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## Economy and Economic Policy

In the First Quarter of 1934

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### 1. General Section

#### The Development of the Depression

We are at present experiencing a development into a period of depression, a development which is taking place slowly and without uniformity in the various countries, and which is interrupted by relapses into the crisis. The general crisis of capitalism with the resultant throttling narrowness of the market, the chronic non-utilisation of the means of production, the permanent mass unemployment and the still intensifying agrarian crisis determine this course of development. The far-reaching dislocation caused by the depth, length and intensity of the industrial crisis, the currency chaos, the decay of international credit relations, the all-round closing of the markets and the all-round trade war give, on the basis of the general crisis of capitalism, the depression which is now beginning its special character.

#### Marx on the Depression

In the centre point of Marx's analysis of the cycles is always the crisis as that phase of the cycle in which all the contradictions of capitalism burst openly and violently into view, shake the structure of the capitalist social order to its foundations, free the proletariat from the illusions encouraged by the phases of prosperity, and demonstrate clearly the historical temporary character of capitalism. The other phases of the cycle interest Marx above all as preparatory phases for the next crisis. For this reason we find only scattered references to the depression in Marx's works.

Marx describes the phase of the depression in greatest detail in the following passage:—

"This becomes most evident in the phase of the industrial cycle following immediately after a crisis, when loanable capital lies fallow in masses. In such moment, in which the process of production is restricted (production in the English industrial districts was reduced by one-third after the crisis of 1847), prices of commodities at their lowest level, the spirit of enterprise paralysed, the rate of interest is low, and it indicates then merely an increase of loanable capital precisely because the industrial capital has been laid lame. It is quite obvious, that less currency is required, when the prices of commodities have fallen, the number of transactions decreased, and the capital invested in wages contracted; that, on the other hand, no additional money is required for the function of world money after the debts to foreign countries have been settled either by the exportation of gold or by bankruptcies; that, finally, the volume of the business of discounting bills diminishes with the number and amounts of bills of exchange. Hence the demand for loanable capital, either in the form of

means of circulation or of means of payment (the investment of new capital being out of the question for a while), decreases and it becomes relatively abundant. At the same time, the supply of loanable capital increases also positively under such circumstances, as we shall see later."

Let us take the following important factors from this quotation: **Production is restricted. There is no question of new capital investments. Commodity prices are at their lowest level. Loanable capital lies fallow in masses. The rate of interest is low.**

These factors are generally known to us as characteristics of the period of depression with the exception of one, namely, that with regard to capital investment.

We were inclined to assume that the extension and renewal of fixed capital should begin to take place in the phase of the depression. As we see, this is not the opinion of Marx, who declares expressly that in the phase of depression there can be no question of any new investments of capital. It would seem, therefore, that

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Marx regards this phase which follows the crisis as being somewhat shorter than we are in the habit of doing, that is to say, that Marx considers the beginning of new capital investments as the beginning of the phase of revival.

On the basis of this description of the phase of depression given by Marx we can now examine the present situation of the capitalist world economic system. However, we must make the following reservation: Marx deals with this problem—as he does when dealing with all the general laws of capitalism—as a general one valid for capitalism as a whole without consideration of the fact that the capitalist world economic system falls into individual national economic units whose development proceeds unevenly. In dealing with the present concrete situation we must remember always the unevenness in the development of the depression in the various countries.

Indeed this unevenness in the development of the depression is particularly characteristic of the first months of 1934. Whilst in some countries, for instance, Great Britain and Canada, all the characteristic features of the depression are present and even the first signs of a revival, i.e., the beginnings of new investments of fixed capital, other countries, and above all France, are experiencing a new intensification of the crisis, the inflation is proceeding, and the agrarian crisis continues to intensify. The fact that we are dealing here not with a phase of depression experienced by "normal" capitalism, but with a particular sort of depression on the basis of the general crisis of capitalism and the end of the stabilisation, makes the analysis still more difficult.

#### "Production is Limited"

Marx gives as one of the characteristics of the depression the fact that industrial production is limited. At the moment this applies completely to the given situation.

#### Index of Industrial Production in the Most Important Countries (1928=100)

	U.S.A.	Gt. Br.	Germany	France	Japan	Poland	Canada	Belgium
1929	107.2	106.0	100.4	109.4	111.4	99.7	108.1	100.1
1930	86.5	87.8	90.1	110.2	105.6	81.8	91.7	89.8
1931	73.0	88.8	73.6	97.6	100.7	69.3	76.7	82.8
1932	62.5	90.1	61.2	79.5	101.0	52.2	62.8	69.9
1933	56.5	89.9	67.3	80.8	120.7	48.2	65.2	74.3
		July	3rd Qtr.	Aug.	July	May	May	Feb. 3
Lowest level, 1932	52.3	52.3	82.8	58.5	72.4	91.4	46.5	51.7
1933, Nov.	65.8	89.6*	71.9	84.3	139.4	61.4	71.2	71.4
1933, Dec.	67.6	—	72.8	83.5	—	59.0	72.2	70.5
1934, Jan.	70.3	—	77.8	83.5	—	58.0	71.7	—

\* Fourth Quarter.

These figures (whose reliability is of course limited and which are difficult to compare with each other) show clearly the great limitation of industrial production. It is from 20 to 40 per cent. lower than in 1929 with the one exception of Great Britain, where production is only 8 per cent. below the 1929 level. However, it must be remembered that there was no considerable revival in Great Britain prior to the crisis and production remained far below the level of 1913.

#### "There is no Question of New Capital Investments"

This characteristic of the depression is so clearly evident at the moment that it is hardly necessary to produce any figures to confirm it. With the single exception of Great Britain, where new investments of capital have been made to a certain extent (shipbuilding and a number of new factories), we can see no new investments of capital anywhere.

The considerable increase in the iron and steel production of all countries would seem to contradict this. In millions of tons the production of heavy industry in the most important capitalist countries was as follows:—

	January 1933	January 1934	Increase
Iron	2.61	3.72	1.11
Steel	3.70	5.28	1.58

In January, 1934, the capitalist world produced over a million tons more iron and 1.6 million tons more steel than it produced in January, 1933. Is this not a proof that new investments of capital are in progress?

We are of the opinion that this is not the case. The present volume of production is hardly more than half the volume of the years from 1927 to 1929. During the crisis production fell so low

that it did not even cover the necessary replacements for wear and tear (railways, factory equipment and building operations in general). The present increased production of iron and steel does not serve the new investment of capital, but chiefly two aims: armaments for war and replacements made necessary by normal wear and tear, replacements which were made only partially during the crisis, as we were able to show with striking clearness in our last economic survey with regard to the United States railways.

We have an index of the production of machinery for the most important European countries. It shows us the following:—

#### Index of Machinery Production (1928=100)

	Germany	France	Poland	Gt. Britain
1929	101	114	100	107
1930	83	114	76	103
1931	60	99	56	84
1932	38	70	44	78
1933	42	78	45	84

When we take into consideration the fact that a section of this production of machinery serves directly armament purposes (aeroplane motors, tanks, turbines, etc., for warships) or indirectly the building of factories for the war industries, then it is clear that there can be no question of any new investments of industrial capital.

The figures for share emission confirm this. In the United States, for instance, capital emission in 1933 came to a monthly average of 60 million dollars as compared with 849 million dollars in 1929. In Germany the figure was 7.3 million as against 80 millions in 1929. In France it was 300 million as against 1,823 millions in 1930, etc. As many of these emissions were of a formal nature and did not mean new capital payments, being simply internal operations for the purpose of bolstering various undertakings, it can be proved from this angle also that up to the present there has been no question of any new investments of capital.

#### "Commodity Prices Are at the Lowest Point"

When we wish to examine the price movements during the crisis from the standpoint of the Marxian thesis that commodity prices are lowest in the period of depression, we immediately come up against the hindrance that at the moment there is no free formation of prices on the world market, because the prices are artificially maintained in the various countries by customs duties, government price-fixing, special taxation, etc., and further that as a result of the inflation they appear to be excessively high. Further, the inclusion of agricultural prices, which in general continue to fall, with the prices of raw materials and industrial commodities in a general index of prices cloaks the movements of the prices of industrial commodities which Marx had chiefly in mind. Despite this, however, even highly imperfect indexes show the correctness of the Marxian thesis.

#### General Index of Wholesale Prices (1930=100)

Year	Gt. Brit.	U.S.A.	Germany	France	Japan
	(B. of T.)				
1929	136.5	136.5	137.2	127.3	116.1
1930	119.5	123.8	124.6	112.5	136.8
1931	104.2	104.6	110.9	101.9	115.6
1932	101.6	92.8	96.5	86.8	121.7
1933	100.9	94.5	93.3	81.6	139.6
	(B. of T.)				
Lowest Point	97.2	85.7	90.7	77.8	110.6
1933 (Oct.)	102.6	102	95.7	80.6	136.3
1933 (Nov.)	102.8	101.9	96.0	81.8	135.0
1933 (Dec.)	102.8	101.4	96.2	82.6	132.6
1934 (Jan.)	104.6	103.4	96.8	82.2	132.6
1934 (Feb.)	105.3	106.0	95.0	81.2	—

Relatively most characteristic is the development of prices in France and Germany. If we take into consideration the artificial measures which were adopted last year both by the Hitler government and the French government to raise prices, and above all the prices of agricultural commodities, then it is quite clear that at the moment "commodity prices are at the lowest point."

Price formation in the inflationist countries, Great Britain, the U.S.A., Japan, etc., is naturally not characteristic in this form, but if the prices are reckoned in their gold equivalents we find that the fall in prices has continued down to the present day. For instance, the "Annalist" index of gold prices or "old dollar" prices shows the following development:—

1933.			1934		
Mar.	Nov.	Dec.	Jan.	Feb.	Mar.
81.4	65.1	65.8	66.1	65.4	64.5

Despite the special measures (quite apart from the depreciation of the dollar) which Roosevelt has taken to raise the prices of wheat, cotton, etc., their price index in gold is lower than ever before. In Italy the lowest price level up to the moment was reached in November, 1933; in Holland in April, 1933; in Switzerland in March, 1933. On the whole, we can accept it as a fact that we are now approximately at that stage when "commodity prices are at the lowest point," as Marx says.

**"Loan-Capital is Lying Idle Everywhere."**

**"A Low Rate of Interest Prevails."**

These characteristics of the depression are present now, and not only that, but they have been present during the whole crisis, with the exception of the first months. Short-term loan-capital is lying idle everywhere and in most capitalist countries the bank rate is very low. At the moment the various bank rates are: London, Paris, Brussels, and Berne, 2.5 per cent.; New York, 2 per cent.; and Rome, 3 per cent. In the U.S.A. the rate of interest on secure, short-term investments (State treasury bonds) was purely nominal: 0.09 to 0.15 per cent. per annum, a percentage which was hardly sufficient to cover the book-keeping expenses of the banks in distributing it. For years now up to 25 milliard francs have been lying in the Bank of France without any interest. As the international credit system has been very considerably destroyed by the crisis there exists side by side with large quantities of idle loan-capital in these countries a considerable shortage of capital and a very high rate of interest in the "poor" countries which are dependent on capital import. At the moment the bank rate in Bulgaria is 9 per cent.; in Athens, 7.5 per cent.; in Riga and Bucharest, 7 per cent.; and in Vienna and Warsaw, 6 per cent.

The protracted and big disproportion between the "money market" and the "capital market," to use the bourgeois terminology, is particularly characteristic of the whole of the crisis and of the present period of depression, that is to say, between the lying idle of large quantities of loan-capital and the almost complete standstill of its investment as industrial productive capital, a disproportion which continues to exist almost unchanged today. We have often dealt with the causes of this characteristic fact of the present crisis: it is the surplus of productive capital which is characteristic of the general crisis of capitalism and which is making itself felt at the moment with particular intensity, the necessity which has arisen for all capitalist undertakings as a result of the dislocation of the credit system of keeping considerable portions of their capital in a "liquid" form, either in gold or in short-term investments, the fear of "tying up" any capital in view of the threatening war and the developing revolutionary crisis. In the bourgeois literature on the subject these factors are given the meaningless psychological description, "lack of confidence."

Thus we observe that the essential characteristics which Marx enumerated for the phase of the depression can be seen to be present to-day. But the depression which is at present developing is, as Comrade Stalin says, not an ordinary depression, for there is no secure basis for a transition into the next phase of the cycle—revival and prosperity. We discussed this point in our last survey, and we shall deal here therefore only with the most important factors.

(1) The transition to the depression brought with it no diminution of the chronic agrarian crisis. Individual branches of agriculture which produce industrial raw materials such as wool and rubber, have benefited from the improvement in the industrial situation, but the great and decisive branches of agriculture which produce foodstuffs—grain and cattle—still remain deep in the crisis, despite all the artificial measures which have been taken in various countries—the U.S.A., Germany, and France—to raise prices, despite the premium which the State has placed in many cases on the limitation of production in the exporting countries, and despite the degradation of agriculture over wide areas.

An interesting article published in "The Economist" on the 7th April, 1934, gives the following table concerning the development of the wheat market of the capitalist world during the past eight years:—

Grain year ending 31st July	World Production		Stocks free for Export			Export Stocks at end of grain year	Average Export price per cwt. from British Harbours.
	Export Countries	Import Countries	Total	Soviet Union	World Needs		
1927	2397	999	1076	49	827	249	12.62
1928	2534	1077	1128	3	809	319	11.87
1929	2836	1102	1435	0	923	512	10.20
1930	2230	1223	1139	10	628	502	9.98
1931	2653	1062	1388	113	824	588	6.10
1932	2543	1129	1387	64	799	588	5.76
1933	2352	1358	1321	16	629	692	5.77
1934*	2055	1400	1105	30	525	580	5.38†

\* Estimated.

† Average August, 1933, to February, 1934.

This table shows the following:—

(a) The lowering of production in the exporting countries is made good by the development of production in the importing countries. The falling-off in 1934 was the result of a bad harvest in the United States.

(b) As a result, the import needs of the world with regard to wheat have steadily decreased for the last six years.

(c) The transitional stocks lying ready for export at the end of the harvest year are larger than the whole demand during the year.

(d) Despite the depreciation of the pound sterling by almost 40 per cent., the prices for imported wheat in Great Britain are lower to-day than they were before the depreciation. The gold price is less than 30 per cent. of the 1927 level.

(e) The international wheat agreement concluded between the wheat-exporting countries has not resulted in any increase of prices up to the present.

In all probability the new harvest will not alter the situation. According to the first official report, the area under autumn wheat in the United States in autumn 1933 was only 7 per cent. less than the area of autumn 1932. The limitation propagated by the government was 15 per cent. As last year's bad harvest is not likely to be repeated, the wheat harvest of the United States alone will increase the export surplus by several hundred million bushels, so that bad harvests which may occur in other countries will be made up for in advance.

The transition to the depression also produced no improvement in the situation of cattle-breeding. Prices on the British market, which is decisive for world price formations, are at present on the same low level approximately as they were a year ago.

**Wholesale Prices for Animal Products in Great Britain**

12. April, 1933

Argentine Beef	British Pork	Danish Bacon
3/6 to 4/0	5/0 to 5/8	68/0 to 87/0
U.S. Bacon	Danish Butter	Canadian Cheese
39/0 to 41/3	90/0 to 91/0	60/0 to 68/0

12. April, 1934.

Argentine Beef	British Pork	Danish Bacon
3/4 to 3/8	5/6 to 6/6	79/0
U.S. Bacon	Danish Butter	Canadian Cheese
26/0 to 28/9	94/0	50/0 to 58/0

The prices are partly higher and partly lower, particularly with regard to fats, than they were a year ago, but there can be no question of any improvement.

The continuation of the agrarian crisis in its present intensity is one of the chief factors why the depression which has now begun offers no guarantee of any "normal" development of the cycle. We must not forget that the majority of the population of the world still lives from agriculture.

(2) The transition to the depression brought with it no improvement in foreign trade. Up to the present the diminution of foreign trade has not ceased. The Statistical Bulletin of the League of Nations gives the following figures, showing the value of the foreign trade of 73 countries embracing about 80 per cent. of the total of world trade:—

## Index of World Trade (1929=100)

	Fourth Quarters					
	1929	1930	1931	1932	1933	1934 (Jan.)
Value .. ..	102.2	76.1	57.7	39.0	35.0	34.0
Quantity .. ..	105.9	92.3	84.3	73.0	70.8	—

The policy of closing markets to foreign competitors is being continued and is even being intensified. Only recently Japan gave notice to end the "customs peace" concluded a year ago at the London conference, a peace which was often violated. Individual "regional agreements" (Italy, Austria and Hungary, Great Britain and Denmark, etc.) do not alter the situation. The striving towards "autarchy" or economic self-sufficiency caused on the one hand by the desire of the bourgeoisie of the various countries to ease the problem of markets by a full as possible monopolisation of the home market, and on the other hand by the intensifying rate of war preparations, continues. This striving to monopolise the home market is coupled with an intense campaign of dumping on the world market.

(3) **The transition to the depression brought with it no noteworthy improvement in the situation of the working class.** The increase of industrial production is taking place without any corresponding increase in the number of workers employed, and still less increase in the total amount of wages paid out. Capitalist rationalisation, which was continued throughout the crisis, is now making itself felt in full measure. The number of workers employed has increased relatively only to an unimportant extent. The tremendous army of unemployed workers shows very little signs of decreasing despite the increase of production. The increase in the cost of living continues in most countries and takes away a considerable part of the gain to the working class arising from increased employment. This can be seen above all in the fact that in most countries the sale of commodities of mass consumption shows hardly any increase. This stagnation of the income of the working class naturally means a corresponding increase of the surplus-value appropriated by the bourgeoisie, but at the same time one of the chief hindrances in the way of economic improvement because the market for articles of mass consumption does not extend.

(4) **The transition to the depression brought with it no alleviation of the imperialist antagonisms, or of the danger of war and intervention.** The preparations for war are being conducted at an increased rate.

The United States is building over a hundred new warships, fortifying the Aleutian Islands in the north of the Pacific Ocean, building air bases in Alaska and, in spite of the friendly correspondence between Hirota and Hull, it is preparing feverishly for war against Japan.

Great Britain is building new warships and intends to create the "Two-Power Standard" in the air, that is to say, to develop the strength of its air force to equal the two next strongest air forces, thus creating the relation which existed on the sea before the war. It is building a powerful combined naval and air defence line from Singapore via Timor to Port Darwin in order to protect India, the Dutch East Indies and Australia from the attacks of its "friend," Japan.

Japan is devoting the whole of its limited economic forces to preparations for war.

Germany has openly earmarked hundreds of millions of marks in its new budget for the purpose of increasing its armaments.

The smaller States are following the example of the larger States as far as their resources permit them to.

Even now in peace time the economic system is being adapted widely to the needs of war. This is not only the case in Japan, but also in Germany, where, as during the world war, national bodies for the control of grain, fats, milk products, textile raw materials, etc., have begun to function.

Already a series of "small" wars are in progress. Japan is waging war in Manchuria and Mongolia. British troops are pressing forward into Yunnan. Tibet is carrying on war against China. An "internal" war is being conducted in Arabia. In Morocco the French and Spanish troops are waging war upon the natives. In South America a bitter war is raging between Bolivia and Paraguay, and the latent war between Peru and Colombia threatens to flare up at any moment.

(5) **The transition to the depression has not checked the development of the revolutionary crisis, but rather accelerated it.** The events of the past few months: the armed struggles in Austria,

the great conflicts in France, the wave of strikes in the United States, the strikes in Denmark and in Belgium, the tenacious resistance of the working class in Germany under the leadership of the Communist Party against Hitler fascism, the heroic struggle of the Communist Party of Japan, and the strengthening of the guerilla movement in Manchuria, etc., are all known to the reader and prove this fact conclusively.

Although the transition to the depression has increased the utilisation of capital and thus improved the economic situation of the bourgeoisie to some extent, neither the inter-imperialist contradictions nor the contradictions between the bourgeoisie and the proletariat have been alleviated. The correctness of the thesis that we are on the verge of a second cycle of wars and revolutions is not shaken in the least by the transition to the depression.

## 2. The De Man Plan and the Collapse of the Belgian Workers' Bank

The May Day appeal issued by the Second (Labour and Socialist) International praised the De Man plan as a great achievement. In Belgium itself the whole activity of the Belgian social democracy has been concentrated for over six months on this plan, and at the end of 1933 an extraordinary congress of the party adopted it as the basis of the party policy. All the parties of the Second International welcome the De Man plan as the way which the social democracy must go in the future.

The enthusiasm of the leaders of the Second International for the De Man plan is chiefly due to the fact that with its assistance the leaders of the Belgian social democracy have succeeded in temporarily bridging the gap between the Right and "Left" wing of the party and in drawing the rebellious workers back to their leaders again. This is due solely to the plan, for in the summer of 1933 there was deep ferment amongst the members of the party, and the masses were rapidly losing confidence in their leaders.

### The Content of the Plan

The most important contents of the plan which was adopted by an extraordinary congress of the Belgian Labour Party at the end of 1933 are the following:—

The banks and the monopolies for the production of raw materials and power are to be "nationalised" by means of the formation of a central credit institution, which shall buy up as many of the shares of these undertakings as are necessary to ensure a "decisive influence" on the management of the undertakings. The whole economic system of the country is then to be guided with the assistance of the nationalised sections by "People's Commissariats" for finance, industry and transport which are to be founded for this purpose and to receive special powers from parliament. The rest of the economic system—that is to say, the preponderating part—is not to be touched organically.

The plan declares:—

"All branches of industry organised on a capitalist basis shall continue their activities as at present under a system of free competition freed from the shackles of monopoly capitalism, provided that they do not fall into the category of credit monopolies, power undertakings or raw material undertakings as defined in the previous chapter.

"In this sector of the economic system free competition must be permitted to achieve everything it can with regard to the development of initiative and inventive genius in an effort to obtain increased production and profitability."

In very careful language the plan itself promises as a result of such an "intervention" in the structure of the capitalist economic system: a peaceful way out of the industrial crisis, the abolition of unemployment, a planned economy not subject to crises, the abolition of the phenomenon of mass under-consumption and a considerable improvement in the standards of living of the workers (minimum wage rates, social insurance and collective agreements), whilst the articles written about and around the plan with a view to popularising it amongst the workers indulge in an orgy of demagogy concerning its results.

At the same time the plan promises the capitalists:—

"A price policy directed to organising the suppression of monopolist blackmailing and speculation in commodities, and to the stabilisation of agricultural, industrial and trading profits.

"A taxation policy which will take its share from the increased revenue of the budget resulting from the recovery in economic activity in order to lower chiefly those taxes which burden production and trade directly."

The plan is to be carried out with peaceful, democratic means by winning the majority of the people over to it. The decision of the congress of the Belgian Labour Party declares:—

"The party is now about to begin the struggle for the winning of power with all constitutional means in order to carry the plan into action, and it declares that participation in any government which does not adopt the plan and which refuses to recognise it as a programme to be carried out immediately, does not come into question.

"On the other hand, in the interests of the winning and utilisation of power, it is prepared to accept the support of any group which is prepared to accept the plan."

In other words, the Belgian Labour Party regards the plan first of all as its programme for the next elections, and, secondly, as a platform for a coalition policy with the bourgeois parties.

**Criticism of the Plan**

It is clear to every Marxist at the first glance that this plan is nothing but a manoeuvre on a grand scale to draw the workers away from the revolutionary path by striving to convince them that the "failures" of the other social-fascist parties who took part in bourgeois governments was not due to the fact that they betrayed the cause of the working class and carried on in the interests of the bourgeoisie, but solely to the fact that they entered the bourgeois governments unconditionally and without any fixed plans.

Although, in order to deceive the workers, the originators of the plan speak of "expropriation," it means in reality the salvaging of undertakings which are on the verge of bankruptcy as the result of the crisis by the State purchasing a section of their shares, just as has been done by the fascist government of Italy.

The fact that such a measure has nothing whatever to do with "an intervention in the structure of capitalism," that is to say, with socialism, is clearly shown by the situation in the United States, where in accordance with the recovery plans of the Roosevelt administration all the banks have sold a part of their shares to the State Reconstruction Finance Corporation, and by the situation in fascist Germany, where the government exercises a "decisive" influence over the big banks as a result of its share purchases. In a bourgeois State the purchase of shares in private undertakings by the State is always in the interests of the bourgeoisie. The price of the shares to be purchased is determined by agreement with the companies concerned, or in the case of "expropriation" a commission of high State officials is formed and may co-opt "experts," i.e., capitalists and trade union leaders, or, in other words, people who are overwhelmingly on the side of the bourgeoisie, thanks to their class situation, their education, and their "connections," and this commission then determines the price to be paid. The so-called expropriation of the shares inevitably develops into a splendid stroke of business for the monopolist capitalists.

The sums involved in the De Man plan can be seen from the following example of the Belgian mines, by far the biggest of the industries to be "nationalised":—

**Belgian Coalmining Figures \***

Year	Profits in millions of francs	Yield of nominal capital in percentages	July share quotations
1928	193	11.3	157
1929	122	10.3	187
1930	346	14.6	116
1931	118	6.2	94
1932	6	3.2	51

As we see, despite the very considerable wage-cuts, the profits of the Belgian mining companies have been very considerably reduced owing to the economic crisis, the competition of British and Belgian coal, and by the great strike in the Borinage. The share quotations fell accordingly.

At the end of December, 1932, the total amount of capital invested in Belgium totalled 2,514 million francs.†

\* Figures taken from the "Situation économique de la Belgique en 1932," issued by the Banque Nationale de la Belgique.

† Ibid. Page 267.

Six hundred and ninety-two million francs of this capital is in the form of debentures at a fixed rate of interest and 1,822 million francs are in the form of shares. In order to obtain a dominating influence ("influence préponderante") the Belgian State would therefore have to purchase approximately 900 million francs worth of shares.

The purchasing commission will therefore be faced with the question of fixing the price. Shall the shares be purchased at 187, 116, or 51? Assuming the purchase to be made at 51, the Belgian State would have to pay the mining capitalists 459 million francs. Assuming the purchase price to be 187, then the sum due would be 1,683 million francs for shares nominally worth 900 million francs. Each percentage of the share quotation means 9 million francs to the mining capitalists.

Further, "nationalisation" carried out by the purchase of shares would leave the existing distribution of income absolutely untouched. The "expropriated" capitalists would invest the money paid to them by the State in the untouched branches of production or in foreign investments. The plan declares expressly that neither foreign capital invested in Belgium nor Belgian capital invested abroad is to be nationalised. In other words, the existing impoverishment of the Belgian masses would be untouched, just as the tremendous income of the Belgian finance aristocrats would remain the same. It is characteristic that the plan contains no promise of higher wages, although the wages of the Belgian workers, even before the outbreak of the crisis, were and are the lowest in Western Europe. Proof of this is offered by the figures of the International Labour Office:—

**Index of the Level of Real Wages calculated on the Basis of the Cost of Living.** (London, July, 1924=100) \*

	1928	1929
Berlin	68	77
Brussels	47	52
London	103	105
Paris	61	59
Philadelphia	194	206

During the crisis the Belgian capitalists have mercilessly cut down wages. The International Labour Office gives the following figures:—†

**Usual or Minimum Hourly Wages for Adult Workers**

Year	Engineering	
	Turners	Workers
1930	6.25 to 7.50	4.50 to 4.75
1931	5.80 to 6.90	4.20 to 4.45
1932	5.40 to 6.45	3.90 to 4.20
1933	5.40 to 6.45	3.90 to 4.20

  

Year	Building Trades	
	Carpenters	Bricklayers' Labourers
1930	7.50 to 7.75	5.75 to 6.00
1931	6.75	4.75
1932	6.00	4.25
1933	5.50	4.00

  

Year	Furnishing Trades	
	Joiners	Polishers
1930	7.05	7.25
1931	6.75	6.75
1932	6.30	6.30
1933	5.85	5.85

Thus the wage-cuts made during the crisis range from 15 to 33 per cent. Nevertheless there is no promise to increase wages either in the plan itself or in the numerous speeches of De Man.‡

\* "Revue Internationale du Travail," April, 1929, p. 598.

† "Revue Internationale du Travail," October, 1933.

‡ Professor Baudhuin, of the Catholic University of Louvain, gives the following figures for the distribution of income in Belgium for 1928 on the basis of the official tax returns:—

Less than 10,000 francs	2,700,000 taxpayers
Between 250,000 and 500,000	1,800 " "
Between 500,000 and 1,000,000	491 " "
Between 1,000,000 and 2.5 millions	134 " "
Between 2.5 millions and 5 millions	34 " "
Between 5 millions and 10 millions	4 " "
Over 10 millions	5 " "



The tremendous demagoguery of the leaders of the Belgian Labour Party in connection with the plan does not alter the fact in the least that the plan is unreservedly acceptable to the bourgeoisie. The situation of the bourgeoisie would not be in the least worsened by the acceptance of the plan. The means of production would still remain in the hands of the bourgeoisie, either completely as in the case of the free sectors, or in the form of mixed undertakings as in the case of the "nationalised" sector. The State would continue to remain the bourgeois State of the bourgeoisie. The wealth and the income of the bourgeoisie would remain untouched and the exploitation of the working class would remain exactly the same.

However, in order to make certain doubly sure and allay the last fears of the bourgeoisie, the plan contains two important points: The great Belgian colony in the Congo is to be bound still more firmly to the Motherland "within the framework of the plan," and the national defence system is to be organised more efficiently than heretofore. Under the circumstances it is small wonder that this plan, which is supposed to represent an "intervention in the structure of capitalism" and an attempt to abolish monopoly profits, has not been at all violently rejected by the Belgian capitalists.

#### A Manœuvre against the Communists and a Preparation for Fascism

Incidentally, the real aim of the tremendous campaign in connection with the plan is not to secure its application, but to intensify the struggle against the growing influence of the Communists in Belgium and throughout the world. Just as the arch-revisionist Bernstein once declared: "Our final aim is nothing, the movement is everything!" so De Man declared quite openly at the Congress of the Belgian Labour Party: "**The plan is nothing, the action in favour of the plan is everything!**" The "action in favour of the plan" is intended to draw the workers of Belgium away from the revolutionary path of Communism. In the same speech at the congress De Man declared:—

"We are threatened with the danger that a social stratum may grow up amongst the organised working class whose interests are no longer the same as the interests of those who are still fortunate enough to be in regular employment. . . .

"There are signs of demoralisation similar to those in Germany, which first drove the unemployed workers to Communism and afterwards to national socialism.

"The Communists are not numerically strong, but amongst them are active elements who are capable of doing a lot of harm. . . ."

The slogan of the united front in the struggle against capitalism issued by the Communist Party and applied to such good purpose in the great Borinage strike is causing anxiety amongst the leaders of the Belgian Labour Party. Up to the present they have been unable to offer the workers anything to oppose it, but now they have found it: instead of "united front" they offer the workers the "labour front." De Man declared quite openly at the congress of the Belgian Labour Party:—

"We must form a labour front, and under these circumstances—that is to say, when all attention is concentrated on the plan—I think that the question of the united front will liquidate itself."

However, the great campaign in connection with the plan is not only a manœuvre on a grand scale against the united front and against Communism, but it also serves as a preparation of fascism. The plan proposes to limit the rights of parliament in order to "transfer special powers to those persons appointed to manage the economic system in the sense of the plan," and the formation of "councils" to support the commissars, these councils to be composed of persons of "recognised competence" outside parliament.

In his speech to the party congress De Man demanded "a strong State" in the best fascist way.

"Yes, we want a strong State, but we want it to abolish the wall of money ("mur d'argent"), whereas others want a strong State in order to strengthen the wall of money."

In a bourgeois State a dictatorship must always mean a dictatorship against the proletariat, no matter who may be controlling it. Whoever propagates the idea of a strong bourgeois State under the existing circumstances is paving the way for fascism. Indeed, the plan and the agitation in favour of the plan are fascist all along the line.

At the end of March De Man delivered a lecture to the bourgeois Société d'Economie Politique de Belgique. As "le Peuple"

of the 29th March points out, he spoke to an audience consisting of industrialists, economists, and business men. And what had he to say to the capitalists of Belgium? The following:—

"Nationalisation is provided for only where we are up against monopolies. It is not a question of any property transfer. It is above all a transfer of authority. . . . **The plan does not propose any reduction of profits, on the contrary, it proposes to stabilise profits. . . .** The plan is an attempt to find a way out of the crisis for all classes."

Hitler himself might have said the same, word for word.\*

#### The Collapse of the "Belgian Workers' Bank."

The bankruptcy of the "Belgian Workers' Bank" came like a bolt from the blue into the middle of the great campaign of the Belgian Labour Party on behalf of its "plan" and against the radicalisation of the workers of Belgium and against Communism. All the preliminary successes which the hypocritical agitation of the Belgian Labour Party in favour of the plan had obtained were swept away at one blow. In order to understand the political significance of the collapse of the "Belgian Workers' Bank" it is necessary to remember that the Belgian Labour Party is based **not on individual membership**, but on the affiliation of various independent working-class organisations, such as the trade unions and the co-operatives, in the same way as the British Labour Party, the Norwegian Labour Party, and the Social-Democratic Party of Hungary. Every member of a trade union in Belgium is thus automatically a member of the Labour Party, and his contribution is contained in his trade union subscription.

Even before the war a capitalist degeneration of the co-operatives began. Their productive undertakings were turned into joint-stock companies and their shares were quoted on the stock exchange. This development of the co-operatives into undertakings run purely along capitalist lines made still more rapid progress after the war. In 1913 the "Belgian Workers' Bank" was founded with the modest capital of a million francs, but in the last decade this bank has developed into the actual centre of the Belgian Labour Party.

The "Belgian Workers' Bank" occupied a special position amongst the other financial institutions in Belgium in that the funds of all working-class organisations were handed over to it for administration and investment. This gave the bank a financial strength which was far beyond the modest size of its share capital.† In the balance-sheet issued at the end of 1933 we find the following important items as given by the "Bankers' Almanach" for 1933-34 on page 158:—

	Millions of francs
Paid-up capital . . . . .	27
Reserves . . . . .	35.5
Deposits . . . . .	394.8
Nominal share capital . . . . .	50

The deposits with which the bank operated belonged to the various working-class organisations. Up to the time of the collapse

\* The following facts show how close De Man is to the Hitlerites:—

(1) The last book published by De Man, "The Socialist Idea," appeared in Germany after the accession of Hitler to power. All the works of De Man are still being openly sold in Germany. In answer to an inquiry, we received from a German bookseller the following reply:—

"In reply to your inquiry concerning the works of Hendrik de Man, we are pleased to inform you that there is no objection to our taking orders for his books. Berlin, 5th April, 1934."

(2) The Hitler regime considers De Man to be so useful that it has proposed that he should continue his teaching at the University of Frankfurt. In "le Peuple" of the 4th April, 1934, De Man himself wrote:—

"On the 23rd of May, 1933, the Rector of the University of Frankfurt wrote to me requesting me to resume my lectures at the University in October."

These facts need no further comment.

† The "Belgian Workers' Bank" had branches in Antwerp, Bruges, Ghent, Liège, etc., and its correspondents abroad were big and powerful banks, the National and Provincial in Great Britain, the Irving Trust Co. in the United States, the Société Générale in France, etc.

these deposits had dwindled to 290 million francs, because during the last half-year the trade unions had withdrawn 100 million francs. These deposits were built up as follows:—

- 150 million from the co-operatives.
- 50 million from the trade unions.
- 40 million from the municipalities in Antwerp and Ghent, where the mayors are socialists.
- 50 million from other undertakings and private depositors.

The monies deposited with the bank were utilised in a normal capitalist fashion. Industrial undertakings which went under the title of co-operatives were financed although they were really capitalist joint-stock companies. The industrial interests of the bank embraced chiefly textiles, foundry works, chemical works, and colonial undertakings. The real power in the bank administration was its director Anseele, the 78-year-old leader of the co-operatives, together with Vandervelde he is the real head of Belgian reformism.

In the balance-sheet of the "Belgian Workers' Bank," from which we have already quoted, we find the following items on the credit side:—

	Millions of francs
Securities (not including State) .. .. .	105
Participations .. .. .	20.5

The bank business flourished and the following dividends were paid out:—

1928	1929	1930	1931	1932
17.1 p.c.	18 p.c.	15.6 p.c.	10.8 p.c.	6 p.c.

However, the economic crisis brought this period of prosperity to a sudden end. In 1933 the dividend fell to a third of that in 1932, and at that it was obviously not earned, but paid out in order to conceal the desperate situation of the bank, as is usually the case with capitalist undertakings facing bankruptcy.

#### The Economic Crisis in Belgium

The economic crisis hit Belgium with full force. It is a country which is more dependent on the world market than any other and over the half of its production has to be disposed of abroad. The causes for this are the smallness of territory and the density of population, which is the greatest in Europe. The population can be maintained only by selling the commodities of a highly-developed industry abroad.

#### Economic Figures for Belgium

	Industrial Production (1928=100)	Textiles	Coal (in millions of tons)	Monthly Average (in 1,000 tons)			
				Iron	Steel	Zinc	
1929 .. .. .	100.1	95.4	2.25	337	342	16.5	
1930 .. .. .	89.8	78.4	2.29	280	280	14.7	
1931 .. .. .	82.8	72.0	2.25	266	259	11.2	
1932 .. .. .	69.9	61.3	1.78*	229	232	8.3	
1933 .. .. .	74.3	62.4	2.11	229	229	11.5	
1934 (Jan.) .. .. .	—	—	—	223	226	14.2	
1934 (Feb.) .. .. .	—	—	—	211	208	12.9	

\* Strike in Borinage.

Belgian foreign trade has suffered particularly during the crisis because the little country was at a disadvantage against the big imperialist Powers in the struggle for markets and because it has maintained the gold standard down to the present day.

#### Foreign Trade of Belgium and Luxemburg (Monthly Average in Millions of Francs)

1929 .. .. .	2961	2649
1930 .. .. .	2581	2172
1931 .. .. .	1979	1922
1932 .. .. .	1347	1264
1933 .. .. .	1233	1173

The drop in exports during the economic crisis amounts to approximately 56 per cent., and was therefore less than the average drop in world exports calculated in gold, and also less than the drop in exports of Belgium's big industrial competitors. Calculated in gold, the drops suffered by the various countries were as follows:—

World	U.S.A.	Germany	Gt. Brit.	France	Belgium
64.9 p.c.	75.1 p.c.	61.5 p.c.	65.7 p.c.	61.2 p.c.	55.7 p.c.

As far as we can observe, the possibility of little Belgium maintaining its exports during the crisis better than its big competitors have succeeded in doing is based on two factors:—

- (1) The particularly low level of wages paid to the workers of Belgium. We have already given the necessary figures.
- (2) The particularly sharp drop in prices during the crisis.

#### Drop in Prices During the Crisis (1913=100) \*

	Germany	France	Belgium
1929 .. .. .	137.3	127.3	123.9
1934 (Feb.) .. .. .	96	81.2	69.6
Drop .. .. .	41.2	46.1	64.3
	30 p.c.	36 p.c.	52 p.c.

The cause for this particularly steep drop in prices is to be found in the whole structure of the Belgian economic system: the specialisation of industry in the production of commodities for sale on the world markets, and the absolute necessity of obtaining industrial raw materials from abroad.

#### Belgian Imports in 1930

	Millions of	
	Cwts.	Francs
Wheat, barley, oats, maize, rice .. .. .	24	2,760
Timber .. .. .	17	1,200
Coal .. .. .	83	1,185
Iron, copper, zinc, and manganese ores ..	131	575
Cotton .. .. .	1	800
Wool .. .. .	0.1	480
Mineral oils .. .. .	58	680

These figures show that there can be no question of any autarchy in Belgium. Belgian industry could not exist at all without the import of large quantities of coal, ores, oils and textiles. The people of Belgium cannot be fed without the import of 24 million double cwts. of grain (the home production of grain totals 16 million double cwts.). Belgium is therefore compelled to pursue a policy of relative free trade. It is true that the customs duties placed on imported goods rose from 29.7 per cent. in 1925 to 42.4 per cent. in 1931, but even then the customs duties imposed in Belgium are considerably less than in other countries.

In order to maintain the necessary foreign means of payment to finance its indispensable imports Belgium must maintain its exports—that is to say, it is not possible in Belgium to raise the level of prices artificially by State measures, but this level must conform more or less to the world market level.

It is not necessary to explain that the drop of 52 per cent. in the price level in four years meant tremendous losses for capital and led inevitably to the collapse of those undertakings which were not very firmly established. In fact, the wave of bankruptcies in Belgium was relatively high, and it is still rising.

#### Monthly Average of Bankruptcies in Belgium

1929	1930	1931	1932	1933
111	144	213	288	309

The tremendous drop in prices naturally affected the numerous industrial undertakings financed by the "Belgian Workers' Bank." The crisis is therefore the chief reason for the collapse of the bank, but political factors have also played a great role, and we must examine the question from this point of view also.

#### Political Causes and Consequences of the Collapse of the "Workers' Bank"

The leaders of the Belgian Labour Party were closely allied to the Belgian State apparatus and to Belgian finance-capital through the co-operatives and the "Belgian Workers' Bank." Here are two examples of an objective and subjective nature:—

The Workers' Bank takes part in colonial exploitation. It possesses various undertakings in the Congo district. Together with the co-operatives it possesses a concession of 12,000 hectares in Ruzizi for the cultivation of cotton for the needs of the textile factories in Belgium. The land is tilled by the Negroes, who are compelled to sell the cotton harvest to the society at a fixed price. This price is determined by the Belgian colonial administration. In reality, therefore, the situation is nothing better than slavery. The Negro workers possess in practice no freedom of movement, and they must work for the society.

Concerning the personal relations of the leaders of the Belgian Labour Party with the Belgian finance aristocracy, we find the following in "le Matin" of the 14th April, 1934:—

"Albert François, the socialist senator for Charleroi-Thuin, played a role in the negotiations for providing the

\* We compare here only countries in which there has been no inflation during the crisis, as the calculation of prices in terms of depreciated currency into gold would introduce a new factor of inaccuracy.

Belgian Labour Bank with a loan. His position in financial circles is a dominant one. He is the director of the Banque Générale du Centre, of the Branch of the Société Générale de Belgique, of the Banque Belge l'Etranger, and of the Société Nationale de Crédit à l'Industrie, which is a semi-official institution. He lives in a particularly beautiful house."

Although the economic basis of the collapse of the "Belgian Workers' Bank" was the economic crisis, the immediate cause was the confiscation of the funds of the economic undertakings in Austria following on the defeat there. This caused many Belgian workers to withdraw their savings not only from the bank, but also from the co-operatives, which in turn tried to withdraw their deposits from the bank. The collapse was then unavoidable. The defeat suffered by the Social Democratic Party of Austria gave the "Belgian Workers' Bank" the coup de grace and, as we shall show, administered a shameful political defeat to the Belgian Labour Party.

The political consequences of the collapse of the bank are of decisive importance. The conditions under which the government has agreed to make a loan of 150 million francs to the bank represent the complete subordination of the co-operatives to the government, without rescuing the bank itself.

The conditions were as follows:—

"Anxious for the security of the small savers, the government made no objection to the granting of an advance to the socialist co-operatives from the funds of the State Savings Bank (Caisse d'Epargne) providing the operation was conducted under the following conditions:—

"(a) The sum of the advance may not exceed 150 million francs.

"(b) The repayment of the sum thus advanced must be guaranteed by the co-operatives collectively with all their resources and mortgages must be laid upon their real property.

"(c) The sum thus advanced must be used exclusively to repay the deposits of the individual savers.

"(d) A firm control must be exercised on the disbursement of the sum thus advanced."

These conditions were accepted without reservation by the co-operatives. The conditions do not mean that the "Belgian Workers' Bank" is to be put on its feet again, but that the co-operatives will receive sufficient funds to satisfy their small depositors upon condition that they place themselves utterly under the control of the government and mortgage their property collectively to the government. This means that the co-operatives, which represent the chief basis of the Belgium Labour Party, are now completely in the hands of the bourgeoisie. It also means the collapse of the "Belgian Workers' Bank" and the loss of the trade union funds deposited with it to the tune of 50 million francs. It also means the destruction of the material basis of one of the most important parties of the Second International and the direct material dependence of the majority of the leaders of the Belgian Labour Party on the government.

It is clear that under these circumstances the carefully prepared manoeuvre with the De Man plan will lose all its attraction and that the fight between the Right and "Left" wings of the party will break out again with renewed violence. One of the leaders of the "Left" wing, Spaak, has already declared: "The dismal situation we have to-day is the result of 25 years of error. The mistakes in the conception of the founders, defenders, and beneficiaries of the socialist joint-stock companies were clear."

Whilst the above was being written news has arrived that the co-operative bank in France has also collapsed and been compelled to close its doors. Its liabilities amount to 400 million francs. There can hardly be any question of government aid in this case. Although the connections between the co-operatives and the reformists in France were never so close as in Belgium (Blum assures the readers of "Populaire" that the French Socialist Party has never had money from the bank), the collapse of the bank is politically most unpleasant for the French Socialist Party.

### 3. Special Section

#### Germany

Under the fascist regime the organisation of the capitalist economic system in Germany is taking on more and more the characteristic features of war economy. The various branches of industry have been forced into obligatory cartels. State boards regulate foreign trade, determine distribution, the export and import of raw materials, the prices on the home market, the way in which grain must be milled, the distribution of fats, milk, etc. Organisationally the whole economic system is being prepared for war.

Germany's rearmament is not even being concealed any longer. The new budget for 1934-35 shows that social expenditure has been reduced to a minimum, but it contains about one hundred million marks more for armaments.

#### Overt War Expenditure in the German State Budget (In millions of marks)

	War Ministry	Air	Together
1933-34 .. ..	674	78	752
1934-35 .. ..	894	210	1,004

In addition to the overt expenditure there is the covert expenditure which it is not possible to verify, but an expenditure of 250 million marks for the fascist storm detachments and for the so-called voluntary labour service scheme, and a sum of 190 million marks for the police must be reckoned under this heading.

Hidden away in the budgets of the other ministries are numerous items which come under the heading of war preparations; for instance, the cost of building the new automobile roads, the orders of the Reichs railways for new rolling stock which would be quite superfluous in peace-time, the grants to house-owners for the building of gas-proof dug-outs, etc. The overt and covert war expenditure of the German Reich considerably exceeds 1,500 million marks and is therefore considerably higher than the expenditure on the great army maintained before the war under general compulsory military service. There is also a certain amount of war expenditure which is made by private individuals; for instance, the cost of obtaining uniforms is passed on to the men themselves in part. All the members of the numerous semi-military organisations must buy the necessary uniforms and equipment themselves.

The second characteristic feature of the recent economic development in Germany is closely connected with the preparations for war, it is the fear of a new inflation. As is always the case in such situations, the measures taken by individual capitalists to draw individual advantage from the expected inflation, i.e., the sending of currency abroad, the laying in of large quantities of foreign raw materials, the production of commodities for stock, etc., all lead to an acceleration of the approaching inflation and even produce certain inflationist phenomena, although up to the present there has been no "authentic" inflation in Germany.

Accelerated preparations for war and the fear of an inflation, together with the internal forces working to overcome the cyclical economic crisis, are important causes of the increase of production which the statistics of Germany reveal.

#### Index of Industrial Production in Germany

(1928=100. Seasonal fluctuations have been excluded)

	1933		1934	
	Feb.	Dec.	Jan.	Feb.
Total industrial production .. ..	64.6	74.5	79.5	80.6
Means of production .. ..	55.0	66.1	71.7	74.2
Commodities for immediate consumption	78.9	87.0	88.3	90.2

According to these figures production continued to increase during the last few months and even accelerated its tempo. The increase of industrial production during the past year totalled 24 per cent. The increase in the production of iron and steel was particularly marked. In March and April a series of further blast furnaces were blown in again; for instance, in Ruhrort-Meiderich, the Thyssen foundry in Hamborn, the Julius foundry in Upper Silesia, and in the Mannesmann concern.\* The fact that this increased production of iron and steel is chiefly for war purposes and does not serve for the renewal and extension of fixed capital is amply proved by the complete standstill of capital emissions. Throughout 1933 the total of share emissions was no more than 91 million marks. The emission of debentures was considerably

\* "Statist" of April 14, 1934.



larger, but unfortunately there is no special statistical record of the issue of industrial debentures.

The textile industry is able to report the best business amongst those industries producing for immediate consumption. The Association of German Cotton Mills writes:—

"The brisk demand for cotton yarns reported in February continued to be maintained generally during March. The reports from the various districts continue to remain satisfactory and confident. The volume of orders has again increased as compared with the previous month, and the factories will be occupied for several months."

The cotton weaving mills were not quite so optimistic:—

"Business in cotton weaving was comparatively lively in March. However, this improvement was not uniform everywhere. In some branches there was even a drop in orders. However, the weaving mills probably have work for the next few months."

The reports from most branches of industry are in the same strain, but the development of share quotations of industrial undertakings is in flagrant contradiction to these optimistic reports. The Index of the Deutsche Volkswirt, which embraces all shares on the market, indicates the following development:—

22nd March, 1933	27th March, 1934
82.2	87.7

In spite of the considerable increase in production, the share quotations have risen very little during the past year. The development of the quotations varies according to groups and individual undertakings. The nearer one comes to the armament industry the higher the shares rise.

The cause of this contradiction is that the utilisation of total capital is still low, and that opinions concerning the further development of business in the future are not optimistic.

With regard to the utilisation of capital, the decisive role here is played by the continuation of the insufficient utilisation of productive capacity. According to official figures, the productive capacity of German industry in March, 1934, was still only about fifty per cent.

#### Percentage of Working Hours as Compared with Full Capacity (March, 1934)

Total Industry	Means of Production.	Means of Consumption
49.9	48	52.4

The greatest utilisation of capacity is in the foodstuffs industry with 65.4 per cent., and the least utilisation is in the industry working for cultural requirements, where the figure is 30.1 per cent.

#### The Problem of the Mark

With flaring headlines the "Boersen-Zeitung" features the declaration made by Goebbels on the 26th April: "Never again an inflation in Germany!" The text of Goebbels' speech is given particular prominence:—

"The government will never again tolerate an inflation in Germany. It will maintain a stable currency, and it would sooner issue an appeal to the whole people to take part in a joint struggle to guarantee the security of the currency than permit the currency to be the plaything of international stock exchange manoeuvres."

Experience in all countries has shown that when members of the government deny so sharply the possibility of an inflation the danger of an inflation is very near.

The gold parity of the mark has been a purely artificial one for a long time. The mark is no longer gold currency; it is constantly being supported. Where the support is removed, as in the case of blocked marks, register marks, etc., the quotation immediately drops to about half of the nominal parity. The newest factor in the situation of the mark is that the previous methods which have been used to support it—the use of foreign means of payment, the non-payment of foreign debts, partial transfer of interest only, etc.—are no longer sufficient to guarantee the continuation of this artificial stabilisation.

The main source from which Germany fulfilled its foreign obligations up to the present was the active balance of its foreign trade, but that active balance has now disappeared. In the first quarter of 1934 Germany's balance of foreign trade became adverse.

#### German Foreign Trade Balance in Millions of Marks

Monthly average	1933			1934				
1931	1932	1933	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
239	89	56	98	43	45	-22	-35	-8

The first three months of 1934 show a debit balance of 65 million marks. As a consequence the Reichs Bank lost a further 150 million marks in gold and foreign means of payment. At the end of March the total gold and foreign means of payment in the possession of the Reichs Bank was no more than 245 million marks. A year ago on the 23rd March, 1933, the gold (and foreign means of payment) covering of Germany's bank-notes was 26.6 per cent. At the present moment, on the 29th March, 1934, the covering is only 6.7 per cent. If the diminution of the gold and other reserves of the Reichs Bank continues in the future at the same rate, then in five months the gold reserves of the Reichs Bank will be absolutely exhausted.

The causes for the change of Germany's balance of foreign trade from active to passive are to be found both in the export and the import sides. Export is steadily declining because the German price level is too high and because the low capacity of the internal market places very definite limits to German dumping abroad, because the throttling of agricultural imports by increasing customs duties leads to retaliatory duties on the part of the agricultural countries against German goods, because Germany is not in a position to support its export trade with capital export, etc. On the other hand, the import of raw materials into Germany has risen considerably during the past few months, partly as a result of the increased production of industry and partly as a security against the depreciation of the mark. Even in 1933 the quantity and also the value of imported important raw materials were greater than in previous years:—

#### German Imports in Thousands of Double Cwts.

Year	Wool	Cotton	Flax, Hemp, Jute
1931	1,817	3,798	1,686
1932	1,801	4,247	1,661
1933	1,979	4,733	2,134
Year	Iron	Pig-iron	Crude Copper
1931	1,154	70,708	2,199
1932	1,170	34,516	1,716
1933	2,257	45,716	4,317

The increased import of raw materials is indispensable for German capitalism if production is to rise still further, if future exports are to be maintained, and if an army of millions of men is to be efficiently equipped. But German capitalism has no gold at its disposal to pay for these imports until such time as they can be sent out into the world again as finished goods, neither can it obtain credit from abroad.

At the present time Germany's imports consist to 55 per cent. of raw materials for industry, 15 per cent. fodder, 15 per cent. foodstuffs, and only 15 per cent. of industrial finished goods. The dilemma in which German capitalism finds itself is therefore:—

Either the limitation of the imports of raw materials, and in consequence the undermining of the economic improvement and of future exports.

Or the inflation or devaluation of the mark in order to make Germany's goods capable of competing on the world market

For the moment Hitler has decided on the former alternative. The purchase of wool, cotton, etc., abroad has been completely prohibited until the 5th May and will obviously be subjected to a permanent control.

The reason why Hitler is afraid of an inflation are both economic and political. The economic reason is that without gold reserves, without creating "currency funds" along the lines of the British and American examples, without the possibility of mobilising capital investments abroad, and in view of the fact that the bills in the hands of the Reichs Bank consist chiefly of "work provision bills" and not sound commercial bills, it would not be possible for the German bourgeoisie to control the depreciation of the mark once it had commenced.

The political reason is that an inflation would drive the petty bourgeoisie in town and country right away from Hitler. These masses offer fascism its broad basis, or at least they did at the time of the seizure of power. They are already disappointed enough and an inflation would accelerate the development of the revolutionary crisis.

For these reasons, therefore, Hitler prefers for the moment to continue the policy of artificially maintaining the gold parity of the mark by limiting the import of raw materials, and intensifying the control of gold and foreign means of payment (from the beginning of May on anyone leaving the Reich could take no more than 50 marks in cash and 150 marks in credit notes with him), etc.

### Unemployment and the Situation of the Working Class

Every month the German press celebrates new triumphs in the struggle against unemployment. According to the official figures, unemployment has been reduced by half since Hitler came to power.

It becomes boring to have to deal again and again with these lies of the fascist press. The real situation is the following:—

At the peak of the prosperity period in June, 1929, according to official figures, there were:

Employed insured workers (according to the figures of the Health Insurance) ..	18,906,000
Unemployed workers (end of July, 1929) ..	1,251,000
<b>Together</b> .. .. .	<b>20,157,000</b>

There were thus over twenty million workers, not including those sick or otherwise incapacitated from working. If we assume the percentage of these to be about one per cent. we arrive at a total of **20.36 millions of workers.**

The latest figures published by the fascist statisticians for March, 1934, are:—

Employed workers, according to the figures of the National Health Insurance ..	14,687,000
Unemployed workers registered at the Labour Exchanges .. .. .	2,798,000
<b>Together</b> .. .. .	<b>17,485,000</b>
Plus one per cent. for the sick, etc. . . . .	174,850
<b>Sum total</b> .. .. .	<b>17,659,850</b>

Compared with the official figures of June, 1929, therefore no less than **2.7 million workers** are missing altogether. They are in fact unemployed, but thanks to the manipulations of the fascist authorities, such as the exclusion of whole categories of workers (landworkers and domestic servants) from the unemployment insurance scheme, they do not appear in the statistics. In addition there are the hundreds of thousands in the concentration camps, in the prisons and in the army. The number of unemployed workers in Germany is not 2.8 millions as the fascists contend, but even according to their own figures where properly compared, **5.5 millions, and in actual fact at least six millions.**

In the five years which have passed between June, 1929, and March, 1934, several hundreds of thousands of youths have left school and joined the ranks of the unemployed, and this number is far in excess of the thinning out of the ranks of the proletariat by death. Further, several hundreds of thousands of peasants, small traders and artisans have lost their means of existence during the crisis and also swollen the army of unemployed. **A figure of six millions of workers completely unemployed is the minimum in Germany to-day.** The demagogy of the fascist press about the alleged reduction of unemployment by a half under Hitler is an impudent swindle. This can be seen even from the official figures which have been issued under the fascist regime. The total of insured workers and of workers registered at the labour exchanges was:—

April, 1933 .. .. .	18,030,000
March, 1934 .. .. .	17,490,000
<b>Decrease</b> .. .. .	<b>540,000</b>

During the course of one year over half a million workers have disappeared from the fascist statistics altogether.

The following official figures show the ruthless cutting down of unemployment support by the fascists:—

#### Unemployed Workers (in thousands)

	Jan., 1933	Mar., 1934.
Number of registered unemployed ..	6,014	2,798
Number receiving insurance benefit ..	953=16%	250=9%
Number on transitional benefit ..	1,419=24%	911=32%
Number on public relief .. .. .	2,459=41%	985=35%
Not in receipt of support .. .. .	1,183=19%	652=24%

With regard to the situation of the **unemployed workers** it is almost impossible to obtain any figures at all from the legal press in Germany. It is quite clear that the "leaders of the factories," now that they have been emancipated from the shackles of trade union agreements, are doing everything possible to reduce still further the wages of their "loyal followers." It is equally certain that the workers, encouraged by the improvement on the labour market and led by the German Communist Party, are resisting these wage-cutting efforts with increasing energy.

A certain confirmation of the reduced money wages of the

workers is offered even by the fascist statistics. According to these figures the income of the workers, clerical employees, and officials per quarter year in millions of marks was:—

1933	II.	III.	IV.	1934	I.
	6,490	6,826	6,768	6,800,	an increase of 5%
Number of workers in the Health Insurance (in thousands)					
	13,062	13,691	13,713	14,064,	an increase of 7%

Whilst the total income of the workers, etc., increased under fascism by 5 per cent., the total number of workers, etc., employed increased by 7 per cent. thus the income per head decreased. For the workers the percentage drop was undoubtedly much larger, because in the last year a tremendous number of highly-paid officials have been engaged in the various new government offices for foreign trade, raw materials control, etc.

When we consider that even according to fascist statistics the cost of living has increased by 4.1 per cent. between March, 1933, and March, 1934, we then have by their own statistics a drop in the real wages of the working class by 6.1 per cent. since the beginning of fascist rule. The actual loss suffered is much greater.

### France

The events of the last few months show that in France also the revolutionary crisis is rapidly developing. All the talk about the exceptional position of France (as the bulwark of democracy, the country in which the class contradictions are not so sharp as in other countries, for instance, fascist Germany, etc.) has naturally proved to be empty babble.

#### The Development of the Crisis in France

The development of the crisis in France was characterised by the fact that it began later than in the other industrial countries and that it will obviously end later. Let us take a look at the figures for production.

#### Industrial Production (1928=100)

	General	Machinery	Textiles
Yearly average, 1929 .. .. .	109.4	113.8	92.9
" " 1930 .. .. .	110.2	113.8	85.9
" " 1931 .. .. .	97.6	98.6	71.7
" " 1932 .. .. .	75.6	69.6	60.6
" " 1933 .. .. .	84.6	78.5	74.5
Lowest Monthly Index, July, 1932 .. .. .	72.4	67.4	51.5
Highest Monthly Index, July, 1933 .. .. .	88.2	82.6	78.8
			(Aug.)
December, 1933 .. .. .	83.5	76.1	75.8
January, 1934 .. .. .	83.5	74.6	76.8
February, 1934 .. .. .	83.5	73.2	76.8

This table shows the following facts:—

(1) The drop in production began late and lasted only a relatively short time, not more than two years;

(2) The depth of the crisis as compared with former crises is very great, but not as compared with other industrial countries (the U.S.A., Germany, Poland, Canada, etc.); and

(3) The drop in the production of the means of production is less than the drop in the production of goods for immediate consumption, although how far the notorious unreliability of French statistics plays a role here we do not know. In any case, the causes of this phenomenon appear to us to be the following:—

(a) The rationalisation which took place in France prior to the crisis was relatively little and there was therefore no all too great surplus of the means of production. The index of machinery production thus never fell below 67 per cent., whilst in Germany, in the United States and other industrial countries it fell at the worst point of the crisis below 50 per cent.;

(b) Tremendous harbour building, canal building, the fortification of the eastern frontiers, high production in the armament industries not only for home consumption, but also for export; and

(c) The great decrease in the production of the luxury trades during the crisis.

The relatively mild course of the crisis in France was in part due to the circumstance that the home market remained relatively longer active than in most other capitalist countries. The chief reason for this was that the agrarian crisis—apart from certain special fields such as wine growing, vegetable growing, flower cultivation, etc.—affected the inner market up till recently much less unfavourably than in other countries owing to the inverted price scissors.

## Price Indexes in France (1913=100)\*

Year	Wholesale	Agricultural	Industrial	Retail
	Index	Commodities	Commodities	Index
1929 .. ..	627	579	669	556
1930 .. ..	554	526	579	581
1931 .. ..	502	542	464	569
1932 .. ..	472	482	380	526
1933 .. ..	398	420	380	520
1934 (March) ..	394	413	378	—
Price drop in % ..	27	29	43	

The scissors unfavourable to agriculture, which is characteristic of the capitalist world in general and which existed in France in 1929 and 1930, developed in 1931, the year in which the industrial crisis in France actually began, into a scissors unfavourable to industry! During the course of 1933 the blades of the scissors came together very considerably, but in principle the scissors still exist to-day.

The reason for the development of this inverted scissors in France is that, generally speaking, France is an import country for agricultural commodities and that therefore the high import duties on agricultural commodities were effective and very considerably hampered the fall of agricultural prices and their adaptation to world market levels, whilst, on the other hand, France being an export country for industrial commodities, the industrial prices rapidly adapted themselves to world market levels during the crisis.

Economically considered, this relation of prices means that when the total sum of surplus value is being distributed between the bourgeoisie and the agrarians, the latter are at an advantage as against the former, or, in other words, from the total sum of surplus value a relatively larger part goes in ground rent and a relatively smaller part in profits (in its various forms as industrial profit, interest on loan-capital, trading profit, etc.).

It is a special question how it comes that a State in which the bourgeoisie is undoubtedly the ruling class can pursue an economic policy which favours ground rent at the expense of profit. Undoubtedly that section of the bourgeoisie which produces chiefly for the peasant market has a great interest in maintaining the purchasing power of the peasantry. In view of the intensification of the struggle between the proletariat and the bourgeoisie it must have appeared dangerous to the latter to pursue a policy against the interests of the agrarians, the rich and middle peasants who in 1933 compelled the government to fix State minimum prices for wheat by means of great demonstrations. A great role is also played by the parliamentary system in France, and the great influence of the peasantry as electors. This naturally restricts the freedom of manoeuvre of the bourgeoisie.

The economic situation was complicated and made still more difficult by the very slow rate at which the retail prices sank during the crisis. The disparity between wholesale and retail prices became relatively greater. The various taxes placed on consumption which were frequently increased played no small role in this. Undoubtedly also the profit of the monopolist who has placed himself between the producer of agricultural commodities and the urban consumer is considerably higher than that of the industrial capitalist and particularly that of the industrial capitalist producing for the export industries.

The task of the Cabinet of National Unity in France is precisely to reduce the costs of industrial production in France, to restore the capacity of French industry to compete on the world market and in general to secure a better utilisation of capital.

## French Foreign Trade (in milliards of francs)

Monthly average	Import		Export	Import surplus	In % of import
	Import	Export			
1929 .. ..	4.55	4.18	0.68	15	
1930 .. ..	4.38	3.57	0.81	19	
1931 .. ..	3.25	2.54	0.98	28	
1932 .. ..	2.48	1.64	0.84	34	
1933 .. ..	2.37	1.54	0.83	35	

The complete standstill of new emissions of capital in 1934 and the lying idle of dozens of milliards of francs loan-capital also show the low level of capital utilisation in France.

In 1929 France was able to cover 85 per cent of its imports by corresponding commodity exports, and in 1933 it was able to cover only 65 per cent.

\* The index is in "new" francs, which contain one-fifth of the gold content of the pre-war franc. 1913 should therefore be 500!

The picture of French foreign trade presents a still worse appearance when we separate French exports to the French colonies from normal French exports to the world market. Like Great Britain, France has also succeeded in increasing its exports to its colonies, thanks to political pressure. In 1929 only 18.8 per cent of the French exports went to the colonial countries of France, whilst in 1933 the figure had risen to 33 per cent. Without this the general drop in the French export trade would have been considerably greater.

One section of the bourgeoisie (chiefly that section which is interested in exporting) considers that the **method of inflation would be the simplest and easiest** in order to restore the competitive power of French industry on the world market. However, the decisive section of the bourgeoisie shrinks from this solution of expropriating the rentier class, which is very numerous in France, a second time within ten years.

The second line of approach is that of **cutting down wages and salaries**, but here also there are difficulties, as the masses are beginning to offer increasing resistance to such wage-cuts, particularly as retail prices have fallen only very little during the crisis (as we have already demonstrated) and as the prices of food in particular are very high. With the exception of Belgium, wages in France are the lowest in Western Europe, and to lower them still further would be impossible without violent social struggles.

The third proposal is therefore to lower the protective tariffs on agricultural imports, to lower ground rent, to cut down intermediate profits by reducing the disparity between wholesale and retail prices and by lowering the cost of living to facilitate the lowering of money wages.

However, the action to lower the cost of living meets with resistance from the rich peasants, the producers of foodstuffs and the trading capitalists. The politico-economic measures of the government are being unscrupulously exploited by these elements to their own enrichment.

The fourth proposal, although a less important one, is that the costs of production should be lowered by the reduction of taxation; in other words, a budget question. The problem of the French budget is extremely complicated in its details. Whereas in Great Britain the State Budget is kept according to thoroughly commercial principles so that when the budget is closed the exact results are immediately known: receipts, expenditure and surplus or deficit, the French government continues to use an antiquated system of book-keeping as a result of which certain items are carried forward from one budgetary year into the next and it often lasts years before it is finally quite clear exactly how much the State expenditure for one particular year was. The result is that no one in France really knows the exact state of the government finances, the exact amount of the existing deficit.

For instance, in the first two months of 1934 the State revenue turned out to be 575 million francs below the estimate.

The French ruling class pursue an open and shameless policy of tax defaulting. Here is an example: Income tax has to be paid on all incomes over 30,000 francs a year. About a million people in France own motor-cars. The maintenance of a motor-car in France costs about 30,000 francs a year, but the number of persons who pay taxes on 30,000 francs a year is about half the number of persons who own motor-cars!

On the other hand, the expenditure of the State budget is very difficult to reduce. The following represent the chief items:—

(a) Interest on the public debt. This is the chief source of income for the rentier class whose members always present themselves in France under the idealised mask of the "small saver";

(b) Salaries of the vast armies of officials. France is perhaps the most bureaucratic country in the world. There are over a million State, department and municipal officials in France. The payment of their salaries represents a very important item in the State budget; and

(c) Expenditure for military purposes. These three items taken together represent about 90 per cent. of the total budgetary expenditure of France. As the incomes of the "small savers" may not be touched, and naturally no reduction may be made in military expenditure, all that remains is to cut down the already very low salaries of the officials. However, an attempt to do this means a fight with a very important section of French society.

To sum up: Any attempt to reduce the costs of production in

France and to increase the utilisation of capital must inevitably meet with the resistance of the broad masses of the workers, peasants and officials. In such a case the class struggle would intensify and larger and larger sections of the population would be drawn into it.

The previous parliamentary-democratic methods are failing more and more as instruments to carry out the policy of French capital and as a result the slogan: "Greater State authority!" is recurring with growing frequency in the speeches of all the representatives of capital and has found its most systematic form in Tardieu's book, "L'Heure de la Décision," which was published this year. This slogan represents the opening of the campaign for the rapid development of fascism in France.

## Great Britain

The improvement of the economic situation in Great Britain has been maintained during the last six months. Undoubtedly Great Britain, amongst all the great industrial countries, is the farthest along the road to a relative recovery.

The following table shows the development of the economic situation in Great Britain during the last few years:—

	Indexes of Production			
	1930	1931	1932	1933
London and Cambridge Economic Service (1924=100)	98.5	84.3	84.9	90.4
Board of Trade (ditto)	103.3	93.7	93.3	98.2
Production of Coal (millions of tons)	244	219	209	207
Pig iron (ditto)	6.2	3.8	3.6	4.1
Steel (ditto)	7.3	5.2	5.3	7.0
Artificial Silk (Millions of pounds)	48.8	54.6	72.5	84.1
Electricity (millions kilowatt hours)	11.914	11.403	12.241	13.554
Index of "The Economist" (1924=100)	105.9	96.3	95.6	99.9

This table demonstrates that the economic life of Great Britain, with the exception of the coalmining industry, showed an obvious improvement in 1933 as compared with 1932, and that it is at present somewhere between the levels of 1930 and 1931. The relativity of this improvement consists in the fact that it is taking place on the basis of the chronic crisis of British capitalism, and that the present level of production is still below the 1913 level. This relativity is recognised by serious economic circles in Great Britain itself, for instance, in "The Economist" of the 24th March, 1934, in an article entitled "The Limits of Recovery." However, the past few months have seen a further improvement:—

### Trade Index of "The Economist" (1924=100)

	1933	1933	1934	
	Year	Dec.	Jan.	Feb.
<b>Imports of:</b>				
Raw Materials	105	99.5	110	118
Non-ferrous Metals	85	91	104	102
<b>Consumption of:</b>				
Iron and Steel	53	67	81	85
Cotton	91	84	96	87
Coal	82	89	95	85
Electricity	106	103	103	109
Finished Foods Exports	67½	65	68.5	65
Business Index	99.7	104	108.7	107.8

If we examine more closely the course of the economic improvement in Great Britain we get the following picture:—

The situation of the "new" industries and of the war industries is improving. The building industry is showing signs of recovery, as also is the production of iron and steel, but the two largest industries in the country, coal-mining and cotton still show no signs of improvement at all.

The automobile industry is showing marked signs of improvement on the basis of a further "structural" extension of automobile maintenance. The following table gives us the most important figures:—

Years	In thousands			
	1929	1931	1932	1933
Motor-cars in use	981	1083	1128	1203
Newly registered motor-cars	167	141	143	179
Exports	42	25	40	52

The production and exports of motor-cars have thus increased

beyond the 1929 level. The world-famous Rolls-Royce company paid a dividend of 17 per cent. in 1933.

Another new industry which is doing excellent business is the production of artificial silk. The dominant concern on this field, Courtaulds, has decided to increase its productive capacity by 30 per cent. by setting up supplementary machinery in the existing factories. At the same time it has reduced prices with the admitted aim of preventing the formation of new undertakings in view of the high profits offered by the production of artificial silk and preventing a new wave of speculation such as the one which led to a loss of about 12 million pounds for shareholders a few years ago. Another aim is also to compete with Japanese goods on the world market.

Other new industries—for instance, the production of gramophones, wireless sets, films, etc., are also enjoying improved business.

As in all countries, so in Great Britain, the increased preparations for war play no small role in the improvement in certain branches of industry. This is indicated by the considerable increase in the profits of the two big British armament concerns, Vickers and Imperial Chemicals. Vickers in particular received very large orders from the British naval construction programme of 1933.

"A year ago the limitation of armaments throughout the world seriously damaged business activities. But as the security of the empire depends on the capacity of the Vickers group to increase their production of armaments at short notice, its future was just as much assured as that of the army, navy and air force, whose needs it serves."\*

In 1933 Imperial Chemicals made a profit of 6 million pounds sterling, or 1.3 millions more than in 1932. The British import duties on dyes were to have been withdrawn this year in accordance with a promise made by the government, but suddenly the Secretary of State for war demanded that the duties be retained "for reasons of national security."

The preparations for war have undoubtedly played a great role in the improvement experienced by British shipbuilding. The building of merchant vessels has also increased. The tonnage on the stocks has increased from 252,400 tons in the first quarter of 1933 to 481,400 tons in the first quarter of 1934. The relative position of British shipbuilding has also improved. At the moment 44.6 per cent. of world shipbuilding is being carried out in Great Britain as compared with 34.1 per cent. a year ago. The reopening of work on the biggest ship in the world, the giant Cunarder, with the assistance of a government loan, is welcomed with special satisfaction by the British bourgeoisie as a sign of a return to normal prosperity.

The forced building of factories for the extraction of benzene from coal serves open militarist aims. The Air Ministry has announced in parliament that this year seven squadrons of the British air force will fly on British oil, and that by next year the number will be 17 squadrons. According to the new agreement, 300,000 tons of coal are to be used to produce a million gallons of oil. The price is said to be no higher than that of foreign oil, whilst home-produced oils are tax-free.

A certain sign of the commencing recovery is the considerable increase in building activity which took place last year. According to the figures of the official "Labour Gazette," the following was expended for new building operations:—

(In 1,000 pounds sterling)

Year	Dwelling houses	Buildings of all sorts
1924	37,667	58,182
1925	45,358	66,447
1926	46,209	67,630
1927	39,889	64,282
1928	40,124	67,435
1929	44,260	73,094
1930	46,764	74,605
1931	40,492	63,010
1932	46,888	66,254
1933	62,308	83,682

Building activities are greater to-day than they have been for a decade. Government and municipal building operations and the campaign against the slum districts play a certain role in this improvement.

\* "The Manchester Guardian" of the 17th March, 1934.

And, finally, it must be mentioned that apart from the improvement in shipbuilding, the railways have also begun to make up for the limitation of orders for rolling stock and rails during the crisis, and as a result there has been a certain improvement in the locomotive and carriage-building industry.

All these factors have led to a considerable increase in the production of iron and steel.

#### Production in thousands of tons

Years.	Iron	Steel
1929 .. .. .	632	803
1930 .. .. .	314	433
1932 .. .. .	297	438
1933 .. .. .	344	584
1933 (March) ..	332	578
(October) ..	373	668
(November) ..	375	695
(December) ..	409	669
1934 (January) ..	441	711
(February) ..	414	708
(March) ..	504	830

In March of this year the production of steel in Great Britain increased beyond the level of 1929.

The government is making great efforts to encourage the formation of monopolies along the lines of voluntary amalgamation, but in many cases it is meeting with considerable resistance.

#### The Problem of the Old Industries

However, all this is not enough to ensure a real recovery in Great Britain. The two biggest industries in the country, coal and cotton, have benefited practically nothing at all from the general improvement of the economic situation. The British cotton industry is being ousted more and more from the world market, to the extent of one-third owing to Japanese competition, and two-thirds to the development of cotton industries in the colonial countries and by the general drop in consumption. Before the war Great Britain exported seven milliard yards of cotton cloth. In 1928 this export had fallen to four milliard yards, and in 1933 it was only two milliard yards. There exists no prospect of ever recovering the 1928 level of export, not to speak of the pre-war level.

Japan is the most dangerous competitor of Great Britain on the world market for cotton goods. In 1933 Japanese exports of cotton goods exceeded those of Great Britain for the first time in history:—

#### Cotton Goods Exports (in Millions of Yards)

Years	Great Britain	Japan
1930 .. .. .	2,407	1,572
1931 .. .. .	1,716	1,414
1932 .. .. .	2,197	2,031
1933 .. .. .	2,031	2,089

The cotton goods exports of Great Britain and Japan were distributed as follows:—

#### Exports of Cotton Goods from Japan (in Millions of Yards)

	1928	1929	1930	1931	1932	1933
To all countries ..	1,419	1,791	1,572	1,414	2,032	2,089
To British countries ..	482	757	631	671	987	—
To India .. .. .	358	581	404	404	645	—
To the British Dominions ..	24	29	39	61	74	—
To other British countries ..	100	147	188	206	268	—
To the remaining countries	936	1,034	941	743	1,045	—

#### Exports of Cotton Goods from Great Britain (in Million Yards)

	1928	1929	1930	1931	1932	1933
To all countries .. ..	3,866	3,672	2,407	1,716	2,198	2,031
To all British countries ..	2,204	2,074	1,311	863	1,258	—
To India .. .. .	1,542	1,374	773	389	599	—
To the British Dominions ..	314	341	275	259	314	—
To other British countries ..	348	359	258	215	345	—
To the remaining countries	1,662	1,598	1,096	853	940	—

There are as yet no detailed figures for 1933 available. In the five years since 1928 Japan has increased its sales of cotton goods on the world market by 50 per cent., whilst British exports of cotton goods have fallen by about 50 per cent. Japanese cotton goods exports to the British Empire have doubled, whilst the corresponding British exports have fallen by almost 50 per cent. That is the balance of the competition between Great Britain and Japan.

The British bourgeoisie is in an extremely contradictory situation with regard to Japan. For foreign political reasons the decisive section of the British bourgeoisie regards good relations with Japan as indispensable because Japan is a possible ally in a war

of intervention against the Soviet Union or in a war against the United States. On the other hand, Japan threatens British interests in China, threatens the security of Australia and, via Dutch East India, the very maintenance of British power in India. For this reason the defence line from Singapore to Port Darwin is being strengthened in order, if necessary, to bar the passage of the Japanese fleet into the Indian Ocean. The competition of Japanese industry against British industry would normally demand sharp counter-measures from the British Empire, but at the same time Japan is one of the biggest purchasers of cotton from India and wool from Australia and must therefore be treated with the necessary respect.

It is this complicated situation which is responsible for the vacillating attitude of the British bourgeoisie towards Japan. As is known, with regard to India an agreement was come to according to which the quota system is to be applied to the import of Japanese cotton goods, the size of the quotas to depend upon the amount of Indian cotton purchased by Japan,\* but on the other hand the negotiations between Great Britain itself and Japan have broken down, although the British government exercised considerable pressure on the Lancashire textile industry.

An attempt is now being made to save the British cotton trade by a thorough reorganisation: the formation of combines, the abolition of the existing atomisation of the industry in spinners, weavers, dyers and traders and, above all, the increase of the exploitation of labour-power. The British cotton manufacturers will try to compete with Japan on the world market by approximating British wages to Japanese wages, and in this they are being supported by the trade union leaders.

The second great British industry which is still in the doldrums is the coal-mining industry. The chief figures concerning the situation of this great industry which a few years ago employed over a million workers, are the following:—

Year	Production	Export	Bunker Coal	Remained in England	No. of Workers Employed (in 1,000)	Wage Fund (in millions of pounds)	Productivity per shift (in cwt.s.)
1929 ..	258	64	16	177	957	230	21.7
1930 ..	244	56	16	170	931	214	21.6
1931 ..	220	46	15	159	868	196	21.6
1932 ..	209	42	14	153	853	186	22.0
1933 ..	207	42	14	151	773	185	22.4

The year 1933 saw no increase either in production or export. The number of workers employed decreases regularly every year, whilst as a result of rationalisation the productivity of labour-power per shift increases. Hundreds of thousands of miners have been flung out of their jobs for good and all. There are whole districts in which the population is permanently unemployed.

The third weak point in the economic situation of Great Britain is foreign trade. It is true that the volume of British foreign trade did not decrease any further in 1933, but there was no increase of export and the increase of production which took place was achieved solely as a result of the extension of the home market.

#### British Foreign Trade (in Millions of Pounds Sterling)

(Monthly Average)	Imports	Exports	Import Surplus
1929 .. .. .	92.2	60.8	31.8
1930 .. .. .	79.8	47.6	32.2
1931 .. .. .	66.5	32.4	34.1
1932 .. .. .	54.4	30.4	24.0
1933 .. .. .	52.2	30.6	21.6
1934 (January) ..	60.6	31.6	29.0
1934 (February) ..	52.1	30.0	22.1
1934 (March) ..	56.6	33.1	23.5

\* The chief competitor of Great Britain in India is not Japan, but the rapidly-developing native textile industry of India, which uses Indian cotton and very badly-paid labour-power and at the same time enjoys customs protection. The following table shows the development of the Indian cotton trade even during the years of the crisis (in millions of yards):—

1920 .. .. .	2,959
1930 .. .. .	3,777
1931 .. .. .	3,883
1932 .. .. .	4,362
1933 .. .. .	4,870



During the past few years the British bourgeoisie has succeeded in reducing the deficit in its foreign trade balance by one-third. This was accomplished by drastic measures to cut down imports, and by the big drop in the prices of agricultural commodities. However, although British exports have increased as compared with other countries, they still remain very low.

To sum up, we can say that the situation of capitalism in Great Britain has improved considerably during the past year. Profits have increased,\* the last budget showed a surplus of 39 million pounds sterling, the major portion of which went to the bourgeoisie in the form of income-tax reductions. However, the improvement is beginning from a very low level and has not affected the most important of the old industries up to the present. Therefore, apart from the official note of optimism we can also find very sceptical views being expressed by competent authorities, for instance, Sir Josiah Stamp, the president of the L.M.S.R., the biggest of the British railway companies.

The increase in production in Great Britain has resulted in an increase in the number of workers employed and a certain reduction in unemployment figures. According to the official statistics, the number of registered unemployed fell to 2,201,597 in March, 1934, the lowest level since October, 1930. The number of insured workers employed is given as 10,058,000, or 644,000 more than a year ago. The reduction of unemployed has varied according to the individual industries. The following table, published by the "Ministry of Labour Gazette," shows the reduction in unemployment from the middle of February, 1933, to the middle of February, 1934, and in brackets the present percentage of unemployment:—

#### Percentage Decrease of Unemployment as Compared With 1933

Coal-mining .. .. .	2.8 (25.9)
Cotton trades .. .. .	2.5 (21.9)
Pig-iron production .. .. .	12.7 (29.6)
Wool trades .. .. .	8.8 (10.9)
Iron and steel .. .. .	15.0 (29.0)
Boots and shoes .. .. .	2.6 (16.9)
Bricks .. .. .	10.9 (15.0)
Building trades .. .. .	11.3 (23.2)
Dockers .. .. .	1.4 (35.0)
General engineering .. .. .	10.3 (19.3)
Electrical engineering .. .. .	7.6 (11.7)
Marine engineering .. .. .	16.6 (38.2)
Constructional engineering .. .. .	13.5 (26.8)
Aero-motor engineering .. .. .	9.0 (10.4)
Shipping .. .. .	2.0 (32.1)
Shipbuilding .. .. .	9.5 (54.0)

These figures also show that the two biggest of the old industries, coal-mining and the cotton trades, have made no progress.

With regard to the unemployed, the "national" government adopts various manœuvres. In view of the big budget surplus, it solemnly cancelled the unemployment cuts made in 1931. This represented an expenditure of about 4 million pounds annually, whilst the bourgeoisie obtained about 20 million pounds annually by the reduction of taxation. Further, the new unemployment bill makes the unemployment insurance funds wholly responsible for the amortisation and interest on the 115 million pounds sterling owing to the Treasury. It is announced that only after this sum has been paid off can there be any question of increasing unemployment insurance benefits.

On the other hand, unemployed workers are being deprived of benefit continually by the workings of the "Means Test." Numerous investigations have shown that the British unemployed workers' families are living on an average below the absolute existence minimum necessary for the maintenance of physical health. Here is the result of such an investigation: The British Medical Association has reckoned out the necessary minimum of calories. A commission of enquiry has compared unemployed

working-class households in Newcastle-on-Tyne with the minimum drawn up by the B.M.A., and the following is the result:—

	B.M.A. Minimum	Actual Amount	Deficit Grammes	Deficit in Percentages
First-class protein ..	50	22.29	27.71	55.42
Second-class protein..	50	46.85	3.15	6.30
Fat .. .. .	100	78.55	24.45	24.45
Carbon hydrates ..	500	431.91	68.09	13.61
Calories .. .. .	3400	2765.25	634.75	18.60

The real wages of an employed worker are attacked from two sides. First of all, money wages have been reduced during the past few months in various branches of industry, and, secondly, the laws passed in favour of British agriculture—that is to say, in favour of the big landlords—are beginning to make themselves felt more and more. The official cost-of-living index has risen by no more than from 4 to 5 per cent., but the most important items of food, bread, milk, and butter, have increased much more in price, and the national government is continuing this policy of increasing the price of foodstuffs.

Therefore, although the situation of the bourgeoisie has improved, there is great discontent amongst the masses of the workers. This discontent is reflected in the election successes of the Labour Party in by-elections and in the winning of the majority by the Labour Party on the London County Council, and also in the increasing influence of the Communist Party, the success of the hunger-march and other united front actions, the defection of numerous I.L.P. workers to the Communist camp, and the steady decline of the I.L.P. The leftward movement of the workers in Great Britain has thus a double character: those workers who voted for the conservative candidates at the last election are now turning towards the Labour Party, whilst the most revolutionary elements in the Labour Party are turning more and more towards the Communist Party.

## The United States of America

The first months of 1934 saw a continuation of the increase of industrial production in the United States which began in November, 1933, after the severe set-backs in the autumn of that year. The general indexes of business activity, the goods traffic on the railways and the consumption of electrical current reached the level of the summer of 1933 in March of this year, whilst the total index and most of the individual figures for production still lag rather considerably behind.

Although this considerable increase in production—and in the profits of monopolist capitalism—has produced optimistic views, it is difficult to find any serious economic publication which does not recognise the artificial and unstable character of the improvement.

The improvement is taking place parallel with a complete stagnation of new capital emissions.

In the first three months of the current year capital emissions, according to "The Financial and Commercial Chronicle," amounted (in millions of dollars) to:—

Years .. .. .	1934	1933	1932	1931	1930	1929
Total new capital ..	225	101	421	1239	2145	2849
Inland joint-stock cos.	32.8	26.6	134	543	1515	2573

The continued stagnation in the new investments of capital is also proved by other figures:—

#### Value of Newly-Concluded Building Contracts (In Millions of Dollars)

	Public Buildings	Dwelling Houses	Other Buildings	Together
1933 (March ..	17.6	16.0	26.4	60.0
1934 (January) ..	113.7	15.1	57.6	186.5
(February) ..	53.2	14.5	29.0	92.7
(March) ..	92.9	28.1	58.1	179.2

The total sum expended for building operations was less than a third of the corresponding average sum expended in the years 1925/29, and of this sum the expenditure for public building operations takes the lion's share. It is clear, therefore, that there can be no question of any capital investments for productive purposes up to the present.

And finally we should like to point out that the index of employment of the workers in the engineering industry in 1934 (1923-25=100) was 64 per cent. as compared with 44.4 per cent. in Feb., 1933. This represents an increase of almost 50 per cent. However, we must not forget that in the meantime the weekly working time

\* "The Economist" of the 21st April, 1934, gives the following figures, showing the net profits (after the deduction of interest payments, etc.) of the same group of undertakings:—

Fourth Quarter, 1932 .. .. .	£16,200,000
Fourth Quarter, 1933 .. .. .	£21,100,000
Increase .. .. .	30 per cent.
First Quarter, 1933 .. .. .	£52,900,000
First Quarter, 1934 .. .. .	£55,800,000
Increase .. .. .	5 per cent.

has been cut down by one-third, so that in reality the index of employment for the engineering industry is only a quarter over the very low level of February, 1933. The effect of the general crisis of capitalism, the chronic surplus of constant capital, makes itself felt with particular force in the United States and hampers the normal development of the crisis very considerably.

If, therefore, no renewal of constant capital is proceeding, on what basis is the increase of production taking place?

Monopolist capital in the United States now wants to make an end as quickly as possible of the whole Roosevelt policy of Codes, the "New Deal," the recognition of the trade unions, etc., now that the threatening collapse of March, 1933, seems to have been overcome, and it declares that the cause of the improvement is the sums distributed by the Roosevelt administration amongst the workers and farmers, etc.

There has already been a very considerable reduction in the State means distributed to finance the economic improvement. In March the government expended only 450 million dollars for this purpose. Roosevelt's estimation that the budget year 1933/34 would produce a deficit of seven milliard dollars proves to have been incorrect. In the first nine months of the budget year the deficit was 2,450 million dollars. In order to reach the estimated seven milliard dollars, 4,550 million dollars would have to be distributed in the months from April to June, or a monthly average of 1.5 milliard dollars, but this is absolutely inconceivable, all the more so as the State work provision activities are to cease on the 1st May. The question of what is to be done now is a fairly urgent one.

Let us make an attempt to translate the views of the American bourgeoisie and the views of Roosevelt and his learned advisers into Marxist language:—

**The bourgeoisie declares:** a permanent improvement is possible only if the utilisation of capital is improved and an accumulation made possible. To put it still more briefly: any improvement must begin from Section I.

**On the 5th March, 1934, Roosevelt declared in a programmatic speech:—**

"I spoke last June of the fact that wage increases must in the last resort lead to an increase in the costs of production, but I requested the employers to direct their efforts first of all to increasing the purchasing power of the population. . . .

"What I said last June was right then and it is right now. To-day, as at that time, the first task of industry is to create purchasing power. We must remember that 90 per cent. of the market of our national industry is accounted for by persons who live on wages or salaries, and that only 10 per cent. is accounted for by persons with capital income.\* With millions of people unemployed the power of our population to purchase the products of our industry remains very limited. Purchasing power can be increased only if we keep prices down to the lowest possible level at which higher wages and increased employment can be obtained.

"Therefore I direct the following appeal to business: It is your immediate task to employ more persons at sufficient wages, and what is more, now immediately. This is the only way in which we can continue the economic improvement and establish that economic balance we are seeking. . . ."

To put it briefly: any improvement must begin from Section II. The policy of Roosevelt is therefore to distribute tremendous sums to the farmers (almost a milliard dollars for public works) and as loans to the "people" in order to increase purchasing power artificially.

It is clear that under the existing conditions of the general crisis of capitalism neither Roosevelt nor the bourgeoisie is right. The bourgeoisie relies on experience, knowing that in former cycles the recovery was carried by constant capital, that expenditure for constant capital leaves all other elements of the market far behind it from the point of view of value, that under capitalism business is dependent on the degree of utilisation of capital. The bourgeoisie is nearer to the truth than Roosevelt, but it forgets

\* Roosevelt is simply confusing here the number of purchasers and the purchasing power which is at their disposal. The value of production in the United States in 1929 was 70.4 milliard dollars. 11.7 went to wages and about 3.5 to salaries, that is to say, the 90 per cent. made up of workers and clerical employees, etc., had a purchasing power of 15 milliard dollars, whilst the 10 per cent. of industrial capitalists had a purchasing power of 55 milliard dollars.

that in view of the chronic surplus of constant capital it must at least last a very long time before any recovery can come about along "normal" lines, assuming that this is possible at all. Roosevelt and his "Brain Trust" fail to grasp the fact that the artificial increase of purchasing power by State means can only be effective up to the point at which the subventions have been expended, that it necessarily conditions a new inflation, and that each inflation has a turning point where it definitely becomes a hindrance to the capitalist system.

For the moment it is true that the recovery in the United States is due to State measures for the extension of purchasing power. It is based on an improvement in Section II., although during the past few months Section I. has also shown slight signs of improvement.

Let us observe this on the basis of "The Annalist" index:—

**Index of "The Annalist" ("Normal"=100)**

	1933 March	March	1934 February	January	1933 July
Goods waggons loaded	51.4	69	67.4	65.2	66.2
Crude steel production	19.5	60.1	56.0	48.8	92.7
Pig-iron production	16.8	50.9	45.8	42.7	64.4
Electrical production	80	95.4	91.6	89.3	96.9
Cotton consumption	81.1	88.4	89.2	88.8	138.3
Wool consumption	52.4	—	—	73.9	144.0
Silk consumption	64.4	69.6	66.6	60.6	85.2
Shoe production	94.6	95.6	111.6	105.0	133.0
Automobile production	27.0	76.9	76.6	58.7	67.8
Building timber production	35.2	—	56.5	56.9	71.1
Cement production	36.0	—	—	46.2	56.2
Zinc production	39.9	62.1	61.5	62.1	66.4
Total index	58.5	—	76.5	73.1	89.5

The trebling of the production of steel as compared with March, 1933, would seem to indicate that the improvement has now begun to affect Section I., but this conclusion would be an error. The increased production of steel is accounted for chiefly by the automobile industry, whose production at the moment is almost three times as high as it was last year and even higher than it was in July, 1933, at the height of the inflationist boom. As we have already pointed out, a large quantity of iron and steel is necessary to fill up the gaps which occurred during the crisis as a result of the fact that demand fell below the normal level of wear and tear replacements. In comparison with July production in the clothing industry—cotton, wool, and boots and shoes—is considerably lower. It would seem that after the urgent need of clothes and shoes which had accumulated during the crisis had been satisfied, and after stocks had reached their normal level, the demand for these commodities dropped considerably, and that the supplementary purchasing power was used to replace motor-cars used up during the crisis. It is chiefly the farmers who have received approximately a milliard dollars from the government in the form of premiums during the course of a year, who are buying motor-cars.

A comparison between the figures for production and sale show, by the way, that just in the last few months many more motor-cars were produced than were sold, for fear of a strike in the automobile industry.

Roosevelt and his personal advisers are attempting to continue their previous policy and even to intensify it: a further depreciation of the dollar, the use of silver as a currency factor, the compulsory restriction of agricultural production, etc.

The American bourgeoisie is demanding with increasing energy that a return be made to an "orthodox" economic policy and that no more "experiments" should be made. In his new book, "On Our Way," New York, 1934, page 62, Roosevelt describes his inflationist policy in the following, on the whole, correct fashion:—

A comparison of the total wealth of the United States in 1929 with all debts at that time—State, social and private—showed a considerable surplus of wealth.

"In the spring of 1933 the sum of debts was just as large, but the total wealth had become less than the debts.

"Two paths were open: either to reduce the sum of debts by bankruptcy and public auctions down to a level below the value of our wealth, or to increase the total wealth until it again became greater than the debts.

"Obviously, the latter procedure was the only correct one to put the country on its feet again without destroying human values.

"When the U.S.A. abandoned the gold standard in April,

1933, we did deliberately something which other nations, including Great Britain, had been compelled to do against their will. The country has understood that the dollar is just as good a dollar as it was before. Indeed, we proposed to make it into a more honest dollar than it had been during the three and a half years of permanent and progressive deflation."

When we take a look at the movements of prices during the past year we see clearly that the depreciation of the dollar has by no means found its full expression.

#### Price Movements Since the Abandonment of the Gold Standard ("The Annalist" Index, 1913=100)

Wholesale Index

	New Dollars	Old Gold-Dollars	Farm Products	Textiles	Fuel	Metals	Building Materials	Cost of Living Index
March (1933)	85.7	81.7	65.3	66.0	101.9	92.7	106.6	71.8
March (1934)	107.0	64.6	92.9	119.5	160.5	105.0	113.8	78.5
	+23%	-21%	+41%	+81%	+58%	+14%	+7%	+9%

The tremendous lack of uniformity in the inflationist rise in prices (from 7 per cent. on building materials to 81 per cent. on textile goods) must naturally create a great disproportion. Whilst some commodities have risen even beyond the proportion of the depreciation of the dollar, others have remained almost at the level of a year ago. With regard to the cost of living, official statistics declare that there has been an increase of no more than 9 per cent. within the year, although this is certainly a falsification in order to dissuade the working class from putting forward wage demands.

The lack of uniformity in the rise in prices explains the friction between Roosevelt and a section of the finance oligarchy and also the difficulties of Roosevelt's policy towards the farmers.

A section of the financial oligarchy would now like to end the whole policy of the "New Deal" with its Codes, the unpleasant question of collective agreements, and with the special powers of the President in the currency question, etc., as quickly as possible and return to the old policy of "free" price movements, the individual treatment of the labour question, etc.

However, President Roosevelt wishes to continue his popular policy of supporting the farmers and the American Federation of Labour, and he has by no means abandoned the idea of a new inflation coupled with a new silver policy. He and his advisors are actually struggling with the insoluble problem of how to overcome the general crisis of capitalism on a capitalist basis by means of State "planned economic" measures.

As is generally known, in 1933 the farmers were persuaded by big government premiums to plough in about 10 million acres out of about 40 million acres of cotton. However, the farmers ploughed in only the inferior fields and paid more intense attention to the remainder, with the result that the cotton crop on the restricted area turned out to be as big as the previous year's crop. The cotton growers did a fine stroke of business and the government a very bad one. The cotton problem remained unsolved.

President Roosevelt is now compelled to adopt compulsory measures in order to reduce the cotton crop. In the middle of April the Senate adopted the Bankhead Bill, according to which only 10 million bales of cotton may be ginned. Farmers who gin more than the quota permitted to them are to be fined 50 per cent. of the cotton price. Thus, instead of government premiums and voluntary action, compulsion and high fines are being adopted. But even that will not solve the problem. The price of American cotton cannot be increased by internal measures. Over half of the cotton crop is exported. If the prices of American cotton are artificially increased by the limitation of the cotton area or the destruction of a part of the crop (cotton which is not ginned is useless), the result will be that the production of cotton in non-American areas—India, Asia, Africa, South America—will increase proportionately. But what is to be done with the land which was formerly used in the United States for the production of cotton?

The situation is similar with regard to wheat. Instead of the planned restriction of the area under wheat by 15 per cent., the actual reduction was only 7.2 per cent. last autumn. According to the first official estimates a harvest of winter wheat to the tune of 492 million bushels is expected this year as against a final result of 351 million bushels in 1933. No wonder that the wheat prices have again suffered a sharp drop!

Under these circumstances the plan for a new inflation, this time in the form of the remonetisation of silver, is winning ever new supporters. In the Senate there is a bloc between the farmer representatives and the silver interests, in order to drive up the price of silver, to obtain the utilisation of silver as a backing for the United States currency side by side with gold (bi-metallism), and to depreciate the dollar still further. All these facts show clearly that any attempt to solve the crisis of capitalism by State measures, by a "planned economy" is doomed to failure.

#### The Situation of the Working Class

Despite the increase in production in the United States, **unemployment has hardly declined**. The "crisis rationalisation" is now having its effect strongly in the increase of the productivity of labour. There are no official statistics concerning unemployment in the United States. The figures given by the American Federation of Labour (in thousands) are as follows:—

	1933, February	1934, February
	13,294	11,374

The number of unemployed workers thus decreased by about two millions in the course of a year. However, as the government employed from two to four million men on public works—up to the 1st May—there has actually been no diminution in unemployment figures.

The official figures of the manufacturing industries offer a somewhat different picture:—

#### Employment and Wages in the Manufacturing Industries

(1923-1925=100)

	Employed	Wage sum
February, 1933	59.2	40.0
February, 1934	74.7	59.2

According to these figures the number of workers employed increased by 25 per cent. In view of the increased production and the reduction of working hours, this is not impossible, though it is probably exaggerated. However, at the same time agriculture has certainly disposed of a proportion of its labour-power as the result of the restriction of the tilled area.

On the other hand, the suggestion that the wage sum has increased by fifty per cent. is quite improbable even if we accept an increase of 25 per cent. in employment as correct and take into consideration the increase in the cost of living. Reports from the various branches of industry indicate that the lower paid workers have in fact gained from the application of the minimum wages provided for in the Codes, but on the other hand the higher paid workers have lost because the minimum wages provided for have in fact become maximum wages. It is therefore not clear where the alleged increase in the wage sum by almost fifty per cent. comes from.

We mentioned previously that a section of the United States finance oligarchy is hostile to the N.I.R.A., but it is becoming increasingly plain that the Codes which were allegedly drawn up against the capitalists are becoming in their practical application a weapon of monopolist capital against the outsiders and against the workers.

More and more heads of the finance oligarchy, for instance, Ford, Dawes, du Pont and E. Grace, are beginning to recognise the advantages of the Codes to capitalism, and this is inevitably so for the power of the finance oligarchy is so great that any law, even if it is aimed against them, can be turned in practice in the bourgeois State to their advantage. It is therefore quite possible that the N.I.R.A. laws, which expire in June of this year, may be renewed in a form which will make them acceptable to finance capital as a whole.

The great strike struggles which have been raging in the United States for months show clearly that the Codes have not improved the situation of the working class as a whole.

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