purchasing as little as possible, in other words, a return to the compact household. But this is at the utmost a solution for the poor and middle peasants to eke out their existence. It is no solution for the agricultural capitalist, the rich peasant, the large-scale lessors and rich landowners. In order to assist these persons there is the policy of artificially raising prices by destroying supplies (coffee in Brazil and now cotton in the United States), the compulsory reduction of the tilled areas, etc. But up to the present this policy has also led to no favourable results. It has failed owing to the lack of uniformity between the costs and conditions of production in the various countries of the world.

The result is that a tendency similar to that just considered amongst the peasantry is showing itself in the world economic system, a tendency of exclusion which is summed up in the slogan

autarchy. As the gap between the market capacity and the productive capacity of industry and agriculture is tremendous, each national bourgeoisie seeks to monopolise "its market," the "inner" market for itself alone and to make it independent of imports, or, to use the favourite phrase, autarchic, a tendency which is greatly encouraged by military considerations. On the other hand, however, each national bourgeoisie is striving to obtain the greatest possible share of the "outer" market, but these efforts collide with the trade restrictions imposed by the other States. In this way the trade and customs war develops which is characteristic of the present crisis, and also the great diminution of foreign trade, both with regard to quantities and still more with regard to prices.

This diminution of foreign trade coupled with the big drop in prices, particularly of agricultural and raw materials, caused the agrarian debtor States to be unable to pay the interest and the amortisation sums on their foreign debts out of their export surplus. The result was either a declaration of an incapacity to pay (moratorium) or the depreciation of the currency, or a combination of both. The wave of inflation began in the agrarian States and then infected the industrial States also. The economic basis of the inflation is above all the fact that as a result of the tremendous drop in prices the debt sum formed in a previous period of higher prices becomes an intolerable burden for the debtor and threatens to bring about a complete collapse of the whole credit system and general bankruptcy, as was seen most clearly in the bank crash in March, 1933, in the U.S.A.

The bourgeoisie in most countries was faced with the problem in the following form: The reduction of the real burden of debt by inflation, the reduction of the debt by State intervention (the lowering of interest rates, a moratorium, etc.), or the collapse of the whole credit system.

In this question the various sections of the bourgeoisie in all countries carried on an energetic battle amongst themselves. However, the depreciation of the currency represents a powerful weapon in the struggle for foreign markets and is an indirect means of reducing wages, so that when Great Britain abandoned the Gold Standard the inflationist tendencies in all countries were greatly strengthened so that to-day there is only a small minority of countries, the so-called Gold Bloc, which holds fast to the Gold Standard, and it is very problematical how long they will be able to keep it up. Thus one of the most important new qualitative factors of the present economic crisis is the currency chaos which substitutes speculation for capitalist calculation and still further shakes the whole building of capitalist society.

The crisis has led to an almost complete stoppage of the export of capital which is characteristic for the period of imperialism. The following table shows the development of capital export from the United States in recent years (in million dollars):—

1929	1930	1931	1932
780	1,136	268	66

The figures for Great Britain (in million pounds) are:—

107	113	50	29
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If we take into consideration the cancellation of short-term credits there has been rather a re-import of capital instead of capital export in the years of the crisis.

The main burden of the crisis falls onto the shoulders of the proletariat and the toiling peasantry. The chronic mass unemployment which is characteristic for the period of the general crisis of capitalism has taken on gigantic proportions in the crisis: 14 millions in the U.S.A., 8 millions in Germany, 3 millions in Great Britain, etc. The bourgeoisie is seeking a way out of the crisis by further wage reductions, carried out both directly and indirectly by means of inflation, the reduction of social insurance benefits, by robbing the State treasury by way of subventions and public works allegedly in order to lessen unemployment, but actually in the profit interests of capitalism.

The struggle between capital and labour, the struggle between the imperialists and the oppressed colonial peoples, and the struggle between the capitalist countries themselves is becoming more and more intense. In order to crush the approaching revolutionary crisis and smash the advance guard of the proletariat, the Communist Parties, the bourgeoisie of all countries is adopting more and more fascist methods in its attack on the working class, whilst at the same time it is preparing imperialist war and intervention with all possible energy. Thus the crisis necessarily opens up a new era of revolutions and wars!

The Baseless Optimism of the Bourgeoisie

Bourgeois economic literature of the past few months is full of assurances to the effect that the crisis is at an end. Here are a few examples taken from the press of the most important capitalist countries.

The German Institute for the Investigation of Trade Variations writes in its last quarterly report:—

“Following on the slight reverse in the winter months production and employment have again improved since March. In part this increase is due to seasonal reasons, but the recovery on certain important sections of the economic system exceeds the usual seasonal improvement, for instance, in investments.

“The market for war materials and finished goods has consolidated itself. Price collapses are hardly to be expected further. With the increasing productivity of labour and an increasing utilisation of capacity the relation of costs and yield is beginning to improve. Increasing confidence in the stability of the present economic and political relations has formed a basis upon which private initiative can again develop.

“... The world economic system once again offers a picture of depression following on the overcoming of the bank and credit crisis in the United States at the beginning of the second quarter of the year, and the reverse on the commodity and share market.

“The fall of production and sales has come to an end in almost all parts of the world economic system. In many countries business has improved. There has been a spring boom in most of the raw material and share markets. In isolated cases prices and quotations even exceeded the high levels of autumn of last year.”

The “Bulletin” of the National City Bank of June, 1933:—

“The clear character of the improvement in business which expresses itself in an increase of production and an increase of employment, and the obvious improvement in purchasing power must be recognised. It shows the power of recuperation of the economic system resulting from the needs of the population coupled with the efforts of the business men to do business, and from the improvement of supply and demand in the various markets.”

The official journal of the Department of Commerce writes:—

“The indexes for production and distribution have risen during May and business shows an improvement compared with the corresponding month of the previous year for the first time since 1929.”

“The “Bulletin” issued by Lloyds Bank in London in July writes:—

“The improvement in the business situation continues to hold good. Both the reports from the industrial districts and the general indexes show that during the past two or three months there has been a not inconsiderable improvement in the activity of the economic system. Unemployment has been reduced, business is more active, there has been an increased production of electrical power, the building plans have been extended and the wholesale prices are rising.”

The July “Bulletin” of Barclay’s Bank contains a similar estimation of the situation:—

“The recent improvement in the economic situation seems to have held good in June and increased orders were received by a number of important industries. . . . Although trade in our country remains at a very low level there are signs of an improvement in some directions.”

“L’Observation Economique,” the organ of French big business, writes in May 1933:—

“It is fair to assume that even in the United States the increase of industrial production that has been taking place for some time is a regular stage in the liquidation of the great economic crisis.”

What is the basis of this optimism? Its basis is the ignoring of the fact that the present crisis is not a normal one, but a crisis on the basis of the general crisis of capitalism, a crisis which comes at the end of the period of the relative stabilisation of capitalism, and that therefore phenomena which in former periods of crisis might be regarded as the signs of an approaching improvement cannot be so interpreted in the present crisis. Or, in

other words, the internal mechanism which works in accordance with the laws of capitalism to overcome every cyclical crisis has not been put out of action in the present crisis. As far as the present crisis is a cyclical crisis there are internal forces at work to overcome it, but these forces are not strong enough to overcome the cyclical crisis and produce a new boom owing to the pressure of the general crisis of capitalist society and owing to the end of capitalist stabilisation.

What are the facts on which the bourgeois thesis that the crisis is ending is based?

During the past year industrial production as a whole has not fallen any further and has even improved in a number of important countries:

	U.S.A.	Gt. Bt.	France	Germany	Poland	Japan
Lowest Point						
In 1932 ...	52.3	82.7	72.4	58.5	46.9	95.7
July		3rd Qtr.	July	August	Jan., 33	Jan.
Last Month						
1933 ...	68.5	89.1	85	68.5	55.2	126.4
May		1st Qtr.	May	May	May	April

The increase of the supplies of raw material has slowed down or come to a complete stop during the course of the past year. According to statistics published by the German Institute for the Investigation of Trade Variations the visible supplies of eleven commodities (wheat, rye, barley, coffee, silk, rubber, zinc, tin, coal, oil, benzine) have been somewhat reduced, whilst the supplies of three commodities (maize, sugar and cotton) have remained stable, and the supplies of five commodities (oats, tea, cocoa, copper, lead) have been somewhat increased.

The drop in prices measured in terms of gold has slowed down during the past year and in a number of countries there has even been an increase.

Under “normal” conditions such facts could really be regarded as the beginning of the end of the crisis, as the basis for a new boom and new prosperity, but to-day this is not the case.

If we examine the basis for the increase in production in the individual countries we find that this increase of production is not based on any renewal or extension of fixed capital (normal building operations are stagnant apart from building operations for military purposes, roads, etc., the engineering industry is working at a fraction of capacity only, and the shipbuilding industry is at the lowest level for forty years), nor is it the result of any increase in the consumption power of society, that is to say, the increase of production has not taken place on the normal basis for a return to prosperity. What is happening is nothing more than a temporary phenomenon. Storehouses gradually emptied during the four years of the crisis are now being filled up with manufactured articles both by the wholesale and retail traders and speculative purchases are being made in expectation of an inflation—this is particularly the case in the United States—State building is proceeding and State orders are being given which in many cases, for instance, the orders in Germany for rolling stock, are economically completely superfluous and represent no more than an attempt to support capitalism and, even more, to prepare for war.

It is clear, for instance, that the great increase in the imports of non-ferrous metals, of skins and untanned leather into Germany, the increase of automobile production, etc., are preparations for war. In France, too, the preparations for war play a not inconsiderable role in the increase of industrial production.

In the budget debate in the Senate on the 19th May the French Prime Minister and Minister for War, Daladier, declared:—

“At the present moment it would be an illusion even to hope for a slowing down of military preparations.”

He also announced that the complete motorisation of the French army was being carried on and would be forced through as quickly as possible. There is no doubt that from such sources big orders are being given to the armament industry and to the heavy industries in general. The situation in other countries is similar.

As far as the supplies of raw materials are concerned, the stabilisation of supplies is due not to an increase in consumption, but to a decrease in production as a result of the degradation of

agriculture, of the artificial limitation of production (tea and tin) and of the deliberate destruction of large supplies, for instance, of coffee in Brazil. The volume of supplies is not less to-day than it was a year ago compared with the drop in consumption.

As far as the slowing down of the fall in prices is concerned, it is very difficult in the present currency chaos to follow accurately the exact development of price levels. The price levels of the "inner markets" are being more and more cut off from world market price levels owing to restrictive measures. Customs duties, turnover taxes, etc., lead to an artificial movement of price levels which has nothing to do with the state of trade.

Under the special circumstances existing to-day all the symptoms of improvement have nothing to do with "normal," and the optimism of the bourgeoisie, and the assurances of the bourgeois economic experts to the effect that a basis for a new trade boom and new prosperity has now formed itself, are absolutely without foundation.

However, there is a further factor which makes the bourgeoisie inclined to optimism, and that is that the utilisation of capital has undoubtedly improved recently. As a result of special "crisis rationalisation," by adapting the productive apparatus to the lower level of demand, by a further intensification of the productivity of labour-power, by the reduction of wages, salaries and social benefits, and by the cheapening of raw materials, the capi-

talists have succeeded in lowering the costs of production to a considerable extent, despite the greatly reduced volume of production. This fact is mentioned again and again in almost all the reports of the big undertakings. Added to this is the extensive plundering of the State treasuries in the form of tax facilities, subventions, profitable war orders, etc.

In short, the falling tendency of the rate of profit which characterised the first three years of the crisis has come to an end for the moment at the expense of the workers, the toiling peasants and the oppressed peoples in the colonial countries, and the bourgeoisie now hopes for increased profits. This is the main basis for the optimism of the bourgeoisie.

At the same time this stressed optimism undoubtedly serves as a political measure to soothe the working masses who are becoming more and more angry. It is an attempt to persuade them that they may hope for improvement within the framework of capitalist society.

To sum up: The assurances of the bourgeoisie that the tide has turned and that the way to new prosperity is once again open, are absolutely without foundation. The course of development is not directed towards a "normal" peaceful overcoming of the crisis and towards new prosperity, but towards a further intensification of all existing contradictions and towards new revolutions and wars.

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