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Contents

	Page
The Imperialists are Arming. <i>Editorial</i>	553
On the International Situation	560
The Forthcoming Congress of the Communist Party of Germany. <i>W. Ulbricht</i>	574

The Imperialists are Arming

THE war of 1914 to 1918 was carried on to the very last under slogans whose monstrous hypocrisy has never been equalled in all the world's history. The Fourteen Points, announced by the American President as a basis for the conclusion of the Armistice, provided a foundation on which was piled a repulsive edifice of pacifist demagogy, of delusion of the workers, of all the pseudo-peaceable policy of post-war imperialism. Confronted after the war with the fact of intense revolutionary activity among the proletariat, the capitalist governments were compelled to take into account the proletarian masses' sympathy for the Soviet State and their much greater energy and resourcefulness, and sought ways and means of hiding the true aims of their politics from the vast masses. Consequently the post-war period is marked by a particular development of extremely varied forms of false peaceful co-

operation among capitalist States. The culminating moment in the extension of the illusion that it was possible to achieve a peaceful regulation of the antagonisms rending the capitalist world, and post-war Europe in particular, came at the end of 1924 and the beginning of 1925, when the adoption of the Dawes Plan and the conclusion of the Locarno treaties were glorified by the bourgeois press as the beginning of a new peaceful era in the life of the European peoples.

During the last few years there has been an accentuation of the armed rivalry between the largest imperialist States, a deepening of the internal antagonisms in post-Versailles Europe, and parallel with these a perceptible rise in the workers' movement of recent times.

Together with these factors there has been an acceleration in the process of overcoming pacifist illusions among the working class. The Locarno treaties, the League of Nations,

economic co-operation, disarmament, which have all been persistently propagated by the social traitors of all countries, are beginning to fade before the harsh reality. The last session of the Geneva Preparatory Commission for Disarmament marks an essential stage in the development of this process.

The sixth session of the Preparatory Commission was a final revelation of the extent to which the capitalist governments are unable, even ostensibly, even temporarily, even partially, to effect anything whatever in the direction of a reduction of armaments. On the other hand, the work of the sixth session once more demonstrated and confirmed the soundness of the tactics adopted by the Soviet Union in agreeing to participate in the labours of the Geneva Commission. By the sound and consistent tactics of its representatives in the Commission the Soviet Union has been able to demonstrate to all the world the utter hypocrisy of the bourgeois politicians and the consistently peaceful character of the foreign policy of the Soviet State.

When the fourth session of the Preparatory Commission rejected the Soviet proposals for universal, complete and immediate disarmament, the social-democratic apostles of international co-operation argued that the non-acceptance of the Soviet proposals only indicated that the Geneva peace-makers had a practical approach to the business of disarmament and considered the Soviet project utopian. The results of the sixth session of the Preparatory Commission knock their last weapon out of the hands of these deceivers of the working class. The League of Nations Commission not only did not accept the Soviet proposal for a reduction of armaments, but absolutely refused to allow the problem of a reduction in armaments to be brought up for consideration. The Soviet delegation's tactics consisted in forcing the bourgeois participants in the Commission to answer the question of what they understood to be the tasks of the Commission, so that all the world should hear. The U.S.S.R. delegation put forward three points for consideration, the first of which raised the question of principle as to whether the League of Nations Commission had any intention at all of occupying itself with the problem of a reduction in armaments. We

need not go into a detailed examination of the sophistic and equivocal answer given by the Presidium of the Commission and confirmed by the General Commission without voting. It is only necessary to say that the Preparatory Commission for Disarmament, firstly, could not make up its mind to announce that the governments represented on the Commission were agreed to effect a practical reduction of their armed forces, and, secondly, refused to adopt any objective method of reducing armaments as a basis for its labours.

If the publicists of the Second International now attempt to make further hypocritical speeches concerning the intelligent gradualness, the practical expediency and the other qualities of the League of Nations disarmament programme, any worker can remind them of the decisions which the Preparatory Commission came to at its sixth session. That session has put an end once for all to the talk that the League of Nations, its institutions, and the capitalist governments which are members of them, together with the socialist talking shops, are able, or even willing, to place the least check on the mad growth of armaments, not to mention any attempt at restriction. For that reason one can consider the sixth session of the Disarmament Commission an important stage in the elimination of pacifist illusions among the working class.

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BUT the labours of the Disarmament Commission are significant not only because they reveal the unwillingness of the capitalist governments to effect any restriction of armaments. As the Commission continues its labours the main points in the armaments programme of the various capitalist States are revealed. The position of the various bourgeois governments deserves a somewhat more detailed analysis from this aspect.

When preparations were being made for summoning the sixth session, the directors of the League of Nations apparatus and the chairman of the Commission, the Dutch diplomat, Loudon, travelled through the European capitals in order to work out an agenda for the session. According to the press, this question was also a subject of discussion during Chamberlain's interview with Mussolini.

It transpired that the capitalist governments were united on only one issue: that of rejecting the Soviet proposals. No unanimity whatever was achieved during the preliminary negotiations between individual governments on any other item proposed for the agenda. The problem of land armaments could not even be raised for formal consideration, especially in view of the definite disagreement as to the inclusion of army reserves which exists between France and other States. And so far as naval disarmament is concerned, the very mention of it in relation to the Anglo-American dispute would involve the necessity of bringing that session of the Disarmament Commission to a hasty end. In consequence the chairman of the Commission had to propose that the agenda should be drawn up after the session was opened. Animated discussions developed over the problem of the Soviet project, or to be more exact, over the methods of its rejection. We shall not stop to expound the essence of these discussions; the result is known to all. Driven into a corner by the accusatory speeches of the chairman of the Soviet delegation, comrade Litvinov, the members of the Geneva Commission turned down the principles of the Soviet proposals without voting on them.

The proposals brought forward for the consideration of the sixth session deserve especial attention. We must begin by mentioning that a delegation of the Second International put in an appearance specially in order to induce the imperialist governments to disarm. The entry of the heroes of the Second International into the Geneva arena is one of the most shameful political farces ever played by the reformists. *Vorwaerts* could find nothing better to say than to communicate that the petitions handed in by the Second International caused a panic in the League of Nations! The bourgeois journalists at Geneva openly reported that the appearance of the Second International delegation with De Brouckère at their head evoked a frankly ironical attitude in the members of the Commission and the rest of the Geneva public. As is well known, the "socialist" De Brouckère was himself, as representative of the Belgian Government, a member of this same Commission only recently, and sought

together with the representatives of the other capitalist countries, for methods of sabotaging disarmament. This one circumstance alone made a scandal of the petitioners' intervention.

De Brouckère made a gesture in the direction of the Soviet proposal, declaring that it ought not to be turned down so long as no better plan is worked out. Meantime the esteemed social-imperialist could not but know that the Commission had not and would not work out any project for practical disarmament. By the confession of the bourgeois politicians themselves the draft convention of the League of Nations, which is preserved in the Commission's archives, contains no regulations whatever which are conducive to disarmament. The characteristic feature of the new proposals introduced by the sixth session is that, like all the previous projects, excluding the Soviet plan, they are in reality devoted not to a reduction, but to an increase in armaments.

FOUR new proposals were introduced at the Preparatory Commission: the German, the Turkish, the Persian, and the Chinese proposals. All four belong to the "injured" States, to those who have been left behind the other Powers in the race for armaments. The social-democratic government of Germany drew up a memorandum of which the distinctive feature is its utter loyalty to the traditions of the Preparatory Commission and the useless, empty draft convention worked out by it. The basic political idea of the German memorandum was the demand for equality of armaments. In complete correspondence with their home policy on the issue of arming German imperialism, in their foreign policy also the social democrats act as the standard bearers of the latest German militarism. The aim and object of the German memorandum is not the achievement of disarmament, but the establishment of Germany's right to further armaments. It was no accident that the German delegation failed to vote for the resolution proposed by the Soviet delegation. Thus the social-democrats once more justified the trust reposed in them by the German bourgeoisie. The social-democratic ministers vote credits for the construction of a cruiser, in obedience

to the Centrist leader, the Catholic prelate, Dr. Kaas; the social-democratic parliamentarians refrain even from demonstrative gestures against the construction of the cruiser; and the official representatives of the social-democratic government in Geneva demand that Germany should be allowed to continue her further naval construction on a legal basis. Not for nothing did the official organ of the German Foreign Office, the *Diplomatisch Politische Korrespondenz* take the social-democratic armaments program under its protection, arguing that this programme embodied social-democracy's recognition of the justice of the German armaments programme.

The Turkish proposal was constructed on the principle of "an equal restriction of the armaments of all States to the definite maximum necessary to a great State for its lawful defence." This proposal signifies nothing but the legalisation of the existing armaments, and a demand that the weaker States should be afforded the possibility, within the measure of their powers, of equality with the militarist programmes of the larger imperialist countries.

The Persian proposal contained a direct request that the countries which possess insignificant armaments and small munitions capacity should be allowed to bring their armaments "into correspondence with the needs of defence." The Kuomintang government, in whose country the system of mercenary armies exists, and to which the imperialists send their mercenary armies, proposed in its turn that compulsory military service should be repealed.

The fact that, through defeated Germany, Turkey, and Persia, the weaker Powers made open demands for the right to catch up to the highly armed imperialists is, of course, no fortuitous one. The Sixth World Congress of the Comintern devoted special attention to the circumstance that the present phase of development in post-war imperialism is characterised by an intensification of the imperialists' preparations for the approaching and inevitable new war. The claim of regenerated German imperialism and of the young bourgeois countries such as Turkey and Persia to the right of arming is merely one of the elements in the general preparation of a new war.

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AN analysis of the labours of the Preparatory Commission for Disarmament and of the position of the various governments participating in the commission reflects very clearly the active work for intensifying armaments, for the preparation of a new war which is being carried on in all the capitalist countries of the world. Naturally, this work has acquired the greatest dimensions in the strongest imperialist countries, and in particular in those two countries whose rivalry is the chief element in post-war imperialism. We are, of course, referring to Britain and the U.S.A.

It is a generally recognised fact that the conflict between the U.S.A. and Britain is intensifying. The growing animosity of political relationships between Britain and the U.S.A. which developed in the autumn of last year, had by the spring of 1929 taken form in an open and ruthless rivalry in the sphere of naval armaments. As we know, the American Senate has ratified the construction of fifteen large cruisers; according to the British press the budget of the American Admiralty exceeds that of the British budget by £16,000,000. Meantime, according to Lloyd George's estimate, as given in one of his March speeches, the British war budget exceeds the war budget of the year previous to the war by £42,000,000. But even the present situation does not satisfy the British First Lord of the Admiralty. About a month before the summoning of the Disarmament Commission, Bridgeman expressed extreme disquiet on account of the fact that, with an annual construction of three cruisers, by 1940 only fifty out of fifty-two cruisers will be less than twelve years old. Bridgeman demanded an increase in the programme of naval construction. France in turn is not lagging behind in this respect. Like the British House of Commons, about a month before the summoning of the sixth session of the Commission the French Senate decided by an overwhelming majority to embark on the construction of the sixteen war vessels provided for in the second section of the naval construction programme.

TOGETHER with an increase in armaments, an essential element in the direct preparation of a new war in the United States' policy is greater pressure on Great Britain in the matter of regulation of sea trade and the struggle for control of the sea-routes. The demand for the freedom of the seas put forward by the chairman of the Commission on foreign affairs, Senator Borah, is closely connected with American imperialism's programme of economic expansion.

Moreover Borah closely connects the question of economic expansion, the juridical problem of the freedom of the seas, and the programme of naval construction. In an article on the freedom of the seas published in March, Borah speaks quite definitely: "No argument in the world can oppose the first necessity of defence of our trade. We may preserve it without constructing a fleet, but if we cannot, then we shall surely build that fleet. . . . But if we begin to build a fleet for the defence of our trade, we shall have to build in the light not only of Britain's forces, but of any naval combination which she may be able to organise. And if this happens, I see nothing in the future except a terrible weight of taxes burdening the American people, and the possibility of a fresh cataclysm, similar to the catastrophe of 1914." (*Re-translated.—Ed.*) As there is no doubt that development will take the road which Borah marked out, one has to regard his declaration as a confirmation by a prominent publicist of American imperialism, of the fact of an energetic and deliberate preparation of war with Great Britain.

It has to be remembered that during his period as Minister of Commerce, Hoover more than once declared himself to be an ardent advocate of struggle against world (non-American) monopolies and of definitely assuring the world sources of raw materials to the United

States. In 1926 Hoover, jointly with the Secretary for Foreign Affairs and the war and naval ministers, presented a memorandum to Coolidge which pointed out the impermissibility of any situation in which "alien nations" controlled the regions of rubber, nitrate, potassium, oil and other raw material production. Hoover was an advocate of the policy which led to the repeal of the Stevenson scheme, with the aid of which the British regulated the disposal and the price of rubber on the world market. It is worth noting that the present State Secretary for Foreign Affairs, Stimson, was Governor General in the Phillipines, which are a most important area of new rubber plantations. And finally we note that one of the more important acts of Hoover's presidential activities has been his refusal to permit an agreement between the Standard Oil concern and the Anglo-Dutch trusts on a reduction of oil output. The consequence of this refusal has been a further ruthless struggle between the oil concerns for the oil market on the one hand, and the acquisition of Soviet oil on the other.

TOGETHER with the programme for naval armaments, the struggle for the hegemony of the seas and the world monopoly of the sources of raw materials, the United States government is putting forward one further idea which is in complete correspondence with the United States' intensified imperialist expansion. That is the new interpretation of the old Monroe doctrine. The Monroe doctrine took up the position of America for the Americans, and so justified the intervention of the United States in the internal affairs of the Latin American countries, and at the same time complicated relations between the United States and those countries. To-day the Monroe doctrine has to

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be divided into two principles. One principle is to have application to the countries of Central America; in this case the Monroe doctrine will signify that the United States enjoys unlimited influence in Central America. As we know, Panama and Nicaragua have long since become the appanages of American capital; today the United States desires formally to lay its hands on all Central America. But in application to the countries of South America the Monroe principle has to be interpreted in a "defensive sense"; in order to soothe the bourgeois nationalists in those countries the United States declares the absence of any aggressive intentions on its part towards South America, but reserves to itself the right of defending its economic positions in that continent. It is easy to guess that the defence is directed in the first instance against Britain, which still holds quite a strong position in Latin America. A curious detail, one which is characteristic of the relations between Britain and the United States in this sphere, is the fact that the new American ambassador to London, Dawes, delayed his departure for England owing to being occupied with drawing up a Dawes Plan for Bolivia.

The intensified, cruel and implacable rivalry between British and American imperialism not only does not permit any possibility of agreement between them on the question of limitation of armaments, but renders difficult the realisation of the most cautious attempts in that direction. About the time of the opening of the Preparatory Commission's sixth session, the British press spread the report that there were to be negotiations between the American delegate, Gibson, and the head of the British delegation, Lord Cushendun, in regard to the calling of a new conference on naval disarmament. On this report Hoover announced to press representatives in Washington that the government had not charged Gibson with any such commission: the instructions to Gibson concerned exclusively technical details. Even if any backstairs negotiations were carried on at Geneva one can be sure that they can have no definite consequences. During the two years which have elapsed since the 1927 conference the economic antagonisms between Britain and the United States have increased, while, of course, the

military and technical antagonisms have not decreased. Meantime it is worth recalling that the disagreements at the 1927 naval conference concerned not only the methods of regulating naval armaments, but also the tonnage of the larger ships and auxiliary fleets and even the calibre of the cruiser armaments. It is difficult to imagine that the navy men of the United States or Britain who are concerned with bringing into force a programme of increased armaments, can agree even to meet each other half-way on the subject of the extent of those armaments.

THIS is the situation with regard to the war preparations of the two largest imperialist States in the world. The medium-sized and small States are no less active in their labours. The network of military alliances which covers Europe is being strengthened and extended continually. There have recently been disclosures in the European press in regard to the Franco-Belgian alliance and auxiliary military agreements between Poland and Roumania.

Simultaneously considerable practical activities are going on for the war supply of States bordering on the U.S.S.R. On this matter two facts which preceded the Geneva Disarmament Commission are worthy of notice. In March this year several protocols were signed between Yugo-Slavia and Greece concerning the exploitation of the port of Salonika, and in particular dealing with a Yugo-Slavian free zone in that port. Also the question of the exploitation of the railway line from Salonika to Gjevgeli, on the Yugo-Slavian frontier, was settled. There is no reason to doubt that the settlement of the question of exploiting the port of Salonika connotes also a settlement of the question of the supply of military stores through that port to the Balkan States and their allies. There is no doubt that this circumstance was one of the causes of the actively sympathetic attitude adopted by governmental circles in France and the French press to the Greco-Yugo-Slavian agreement.

At the same time a very active supply of war materials is being maintained in another corner of Europe bordering the north-west frontiers of Soviet Russia. Two recent events should be noted in this connection. The

French General, Lerond, whose speciality is the organisation and co-ordination of the war plans of the Soviet Union's nearest neighbours, has been appointed director of the Dantzig dockyards, which are of direct war importance, and are executing the orders of the Polish government. Lerond was elected chairman of the Supervisory Council of the Dantzig dockyards by the majority votes of Britain, France and Poland.

It is utterly beyond dispute that the appointment of General Lerond signifies that the group preparing for war intervention in the U.S.S.R. has decided to extend the output of the Dantzig dockyards. Simultaneously war reserves are systematically arriving to the Dantzig port for Poland. In March several vessels arrived with war supplies, and the import of military reserves has reached such extensive dimensions that it has been reflected in the commercial activity of the Dantzig port. To this information has to be added the news that in the summer of 1929 a British squadron is proposing to visit Dantzig, the Polish port of Gdynia near by, and also Riga, Reval, and Helsingfors.

THE collapse of the labours of the Preparatory Commission for Disarmament, the naval rivalry of the United States and Britain, the consolidation of the system of military alliances in Europe, the concentration of war forces in Poland and Roumania all bear witness to the fact that the present phase of comparative stabilisation of capitalism is accompanied by a severe and definite intensifi-

cation of preparations for fresh cataclysms, fresh wars. A transient decline in the immediate war menace, and various momentary fluctuations in the intensity of the danger cannot in the least detract from the importance of the fact that post-war capitalism is approaching a new war at a swift pace. Not for one moment must the Communist Parties lose sight of the fact that the bourgeoisie is unswervingly and persistently preparing for a new war. The period of pacifist illusions is coming to its close; the open naval rivalry between the capitalist States is emerging more and more clearly. The proletariat is confronted with the necessity of mobilising its forces with fresh energy against the war plans of the bourgeoisie. The Communist Parties must take these circumstances into account in their every-day work. The slogan of struggle against the war danger must occupy a more important place in the Parties' activities, especially as the International Red Day against imperialist war draws nearer.

An essential element in the preparations for the International Red Day must be the further disclosure of the hypocrisy of bourgeois pacifism and social-democratic deception. Together with this, in order to demonstrate the importance of the Red Day, it is necessary to exploit all the innumerable facts relating to the active arming of the capitalist countries, facts which increase in number with every passing day. The struggle against imperialist war has constituted and must in the future constitute, one of the chief tasks of the revolutionary vanguard of the international proletariat.

On the International Situation*

C. Lapinsky's Report for the Forthcoming Plenum of the E.C.C.I.

THE purpose of my report is to describe the international political situation. This predetermines the framework of my report. Consequently I shall not deal in detail with the growing severity of class inter-relationships in the third period. Still I cannot but touch upon the economic situation, for without it the chief roads of development in world policy would remain quite incomprehensible. This will also assist us to see our way clearly on the question of the nature of the third period. It is all the more necessary since in certain groups of the Comintern certain false conceptions are in circulation of what the Sixth Congress had in mind when it noted the arrival of a new, third period.

What is this third period, which has already succeeded in evoking disputes and distorted interpretations? It is clear that we are confronted with what the Germans call "Zweckbegriff," *i.e.*, a conception which is interpreted for definite ends. But we are not Pythagoreans, and z —the third period—is not yet a theoretical term in itself. We have to get a clear conception of why we speak of the arrival of a third period, *i.e.*, of the arrival of a certain new period which in some way is distinguished from its predecessor. The only purpose of such arithmetical, chronological designations is to get nearer to the reality which sets the conditions in which we are struggling for definite objects. The designation "third period" implies the fact that we are confronted with some new qualitative, or at the very least quantitative relationship in the world situation. Consequently, the question we have to face is essentially the question of what is the new element, what impels us, what

compelled the Sixth Congress (by no means accidentally) to use the term the "third period" in post war development?

In asking ourselves as Marxists, as revolutionary politicians, "what is there new" in the situation, we are *a priori* bound to seek the new antagonistic elements in the whole picture of development. We shall seek the new contradictions, and instances of a further intensification of contradictions. For us the practical question is: what is there new in this sphere, with what newly or renewedly intensifying contradictions have we to deal?

But if none the less we stop to consider not only the antagonistic, the centrifugal tendencies of modern capitalism, but also its positive (from the capitalist aspect), its centripetal tendencies, we do so because we have to take in the entire picture of what is going on, and taken out of relation to these manifestations of "consolidation" the antagonistic elements of development, which we consider the decisive elements, would remain incomprehensible in many respects. Consequently, in giving an analysis of the economic situation, I want to begin by briefly stopping to consider those phenomena which express a development of the forces and resources of capitalist economy.

THE CRISIS IN CAPITALIST ECONOMY: THE "THIRD PERIOD"

As more than six months have passed since the Sixth Congress, six months which have been crammed with events, it is possible that one can formulate certain facts somewhat more definitely than was possible in July or August last year.

It seems to me that we cannot be satisfied with mere statistics as symptomatic of the new period. The recognition that the development of the production of the capitalist world has now surpassed the pre-war level does not of itself provide sufficient material for a compari-

* With a view to greater definiteness of exposition, in its revised press form this report has been enlarged by the addition of certain statistics and citations. The most essential parts of the reporter's closing speech have also been included.

son of the present with the preceding period. The reason why this criterion was raised to an honourable place in such a general form at the congress is obvious. The analogy with the development of the Soviet Union came into play. But in making this analogy it is necessary to take into account the fact that the Soviet Union has restored its economy in its own country on a radically different basis. The restoration of production in the U.S.S.R. demanded an infinitely greater exertion of effort than the corresponding process in capitalist countries. And our successes are undoubtedly an infinitely greater achievement and a much more eloquent demonstration of the vitality of our stabilisation, than the surpassing of the pre-war production output could be for the capitalist world and its stabilisation.

But even purely historically, in this altogether too wholesale form, the above-mentioned criterion cannot satisfy us either. It needs to be given a more exact definition. For the surpassing of the pre-war level of production was a characteristic of even the first period of comparative stabilisation. It became a fact on the very threshold of that period, in 1923. And 1924 and especially 1925 brought with them a genuine break, particularly in Europe.

It is equally difficult to recognise the successes of technique, of rationalisation, the development of monopolies, as the most distinctive feature of the new period. For all these constituted an inseparable symptom of the previous period also, of the first period of comparative stabilisation—if one is not to reduce all the achievements in this period to those of effecting order in the sphere of currency, of overcoming inflation and restoring the currency-credit system. Undoubtedly the process of "stabilisation" took its early form from the necessity of overcoming the inflation disintegration, but it swiftly transferred itself to the realm of technique, of "rationalisation," and so on.

In that case what is left? It seems to us that the chief distinctive symptoms of the new period are to be found in the sphere of antagonisms; in the sphere of capitalism's achievements we can in the main observe not qualitatively new phenomena so much as quantitative phenomena, *i.e.*, principally the continuation and further development, and in

part the consummation of the tendencies observed in the previous period. If, avoiding any pedantic sophistry, but striving definitely to grasp events, we remain on the whole satisfied with this formula and add to it the separate definite phenomena, separate new features, which have emerged particularly clearly in recent times, our task will be accomplished.

We shall deal then with the question of the continuation and further development of tendencies which have marked the whole period of the comparative stabilisation of post-war capitalism.

THE INCREASE IN PRODUCTION AND PRODUCTIVE CAPACITY

In the sphere of production, to which the Sixth Congress turned its attention, we undoubtedly have to admit further successes. Here the degree to which the pre-war level has been surpassed is of interest. In comrade Varga's article in No. 6 of the *Bolshevik*, you will find the very latest statistical information. If the increase in production concerned only electrical energy, the exploitation of water power or of such kinds of raw material and industry as oil, rubber, and copper, all the so-called heavy chemical production, the production of artificial silk, etc., this rise would in itself indicate relatively very little, because a number of the "new" industries are, as we know, living through their own especial evolution, and the flourishing state of these spheres of production is not characteristic of the whole picture. Of course the increased production by 60 per cent. of such an essential industrial raw material as copper, for instance, is a fact worthy of attention, but none the less it is more important to recognise that even those spheres of "old" production which suffered more than any other from the post-war crisis can also at the present time boast of an imposing rise in production. Thus, for instance, coal output, an industry in which the crisis is at its greatest, has surpassed the pre-war output by 10 per cent. (despite the increasing replacement of coal by other sources of energy, such as oil, electricity, etc.). The production of iron ore has also increased by 10 per cent. and—what is possibly the most essential of all—the production of steel has gone up 20

per cent. (The figures are taken from the *American Commerce Year Book*, 1928.)

These at first sight imposing quantitative modifications, however, are not so highly characteristic of the latest period. For even in 1925 the world production of steel exceeded the pre-war level by 19 per cent., and even in 1924 (which can be regarded as the first year of "stabilisation") the production of all metals, with the exception of cast iron, exceeded that of 1913 (according to the statistics published in 1926 by the League of Nations *Reports on Production and Commerce*.) So that by comparison with the preceding period the progress is not so extraordinary, and one might even speak of a certain stagnation in development.

Passing to technique and the extension of monopolistic formations, of trusts and syndicates, we have to recognise the considerable nature of the quantitative changes, *i.e.*, an acceleration of development. In this sphere the process is in full swing. This means that the potential productive possibilities are growing out of all proportion and that the control over them is passing more and more into the hands of the monopolistic organisations of a high category. Production is openly lagging behind the rise in production possibilities, and as we shall see this circumstance sets its impress on all the economy of our time. From the statistical aspect we can partially measure the considerable extent of the technical achievements by the colossal increase in the productivity of labour. During a two years' period closing at the end of 1927 (*i.e.*, by comparison with 1925) the rise in the productivity of labour in steel production in Germany was 40 per cent., in the more complex machine-building industry it was 45 per cent. (Figures taken from the *Reichskreditgesellschaft*.) This demonstrates the spasmodic nature of the development of productive possibilities, with which neither production, far less distribution, is able to keep pace.

It is on this new technical basis, the importance of which is increased by the enormous increase in the intensity of labour, that the private capitalist monopolies are assuring their hegemony. And this process of monopolisation and trustification is going on at an accelerated rate on both a national and an

international scale, embracing all countries and all spheres of production and circulation, industry, commerce, transport, and the banks. In France, which in this regard is still comparatively backward, we already have enterprises employing 35,000 workers. In the English textile industry a trust is being formed which "by way of beginning" will cover a larger number of spindles than the total number of spindles in such countries as Germany or France. In the United States, that metropolis of trusts, in which one would have thought this process had already achieved its greatest development, and where there already exist such enterprises as General Motors, the annual profit of which is reckoned at a figure close to 300,000,000 dollars (276,000,000 in 1928) the last few years and even the last few days have brought a new wave of monopolist development. Just recently America has become the pioneer in a new sphere, the sphere of the monopolistic organisation of export. On the basis of special legislation which repeals the old restrictions placed on export by the Sherman laws, some fifty monopolistic federations aiming at the conquest of the world market have already developed.

And with it all we are still only on the threshold of development even in the United States. From this aspect it is very instructive to note the statistics for the receipts of the various enterprises. These figures reveal a serious inequality in profits. Even taking the record years of 1925 and 1926, in the first year 41 per cent., and in the second 43 per cent. of the companies did not announce any profits whatever. This in the classic country of prosperity! Of course one has to approach this class of statistics with all due scepticism. None the less a comparison of the various groups of enterprises reveals clearly that the profitless or even deficit-showing enterprises "are principally the smaller enterprises, struggling for existence on the outskirts of the various spheres of business." (We quote from the January survey of the *National City Bank*.) It is clear that thousands and tens of thousands of these enterprises must somehow or other go to nourish the monopolist leviathans.

The process of concentration has assumed

violent forms of development, but it is still not finished. As we know, this enables various bourgeois scientists to speak of the final transference of capitalist economy from the competitive forms to "closed economy," which they are ready to identify with socialism. "What is it we are passing through if not the realisation of the predictions of the great socialist Marx? It is his conception of the economy of the future being consummated before our eyes," says Schmalenbach. (*Zeitschrift für Handelswirtschaftliche Forschung*, June, 1928.)

Nevertheless, this whole complex and highly variegated process which we have come to call rationalisation, is proceeding very unequally in the various countries; its violent stage is evidently approaching its close in certain of the large countries, and is yielding to a less vigorous development. Such is the state of affairs in Germany, and in part in France also. But this temporary accomplishment of the violent stage of the process enables us to measure its economic consequences. It helps us to foresee the consequences in those countries, such as Britain, where this process of accelerated rationalisation is only in its inception. We shall see that the accomplishment of this first, violent stage of rationalisation has led only to an intensification of universal rivalry on the world market.

THE MENACE OF FINANCE CAPITAL

Finally, we must stop to consider the role of finance capital in somewhat greater detail. Here there has been considerable change by comparison both with the pre-war period and the first post-war period. This is deserving of all the more attention since the latest epoch of capitalism is, more than ever before, the epoch of finance capital, and since, judging by a number of symptoms, the menace of new large economic disturbances is approaching from the direction of the finance market. We shall note the more important phenomena and tendencies, albeit in the most hurried fashion.

Only stabilisation ensued to finance capitalism the gradual return to what is, in a sense, normal for the whole period of imperialism, firstly by the elimination of the distinctive "split" between industrial and banking

capital which was characteristic of the period of inflation and the interruption of international connections. As we know, that period inflicted heavy blows on currency-credit circulation, and in a number of countries led to a distinctive type of disintegration of bank capital, to an unprecedented weakening of international credit ties, to a degeneration in all credit business, to a reduction and an almost complete disappearance of all the old rentier wealth. All these factors in the aggregate could not but change the features, the entire structure of modern capitalism. This makes the speed with which finance capital restored its position, rising to a higher stage of development in a situation involving partially new phenomena, all the more striking.

The inflationist "split," the period of weakened links between industrial and bank capital, the epoch of the "hegemony of real values": all this is now left behind. Instead we are faced with the highest degree of interlocking and fusion of industrial and finance capital. As soon as the restoration of currencies and international credit relationships was effected, bank capital swiftly took its revenge. Becoming the middleman between countries exporting capital and the national economy of countries which had passed through a period of inflation, the banks, with the aid of high, and in part usurious interest, swiftly restored their old position. In such countries as Britain and France, where previously the fusion between the banks and industry had not gone so far as in Germany or the United States, there are now unmistakable signs of their progressive interlocking and fusion. In France the so-called "banques d'affaires" have for many years been deprived of the possibility of issuing foreign loans, and have been compelled to concentrate their activities on the financing of the swiftly developing home industry. In Britain the traditional refusal of the deposit banks to enter into any direct connection with industry still remains in force on the whole, but here also we observe a number of open retreats from this principle. The first post-war boom led to imprudent financing and consequently to the development of large "frozen credits," *i.e.*, credits which industry was unable to pay back and which created a protracted, involuntary link between banks and

industry. We also see the directors of one of the largest banks (McKenna and Darling of the Midland Bank) systematically supporting industry against the traditional policies of the banks and the Bank of England on questions of currency, and even on the question of protective tariffs; in other words, declaring against the harsh policy of deflation and against unconditional freedom of trade. This undoubtedly testifies to the disintegration of the "united front" of the banks and to a rapprochement between at least certain of the larger banks and industry. British industry itself is persistently achieving closer "co-operation," *i.e.*, in fact fusion between the banks and industry. (At the present time the electrical industry is drawing up a memorandum on this subject.)

The concentration of bank capital is proceeding at gigantic strides in every country, including the United States. It is in this sphere of banking capital that monopolistic development has gone farthest. In the chief countries we have to deal with a kind of single "money trust," which is closely bound up with the governmental machine. The rivalry in attracting deposits (which is often referred to in Britain) and the struggle for foreign loans do not radically change the situation. In any case the figure of five or six large banks, at which bank fusion has stopped as at a kind of limit, is quite a relative figure. The regulation of further fusion (*i.e.*, the reduction of these five or six to two or three) is now predominantly a question of the banks' financial plans and internal strategy, in which political factors, including their fear of too openly disturbing public opinion, play no small part.

Parallel with all this, the banks' inter-

national control over the world money market, over the cost of credit, over the movement of prices, is growing to an unheard-of extent. As we know, this control is taking the definite form of the dictatorship of Anglo-Saxon and chiefly of American finance capital. The "international bankers," or "public financiers," as they are called in America, have acquired unprecedented power. They have become the real lords of the capitalist world. At certain times, as for instance at all the decisive stages of the reparations question (in 1924 during the formulation of the Dawes Plan, and at the present moment at the Paris conference of "experts") that power is demonstrated to the whole world. "International control" over everything human seems to the ideologists of finance capital to be the fundamental law of all modern development.* The organisation of the rule of a handful of "international bankers" (or more precisely, of the Anglo-Saxon, and still more precisely, the American bankers) is becoming the recognised militant programme of finance capital.

This hegemony of finance capital is accompanied by a number of partly new and

* In his large work entitled "The Financial Organisation of Society," Moulton writes: "The world has reached a point in the development of its organised economic activities where national boundaries are of relatively little significance, notwithstanding the numerous economic barriers that have been erected by political States. The growing interdependence of the financial systems of different countries and the development of an international financial structure give rise to the suggestion that if the financial system is effectively to perform its functions in assisting and regulating the modern economic organisation, some system of international control must ultimately be devised. (pp. 755-6.)

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antagonistic phenomena, which it is worth while studying in more detail. I shall mention only the more important.

With all the increasing interlocking of industry and the banks there is to be observed a peculiar tendency for industry to finance itself out of its own resources. This tendency is particularly noticeable in the case of young, powerful and flourishing industries (the electrical and chemical industries) and also of British industry, with its serious crisis and its low profits. (This was noted by the Colwyn Committee.)

THE CLASH OF INTERESTS

A second phenomenon somewhat connected with the one already mentioned is the existence of a considerable difference between the profitability of the banks and of the industrial enterprises. This phenomenon is particularly noticeable in Britain, where dividends in the neighbourhood of 20 per cent. have become a kind of norm for the banks (even in the years of worst economic disturbances) whilst the profit-yielding powers of the traditional and still decisive spheres of production (coal, iron and steel, cotton and ship-building) are always at an unsatisfactory level. This dual situation is in some form or other accompanied by a more or less systematic, sometimes clearly manifested difference in the designs and views of bank and rentier capital on the one hand and of industrial capital on the other, on such questions as currency-credit policy, the tempo of the deflation policy, prices policy, German reparations, and partially on international commercial policy. Here the interests of national British industry come into collision with the interests of the "international bankers," i.e., first and foremost of the American bankers, with whose policy that of the British banks is closely bound up. But we can observe certain divergences even in America itself: whilst the American Federal Reserve Bank in Chicago for instance (like a number of others) is disposed to give more consideration to "local" American interests, the dominating New York Federal Reserve Bank reflects more than the others the world interests of the American "international bankers."

In the case of French banking capital there is a particularly definite form of centrifugal tendency, drawing its strength from the large home accumulation, and directed towards the preservation of its national independence from the pretensions of British and American finance capital, associated in higher forms of "co-operation."

Finally, we have to note the phenomenon of a growing export of capital into highly developed industrial countries, Germany first and foremost. This contradicts all our pre-war conceptions of the character of capital export, which, as we know, was formerly directed mainly into agrarian and semi-agrarian countries, colonial and semi-colonial countries in the economic sense. Whilst formerly capital opened the way for an extensive export of manufactures and semi-manufactures to new or swiftly developing markets, at the present time it is feeding industrial rivals and leads to the export of industrial raw materials. Old Europe has already swallowed up more than one quarter of all American foreign investments. At the same time the three colonial continents, Asia, Africa and Australia, have in the aggregate not received one-third of what Europe has obtained (about 1,070,000,000 dollars against 3,671,000,000 dollars is the maximum estimate at the end of 1927, according to official American statistics). In a memorandum drawn up for the economic conference called by the League of Nations, Professor Cassel reckons that the export of British capital abroad, and into British colonies in particular, has been cut down to one half of its pre-war extent. "Here," writes Cassel, "we have an eloquent demonstration of the inadequate assurance of capital to the colonial world since the war." (*Neuere monopolische Tendenzen in Industrie und Handel*, p. 59.) Thus European over-production is being stimulated, while the possibilities of disposing of its products are being reduced.

All these briefly enumerated facts demonstrate the complexity and antagonistic nature of the present situation in regard to the internal mechanism of finance capital.

The restoration of the money market connoted the beginning of capitalist stabilisation. At the present time the threat of new disturbances is hanging over the delicately balanced

equilibrium which has been achieved, and the threat comes from the money market. The clouds are gathering from this direction even over American "prosperity." All signs indicate that the capitalist world is entering on a period of credit crisis. And its basic, immediate source is this great inequality of development, so extraordinarily intensified by the war, which finds expression in the fact that one of the capitalist countries—the U.S.A.—has at its disposal an incommensurable share, more than half of the world's banking resources and the world's gold. The first period of stabilisation has brought with it a universal cheapening of credit with a tendency for discount interest in the various countries to approximate to a certain average world standard. At the present moment there is a reverse wave of universal rise in the discount rate, with a tendency to a new enlargement of the gap between individual countries (one has but to mention that in France the discount rate is still maintained at $3\frac{1}{2}$ per cent., whilst on the other side of the Rhine it stands at $6\frac{1}{2}$ per cent.). What this new wave of difficulties will result in it is still perhaps too early to say, but it is indubitable that the new period has brought with it the phenomenon of a regressive development in this realm.

STOCK EXCHANGE SPECULATION

It is interesting to note that this wave of disorganisation is coming from America. Thus the very country which made it its mission to organise the world money market and which, with the aid of its resources and its methods, did really organise that market during the first stabilisation period, is now disorganising it. It is no less essential to note that in America itself disorganisation is coming from the most anarchic organ of the capital mechanism, the Stock Exchange. The speculation orgy which has now continued for some two years and has exceeded all previous bounds has attracted to itself such colossal resources, and has led to credit becoming so dear, that the entire credit mechanism of the country has been disorganised, and has in turn disorganised the credit mechanism of other countries. The mighty system of Federal Reserve Banks is openly acknowledging its impotence in face

of this speculation orgy. Thus the very banking system which proved capable of financing the great world war and which afterwards proved strong enough to organise and control the entire world money market, is now in a sense crying "Pass!" and is capitulating to the anarchic Stock Exchange element! The super-imperialist device of a planned, organised international control over the world money market has proved a fiasco in the very country of its inception: the United States. Once more capitalist anarchy has got the upper hand of the boldest of "planned designs." And I repeat that the chief source of this new victory of capitalist anarchy is the tremendous inequality in development: without the accumulation of the most colossal credit resources American speculation could not have achieved such dimensions. Now *post factum* a number of the most authoritative American bankers are admitting a kind of credit inflation in the United States: the flood of credit possibilities was bound sooner or later to burst into the Stock Exchange world and to evoke gigantic speculation.

It seems to me that we should do well to describe the third period as an era of unbridled Stock Exchange speculation. This will introduce a valuable feature, in the agitational sense, into the picture of the present domination of finance capital. For in reality Stock Exchange speculation has reached absolutely unprecedented dimensions and has acquired a more international character than ever before. The so-called brokers' loans in the United States at one time surpassed the astronomical figure of $6\frac{1}{2}$ milliard dollars. The inflation of prices for the most marketable shares, etc., exceeded all expectations. During two years the market price of the ninety chief shares rose from $17\frac{1}{2}$ milliards to 33 milliard dollars, *i.e.*, it almost doubled (according to the estimate of one of the founders of the Federal Reserve system, Paul Warburg). Never before has a speculation orgy attracted to itself such enormous resources from all corners of the inhabited world. The existence of enormous available resources in American industry, owing to the high profits and plentiful issue of bonds, which facilitates the accumulation of great credit resources, was here combined with the existence in Europe of large available re-

sources which were still avoiding long-term investment and seeking a quick turnover and large profits. And this constitutes one of the most characteristic paradoxes of the period: the smaller the extent to which accumulated capital and the existing credit resources find productive application inside each of the corresponding countries and also outside them (we know that Soviet Russia, for instance, was subjected to boycott, and we have observed a diminution in the import of capital into a number of the more important colonial countries) the more powerfully did these "free" resources flow towards the Stock Exchange of the richest of the countries (the one least needing a flow of capital from without) as towards a kind of gambling institution. Thus the very fact of a relative abundance of capital, an abundance explained only by the restricted nature of the possibilities of productive application (in its turn explained by political and profound economic causes) leads to the greatest orgies of Stock Exchange speculation, threatening, according to Warburg's recent admission, "not only final ruin to the speculators themselves, but also a general depression throughout the whole country," and in essence for all countries. This is the distinctive feature of the latest era of Stock Exchange speculation in comparison with all preceding eras: this era is not accompanied by a vigorous flourishing of capitalism; its prerequisite is a flourishing condition only in certain countries, and first and foremost in only one of them (the United States) with a diminution, and even a deliberate diminution of possibilities over the vast expanses of all the rest of the world.

Such is the picture presented by the "consolidation" of capitalism. But I repeat, in the sphere of what may be regarded as the achievements of capitalism—intensified production, the development of technique, rationalisation, the further successes of concentration, the restoration of finance capital, etc.—it is difficult to observe any sharp dividing line between the present and the preceding period. We get a much clearer and more homogeneous picture when we turn to those features which for us are the decisive ones: when we turn to a consideration of those contradictions, those antagonistic elements of capitalist development

which from our revolutionary point of view indicate the deepest significance of events.

Here also my direct task will be not so much to show you certain new phenomena with which you are still unacquainted, as to systematise and generalise all that we already know. What is the most decisive, most essential feature in the present picture of the development of capitalism? It is that all the antagonisms of capitalism are being newly intensified, and that all the most general, all the central, really decisive antagonisms of modern capitalism are coming to the foreground, partly thrusting back and partly swallowing up and subjecting to themselves all the secondary, all the local antagonisms. This predominance of the most general, all-embracing central antagonisms of modern capitalism is observable both in the economic and in the international political and in the social spheres. And we may say in advance that if we reduce it all to one short synthetic formula it is here that we shall discern the genuine, most important and most general criterion of the third period. I should like especially to emphasise this simple concept, in view of the fact that on the question of the character of the stabilisation process there have been certain tendencies to re-interpret the entire conception of the third period in a sense directly contrary to the line of the Sixth Congress. We meet with this tendency towards re-interpretation among a number of groups outside the Comintern, and also among certain groups of the various Parties. Thus in the memorandum of comrades Meyer, Ewert and others the new period is represented simply as a period of the consolidation of capitalism in the most literal sense of the words. And moreover this conception of the third period is ascribed to the Sixth Congress itself.

Thus according to the picture so drawn the most characteristic feature of our times would be the issue as to whether the positive (from the capitalist aspect) elements in the development of capitalism had again obtained a temporary predominance over the antagonistic elements; it is this very circumstance which would compel us to talk of the arrival of a new, third period. But all this system of conceptions is essentially and historically unsound. For it corresponds neither with the

facts nor with the ideas which the Sixth Congress put into the conception of the third period. The whole dialectic of the development of capitalism's post-war stabilisation goes by the board in that case, for it disposes of the central Marxist idea that it is on the very basis and within the framework of that restoration of capitalism that the old and the new, and firstly the most general, the most comprehensive antagonisms of capitalism burst through to the surface. If that conception be destroyed one has to represent the most complex and complete antagonism of the process of stabilisation as a simple consolidation of the old regime in the most philistine sense of the word.

But to turn to the essence of the question. If we reduce all the more important facts to one common denominator, we have left as our basic and most general formula a new unprecedentedly severe intensification of the universal rivalry for markets, for the world market (with which, of course, is bound up the latest intensification of the struggle between the capitalists and the workers). This is undoubtedly the central, the determining fact of all the capitalistic present. Its influence is revealed in literally everything. The contradiction between the tendency towards an elemental growth of production and the securing of corresponding possibilities of disposal is the most natural, the most "permanent" (as Marx says) contradiction of capitalism. But the whole issue is that this contradiction has reached absolutely fantastic dimensions, eloquently testifying to the historic decrepitude of capitalism, condemning it to the sharpest of internal struggles and plunging it into a state of chronic instability.

The historical mission of the capitalist form of production is the development of productive forces and the corresponding world market. Capitalism is becoming more and more capable of accomplishing only the first part of its mission. "The over-production of capital," says Marx in the third volume, "means nothing else than the over-production of the means of production." (Vol. III, Part 1.) That was never truer than it is at the present moment. The over-production of the means of production, of the production machinery in the old, basic spheres of industry, has reached the

limits of its development. The productive capacity of the world iron and steel industry has risen 50 per cent. above pre-war. The production possibilities of the shipbuilding industry have been doubled. The production possibilities of the German machinery shops have risen by 45 per cent., according to figures recently published. And this "unrestrained, geometrically progressing development of the productivity of human labour," which Marx calls the historic mission of capital, is proceeding further, owing to the perfecting of the exploitation of labour and the new enormous successes in technique. But the development of the world market cannot at all keep pace with this development of existing and even more of potential production possibilities. In the *Summary Memorandum on Various Industries*, published by the economic conference called by the League of Nations, it was pointed out that the unexploited power in Europe is equal to approximately one-fifth or even one-fourth of the total production possibilities.

THE VICIOUS CIRCLE

Comrade Varga was completely justified in mentioning rationalisation in this connection. With the aid of universal rationalisation the employers are striving to cheapen production, and thus to extend the possibilities of disposal. But the first result of rationalisation is a new and greater extension of production possibilities. And so we get a genuine vicious circle! The common result of rationalisation is a rise in the organic composition of capital of the enterprises concerned. The higher the organic composition of capital the greater the share going into construction work and equipment, so much the more difficult is it for capital to adjust itself to the fluctuations of demand. Here rationalisation leads directly to over-production. In his report Professor Schmalenbach describes this process in the following eloquent words :

"Constant capital is not satisfied with compelling the enterprise to exploit its production possibilities fully despite the inadequacy of demand. It also forces it to extend still more, again despite the inadequacy of demand. In every enterprise there are a number of departments which are exploited only partially. The

directors of the enterprise are forced to extend the whole enterprise for the sake of these departments, in order to exploit them better. Thus whole spheres of industry extend their production possibilities without having been stimulated thereto by a corresponding increase in demand. At innumerable general meetings [of shareholders] one can hear the directors declaring that at the present time the enterprise is not working quite satisfactorily, but if a few more machines be added and certain extensions be made the enterprise will become profitable. But as other enterprises in similar spheres do the same, these industries automatically become rationalised to an excessively high level of production possibilities, which never, or rarely, corresponds to the demand. And the cause of this is always the constant capital expenditure." (Schmalenbach, *op. cit.* p. 245.)

The other source of overproduction arising from rationalisation is the struggle for the quota. In order to justify their pretensions to an increased quota the enterprises associated in a cartel extend their production machinery without heed to the possibilities of selling the commodities.

The present-day progress of technique can no longer lead to that rationalisation of all the bases of world trade, and to the creation of absolutely unimaginable possibilities of disposal, which was the result of the great technical inventions of the last century. "It is incredible," writes the organ of the Federation of British Industries, "that anything like it could ever recur again. It is true that there are still many areas of the world to which the benefits of these inventions can be extended, and much remains to be done to improve their technical application, but there is no reason to suppose that they will ever be replaced by inventions as revolutionary in their effect on prices, the standard of living, or the face of the globe as they themselves were at the time they were originally introduced. Making the fullest allowance for reasonable possibilities, therefore, it seems difficult to avoid the conclusion that the rate of trade development as applied to the opening up of new resources and new countries must tend to slow down, if it has not already done so." (*British Industry*, October 30th, 1926, supplement, p. lv.)

These words are the admission of the historic decay of the dominant regime from the most authoritative source.

The main cause of this relative fruitlessness even of the greatest present-day technical inventions is the circumstance that the partitioning of the world has in the main already been effected and that "the number of countries sufficiently advanced industrially to assist in this development of younger countries has increased enormously even since 1914" (as the same organ of the British industrialists expresses it.) In other words: the possibilities are fewer, and those desirous of exploiting them more numerous. But it is not only a question of a shortage of "new countries." This shortage is more and more assuming the concrete form that these new, or more exactly, less developed or colonial countries have been drawn into a prolonged revolutionary process, which to a greater or less extent will cut them off for a long time from "normal" international commercial relations. Here economic development is becoming more complicated by the social-revolutionary factor. Capitalism's market prospects can no longer be considered and estimated apart from this revolutionary development. That would be a kind of superficial "economism." The development of the world market has never been an automatic process. But how greatly has that process been complicated by the one fact that the socialist revolution in the areas of the former Russian empire has in a certain sense cut off one sixth of the world's land surface from the world economic organism!

To this we have to add the operation of the modern super-monopolistic development, the prices and wages policy of the cartels and trusts. Rationalisation (which includes an accelerated development of monopoly) is increasing the production possibilities to an enormous degree, but at the same time the cartels' and trusts' policy in the realm of prices and wages is making the exploitation of these increased production possibilities difficult. So far rationalisation has nowhere led to any considerable fall in prices. On the contrary, "stability of prices" has become the recognised programme of international finance capital, whilst industrial capital (in so far as one can speak of it separately) is manifesting

a definite tendency towards a rise in prices. It is characteristic that a rise in prices is the most cherished dream of the British industrialists, *i.e.*, of the industry of the very country which more than any other is suffering from difficulties in disposing of its commodities. We know that the greatest rise in the price index by comparison with pre-war conditions has been in regard to the manufactures, *i.e.*, in the finishing industries, and in articles of prime necessity, which results in a fall in the workers' real wages. The disparity between prices for certain important agricultural products and the prices of manufactures has become a more or less chronic phenomenon. Cassel points out the existence of similar scissors between the industrial production of capitalist countries and colonial production. On this question some interesting material is to be found in the recent new edition of the *Memorandum on international commerce and on the purchasing power parity*, published by the League of Nations. According to this memorandum the disparity between prices of manufactures and prices for articles of colonial production was diminished during the years 1920 to 1925, but began to evince a strong growth again from 1926. In 1926 and 1927 the prices of raw materials (representing the colonial type of production) in Britain stood at 85 per cent. of the prices for manufactured articles. The especially low level of the corresponding Indian index is striking. In 1920 it fell to 58.6 per cent. rising sharply only from 1922 onwards, and being stabilised at 89 per cent. in 1926. This reveals the specifically parasitic nature of the development of monopolistically organised industry, and the comparative diminution in the possibilities of disposal among the peasant masses and the colonial population: which in general is one of the signs of decay.

At the same time the employers in the dominating countries of Europe are displaying a definite tendency to reduce wages, in other words, to diminish the purchasing power of the millions of workers. In Britain it is interesting to note that the true pioneer in this struggle is bank and rentier capital, which is in this way striving to defend itself from industry's claims to cheaper credit and from its struggle for a more flexible mone-

tary policy. In the United States the development of wages from 1920-21 is distinguished by the restoration (possibly even on a larger scale) of the previous disparity between the wages of skilled and unskilled workers. The statistics of the American Federation of Labour show that "the economically weaker sections of labour improved their relative position down to 1921, but in the interval between 1921 and 1922 they lost all that they had won since the beginning of the century." (J. Kiczynski; *Löhne und Konjunktur in Amerika*, p. 7.) In France the striking fact is the low wage paid in spite of the country's general exceptional prosperity: in many cases wages are lower than those in Germany. To this category of phenomena we may add the fact with which comrade Varga dealt in detail, *i.e.*, that of the chronic, or, as they call it, "structural" or "organic" unemployment, which the most conservative of bourgeois writers (Cassel, for instance) are prepared to consider the most indicative, the most constant, the most distinctive feature of the entire epoch, and which has acquired exceptionally clear forms especially of recent months.

Thus the contradictions between the production possibilities and the market prospects are growing in every respect. And it was not for nothing that in this regard we recalled that in certain countries the process of rationalisation in its more vigorous forms has apparently approached its close; for this very fact enables us to measure the extent of the disparity between the production and marketing possibilities.

THE STRUGGLE FOR MARKETS

The struggle for sources of raw materials, for spheres for the investment of capital is inseparably bound up with this development. The most characteristic feature of the latest period was bound to be the extreme intensification of international rivalry. In this respect the capitalist world has clearly entered upon a new period. The period when economic life drew all its vital forces from the internal market (of course, this was never literally so) has finally become a thing of the past. Pre-dominance of the home market in dynamics of economy was to a certain extent characteristic of the first post-war period, which was

distinguished by the disintegration of international links. This predominance, frequently in paradoxical forms, still remained characteristic, although in a weaker degree, of the succeeding period, the first period of "stabilisation," in a number of countries, such as the United States, Britain and Germany. This was due to the demand of rentier or "nouveau riche" elements, to the emergence and swift development of a number of new industries, to increased construction of houses (necessitated by the prolonged cessation of all kinds of construction) to an investment situation artificially stimulated by increased import of capital, and so on. This time, with its, in many respects, purely transient conditions, has already passed. The struggle for external markets, for the world market, has come to the centre of affairs. We have now to deal with a complete reorientation.

What is the situation in the various countries? Germany is deliberately and intensely, with growing, though still doubtful success, trying to save the situation arising from the obviously constricted nature of the internal market, by extending her activity on the world market. The logic of reparations is driving her with redoubled strength in this direction.

What is the election programme of the British Conservatives? Together with slander of the Communists and anti-socialist phraseology, their one "constructive" proposal is protectionism, which is only the converse aspect of the struggle for the world market. Meantime, of recent months a tendency towards a diminution of the deficit in the trading balance has become apparent. France is the one large European country which has markedly increased its export in comparison with pre-war times. The figures are $2\frac{1}{2}$ times as high as those of the pre-war. But this imposing achievement is to be explained mainly by the low wage level and the retention of certain premiums on export, amounting to 15 per cent., which are possible owing to the disparity still existing between French prices and those prevailing on the world market (a survival from the inflation "advantage.") But this situation cannot continue for very long. French industry is already feeling the approach of more difficult times, and it will seek by all means to retain its exaggerated share

in the world's disposal of commodities. Finally, there is the United States, the decisive industrial power of our day. There we may observe what can be called the beginning of a complete revolution. We shall consider it in more detail in our report on the Anglo-American antagonism. Here we merely remark that only now is the United States entering upon a period of deliberate, active, organised struggle for the world market. With all the gigantic growth of American production, American export has remained practically stationary and in general has engulfed no greater share of the total national production than in pre-war days. Only the absolute figures for export present any imposing feature. But to the farseeing directors of American economy the internal market as a basis for prolonged prosperity is becoming more and more inadequate. The mass nature of production is causing the danger of overproduction more and more definitely. The kind of exports is changing in the direction of manufactures at the cost of agricultural products and even of industrial raw materials. In the past year the export of manufactures and semi-manufactures constituted 69 per cent. of the total export. If we take into account the circumstance that despite all the decline in her trade Britain still exports not less than three-quarters of her total production (and a still greater proportion of her factory production) while the United States exports only some 8 per cent. of its production (and a still smaller proportion of its factory production) the prospects now being opened up are quite clear. The possibilities in this development are suggested, for example, by the fact that last year the motor industry exported about 17 per cent. of its enormous production to the world market, whereas only a few years ago the proportion was not even 4 per cent. American industry is preparing for this battle over the world market in truly American fashion. On the basis of the Export Trade Act, which repealed the anti-trust legislation in so far as it had application to foreign trade, dozens of monopolistic organisations are arising for the purpose of export, and are taking whole spheres of industry into their scope.

Such is the main line of development. It is leading with irresistible force towards new dis-

turbances and conflicts. The more restricted the possibilities of disposing of commodities, the stronger the pressure of the production possibilities, the more ruthless, the more strenuous must the rivalry become.

This elemental tendency of development is in a certain sense crossed by the growing tendency towards an interlocking of various and heterogeneous interests on a national and international scale. The actual fact of the development and growth of these increasingly varied and powerful connections and fusions is not open to doubt. In this respect the first period of stabilisation was essentially distinguished from the first post-war (still semi-war) period with its characteristic disintegration of international links. Stabilisation has brought with it the restoration of international credit, the export of capital, of world trade (which only followed after production); stabilisation has led both to this restoration and in part to the first emergence of a number of powerful international monopolistic associations.

The last, third period, is marked to a still greater degree by evidence of these fusions. We shall refer briefly to a number of isolated facts.

The so-called co-operation of the leading banks of emission (behind which is hidden private bank capital) has achieved far-reaching dimensions, has taken on peculiarly original forms, and has at the same time become one of the instruments of Anglo-American financial dictatorship, one of the means of controlling the development of discount rates, the movement of prices, the world resources of gold, etc.

Connected with this is the far-reaching interlocking of the finance capital of the various countries. Even during the inflation period new conjunctions arose owing to the flight of capital into countries with a stable currency. (In 1925-26 France lost from 20 to 25 milliard francs.) These connections are being stabilised and in every way developed and consolidated. By way of example we point out that during the past year almost half of the total funds of the creditors in the balances of the German banks fell to foreign capital. In March, 1926, fourteen foreign banks which were members of the Paris bankers' clearing house had more than 33 per cent. of the accountancy opera-

tions to their credit. (Cahill, *Report on economic conditions in France*, 1928, p. 45.) The agreement of policy and interlocking of connections between British and American banks has reached relatively maximum dimensions, constituting one of the reasons for the noisy complaints of British industry, which is ostensibly being sacrificed to the specific interests of the international bankers. On August 1st, 1928, British stock was being quoted on the New York exchange to a total value of over eighteen milliard dollars. (*Economist*, 2nd March, 1929.) American capital is being poured in an ever growing stream into British enterprises in South America, South Africa and even Britain itself. A characteristic incident is the story of the British General Electric Company's recent attempts to safeguard itself from the transference of the majority of shares into American hands; and it is characteristic that in this instance the City, *i.e.*, the banks, definitely took the side of the Americans.

We also observe the emergence of a quite new type of international accountancy and control bodies in the form of committees for transfer (provided for by the Dawes plan) which now have evidently (provided the Paris conference does not end in a fiasco) to yield place to the international reparations "super-bank," which the *Times* has already called the financial League of Nations by analogy with the political Geneva League.

There is an increasing number of loans internationally organised both with and without the aid of the League of Nations (the last Roumanian loan, for instance.) We have already pointed out the thoroughly international character of modern Stock Exchange speculation.

We shall not multiply our examples. Does this growth of interlocking and fusion connote a neutralisation of these profound organic antagonisms to which we have already referred? Such an assumption would be the height of reformist *naïveté*. All that Lenin said on the subject of super-imperialism, on the growth of inter-lockings, and the great intensification of all the decisive, all the most general, central antagonisms, was never more applicable than it is to-day. Of course, the cohesive force of the above-mentioned and in-

numerable other inter-lockings is for a certain time capable of creating temporary breathing spaces, of playing a temporary role as a factor restraining the development of conflict. But least of all in our day is it capable of repealing the most fundamental laws of capitalist development. More than that, numbers of these varied inter-lockings themselves bring fresh complications, start new antagonisms. One has but to point to the entire complex of the reparations problem and its associated problem of inter-Allied debts, to the growing conquests of American capital in the British dominions, in illustration of this fact.

Thus taken as a whole, this combination of an extreme intensification of basic antagonisms with the growth and development of the highly complex and inter-locking strands in the capitalist web provides a picture of something quite unique from its internal antagonisms, its extreme complexity, its opacity, and, one may say, its absurdity and savagery. It is a veritable tower of Babel. Ambiguity, intense contradictoriness, irrationality, the

harnessing of the worst kind of anarchy with organisation are here carried to their extreme, are transformed into a kind of inevitable, higher law of capitalism.

And the result of such a state of affairs is also inevitable. It results in extreme, chronic instability, and in an incomprehensibility in the economic and political situation, accompanied by the possibility of all kinds of zig-zags, surprises and conflicts, with a fresh partitioning of the earth always in prospect.

The threatening nature of this situation is further intensified by the continually growing connection and fusion of private capitalist economy with the machinery of the modern State. Both in relations between classes and in relations between imperialist States this fusion is increasing the intensity and extending the amplitude of the incipient and developing conflicts.

History is bringing to the forefront the decisive, central antagonisms of capitalism; and it is within their framework that we shall consider the international situation.

(To be concluded)

The Forthcoming Congress of the Communist Party of Germany

By W. Ulbricht.

THE recommendations and resolutions of the forthcoming Congress of the Communist Party of Germany at Dresden are of great importance for the Comintern.

The reason for this is that the contradictions of capitalism are at present sharper in Germany than in any other country, owing to the particular conditions prevailing of the class struggle there; for instance, a highly developed industry with limited possibilities for market expansion, the reparations burden, the increasing cohesion of Labour reformism and the government, and the comparatively strong Communist Party. The struggle of German finance capital to secure for Germany the position of a leading imperialist world Power, the inclusion of the social-democracy and trade union reformists in the imperialist front—with the consequent strengthening of the Communist Party's leading influence among the workers—all this leads to a yet sharper alignment of the class front. On these grounds our fight against the coalition policy, against the social-democratic armaments policy, against industrial arbitration and police terror, have secured great successes.

The period of Party development since the Essen Congress has quite definitely been a period of transition. It has been the period of transition from the phase of defeat in the working-class movement (1924-1926) to the phase of the counter-offensive and the attack by the working class.

The above period has been distinguished by the sharpened offensive of the bourgeoisie and the simultaneous tendency towards the left of large masses of the workers.

Under the leadership of our Party increasing masses of the workers are losing their reverence for trade union and capitalist laws, and are building up instruments for the independent leadership of mass struggle, such as committees of action and similar united

front bodies. In the process of this struggle the real nature was revealed of that revisionism represented by the Brandler group and furthered by the conciliators.

The modification in class forces during recent years in Germany is expressed, on the one hand, in the closer cohesion of the various capitalist parties, including the social-democrats and the trade union bureaucrats, under the leadership of trust capital. The offensive of trust capital and its adherents is manifested internally in the policy of the "Great Coalition," in forced arbitration and police terror, in the effort to secure changes in the constitution and in electoral reform, in the closer approach between the trade unions and social-democracy and the machinery of capitalist government; and, finally, the tendency towards Fascism both in the government and in the social-democratic and trade union reformist leadership.

On the other hand, the change is shown by the formation of the proletarian class front under the leadership of the Communist Party. The possibility of this class front, led by our Party, is secured by the creation of united front fighting bodies in the various movements.

Among the most virile expressions of the will-to-battle of the workers, and the carrying on of the struggle as one of "Class against class," may be cited the following: the formation of a strike leadership in the Ruhr; the great successes of the revolutionary candidates to the factory councils; the workers' delegate conferences for the extension of the economic struggle; the development of a leadership in the fight against police persecution; and likewise a leadership in combatting the splitting policies of the reformists within the trade unions. These are the characteristics of the present situation.

FROM ESSEN TO DRESDEN

The Essen Congress took place at a turning-point—the period of the commencement of a gradually growing activity among the workers. This new activity was expressed in the struggle for our economic demands. Capitalist rationalisation had brought about a lowering of the workers' standard of living, with the aid of arbitration wages were reduced; the nine-hour or ten-hour working-day was the rule; the productive capacity of labour had been tremendously increased. Simultaneously with the comparative stabilisation of capitalism, there had been an increase in the industrial peace tendency within trade union officialdom. In these circumstances, the struggle of the workers was primarily directed against the system of arbitration and against the reformist bureaucracy, which had become an adjunct to the governmental apparatus of compulsory arbitration.

In this situation, then, the chief question was that of rallying the masses in order to break the fetters of compulsory arbitration, of engendering a movement against arbitration decisions, and of the leadership in the fight against the unity of the reformist bureaucracy with the employers by means of the State machinery.

Together with the leftward development of the workers and the sharpening of the employers' attack, it was realised, both within our Party and among the workers, that the struggle against compulsory arbitration must be initiated, not within the framework of the trade unions, but against the will of the union officialdom and by means of the formation of the united class front of the workers, based upon the factories. Whereas, during the first large-scale conflicts in 1927, the question was the further extension of the strike movements against compulsory arbitration decisions and the trade union bureaucracy, one year later the central point of our Party's policy was the independent organisation of strikes against wage agreements, arbitration awards and against the decisions of the trade union leadership.

The parliamentary elections of May, 1928, resulted in a considerable increase in the Communist vote, but showed also a substantial

growth in the social-democratic votes. The election demonstrated how necessary it is for the bourgeoisie to draw the social-democrats into responsible positions within the capitalist State, in order to divide the working class. The downward pressure upon wages, the repression of the leftward-moving masses, the strengthening of the capitalist State power, the stressing of imperialist policy—all this was only possible with the aid of the social-democratic and trade union leadership.

The "democrats" are the most skillful protagonists of bourgeois democracy and the introduction of Fascist measures against the workers. The social-democrats did not succeed in bringing about a firm coalition government because trust capital imposed too stringent conditions upon them. The internal party situation of the social-democrats was not yet quite favourable to the acceptance of such conditions. For this reason, the social-democrats sought to retain a certain freedom of action until, bit by bit, the social-imperialist current had coursed completely through the party, to the lowest ranks.

The contradiction between the social-imperialist policies of the social-democratic leaders and the interests of the masses who supported that party became clearly apparent in the question of armaments, and the struggle against the capitalist programme of building a new cruiser. The first step in the direct linking-up of the social-democrats and trade unions with the policies of large-scale capitalism was their support for capitalist rationalisation and their policy regarding compulsory arbitration and means of dealing with the induced crisis. In 1927 especially the reformist leaders endeavoured to prove to the workers that no strikes should take place, in the interests of the home market! According to them, the activity of the trade unions should be limited to exerting pressure upon the government and the employers' associations in order to obtain wage increases through negotiation. In the resolutions of the German General Federation of Trade Unions (A.D.G.B.) it was made manifest that the wage demands and the methods of trying to secure them, should, in this period of crisis, be subordinated to the urgent needs of capitalist economy, because the result of high

wage demands, or of great working class struggles, would only mean an accentuation of the crisis and therefore a worsening of the workers' living conditions. The consequences of the reformist policies of the social-democrats became clearer as the limits of the home market became apparent, and as the struggle for a world market developed as a result of rationalisation. The more Severing, Leipart and Co. sounded the trumpet of "Germany's World Position," the more did they have to defend openly capitalist tariffs and armaments policy. In response to this the C.P.G. developed the campaign against the imperialist war policy and cruiser construction campaign of German capital and social-democracy.

The fight over the cruiser is the expression of the intensified world imperialist conflicts. For this reason the campaign of the C.P.G. against the cruiser is of the greatest importance to the C.I. Contrary to previous campaigns—*e.g.*, the referendum against the indemnification of the old royal houses—the struggle against the cruiser-building project, against imperialist war, and for the defence of the Soviet Union, was in this case led by the C.P.G. alone, against the united front of finance capital down to the social democracy. At the beginning of this campaign the full strength of the Party was not exerted in order to build up the proletarian united front from below through the creation of special centres of action and workers' committees. Certain sections of our Party had not yet realised the change in the situation and the modified conditions of the present struggle. They therefore believed that it was possible to find a broader basis for a campaign; that was a dilution of our policies. However, what the circumstances really imposed was a very drastic application of fundamental Communist principles and an exposure of the relationship between the implications of social-democratic political and industrial policies of the day, and their policy regarding the cruiser building programme. The partial weakening of our Party, in the fight against "cruiser-socialism" arose from the fact that the right advised an appeal to the social-democratic leadership for a common struggle. The wails of the right over the so-called defeat of our Party in the first stage of the cruiser campaign is merely

the expression of their illusion regarding the possibility of joint action with the social democrats. The further development of the cruiser campaign demonstrated how necessary it is, in the fight against the social-democrats, to make clear the struggle against imperialism in order to convince the workers that compulsory arbitration, police persecution, strengthening of the State apparatus, modifications in electoral law, etc., are elements in the preparation for war; and it must show them that it is necessary to make the workers capable of defence through the organisation of new forms of class-struggle, the organisation of strikes against arbitration and the trade union bureaucracy, the formation of self-defence bodies against police terror and governmental protection for strike breakers; and, finally, through the breaking-up of the *Reichsbanner* (Republican organisation) and the strengthening of the Red Front Fighters.

At the same time we should discuss the forms and conditions of the struggle after the outbreak of war; a particularly necessary point when we remember the sentiments and phrases of the "left" social-democrats. These questions include: the organisation of mass strikes; the importance of political work within the army; fraternisation on the front; the necessity of an illegal apparatus of struggle; the conversion of imperialist war into civil war through the development of mass strikes into a general uprising, and through the revolutionary defence of the Soviet Union.

Influenced by the growing resistance of the social-democratic workers to the cruiser-building policy, the social-democratic leaders are now shoving their left shoulder into the foreground in order to deceive the masses and to prevent an exodus from their ranks. For this reason it is imperative that the Dresden Congress should decide upon a definite intensification of the Party's fight against social-democracy and especially against their platform heroes of the left.

THE UNITED FRONT

The methods of developing the united front tactics have become more crystalised through the experiences of intensified class struggle since the Essen Congress. It was symptomatic

of the orientation of our Party that, at the Essen Congress, social-democratic and non-party workers announced their desire actively to support the policies of the C.P.G. Members of the right and the conciliators later jeered at these declarations because it was not immediately possible to develop organisational forms of workers' unity on a mass basis. This was first achieved in the great economic struggles in the Ruhr district, in the dockyard towns, and so on. In all these cases the united front was built up exclusively from below. The unashamed social-imperialist role of social-democracy, its development into a constituent part of the capitalist State apparatus, as well as the splitting methods of the reformists in the trade unions, renders any overtures to the social-democratic leadership a policy of sheer lunacy. Such a measure would signify ignoring the recent experiences of the workers and concealing the bourgeois class policies of social-democracy. In the period immediately after the Essen Congress, the Party essayed in the first big economic struggles, to break the influence of the bureaucracy and develop the campaign against compulsory arbitration by means of the election of trade union strike leaderships. As opposed, then, to the "strike leadership" set up by the reformists, our chief objective was thought to be the development of rank and file democracy among the trade union members. The growing activity of the unorganised workers, however, and the open strike-breaking policy of the reformist leaders taught us that it is necessary, for the successful carrying out of strikes, to establish completely independent united front centres of the workers, which must be elected by all workers in the given enterprise, whether organised or not. This method of carrying out the tactics of the united front has not been fully adopted by the whole Party. There are still officials in our Party who expect to secure tactical victories by mobilising the masses to the call of the reformist leaders in order to prove later to the workers that everything had been done to secure "unity in the struggle"; in other words: unity with the reformist leaders. As a matter of fact, such tactics make it easier for the reformist leaders to break up the workers' solidarity by all kinds of trickery, and to make the workers incapable of struggle at the decisive moment.

The root of this trade union constitutionalism on the part of some of our Party officials lies in the belief that it is still possible to force the reformist trade union leaders into struggle by means of pressure from the workers. Our experiences in the employment of united front tactics in strikes develop the necessary conditions for the successful employment of similar tactics in the elections to the factory councils, in the fight against splitting the trade unions, and in the campaign for the freedom of the streets for mass demonstrations. The outcome of the factory council elections proves on the one hand the correctness of our tactics in putting forward separate revolutionary candidates; on the other hand, however, it shows that there still exists an opportunist deviation from our Party as well as a certain underestimation of the importance of building up organisational forms for the proletarian united front—temporary bodies such as factory council election committees, strike committees and so on.

During the last few months, as a more extended economic crisis developed as well as a marked growth in the militancy of the working class, the bourgeoisie and their social-democratic assistants come nearer than ever to the employment of Fascist methods against the working class. Police prohibition and baton charges against demonstrating workers opposed to the cruiser-building programme are a symptom of the coalition policy of the social-democrats. In these circumstances of intensified class struggle the social-democrats have employed certain insignificant fake-revolutionary manoeuvres in order to profit by the trend of the workers towards the left. That is the reason why the bourgeoisie no longer permit the social-democrats to employ the same tactics as in 1927. This increased pressure of the bourgeoisie upon the social-democrats was most clearly revealed during the struggle in the Ruhr. The non-compliance of the Ruhr industrialists with the Wissel award of the arbitration courts, and the fact that the social-democrat Severing had to cause a new award to be made—on the demand of the employers—shows how heavy capital has drawn the social-democrats into full responsibility for the carrying out of capitalist policy. An equally characteristic instance was the settlement of the wage scale between the bureaucrats of the

textile workers' union and the heads of the North German woollen trust.

While it becomes more difficult for the bourgeoisie and the social-democrats to hinder the workers' struggle by means of trade union constitutionalism and the arbitration system, they endeavour to nip the revolutionary movement in the bud with the assistance of police persecution, through the prohibition of demonstrations, suppression of the press, the attempt to make certain organisations illegal, and similar methods. While in the period of the Ruhr conflicts economic struggles predominated, we now note a joint political and economic activity. The economic struggle is constructing a substantial basis for the sharpening of the political struggle, into which ever broader masses will be drawn.

The political struggle of the workers against police terror, and specially against the politically oppressive measures, is now gaining the utmost importance. Just as our Party has learned to build up the united front of the workers in the struggle against compulsory arbitration and reformism, so must it now mobilise the masses around the creation of new organs of struggle in the campaign for the freedom to demonstrate, for the overthrow of the rule of capitalism, and for a revolutionary workers' and peasants' government.

THE LENINIST UNITY OF THE PARTY

The internal Party tendency of the resolutions of the Essen Congress was distinguished by the will to concentrate all revolutionary forces in the Party on stronger opposition to both Trotskyist and right deviations. Only the ultra-lefts appeared openly as a fraction at this congress, while the rights, under Böttcher, Tittel, and company, endeavoured to smuggle in their opportunist conceptions of "control of production" and "left social-democracy" within the framework of the congress resolutions. After the Essen Congress the rights used every possible means of making their policy of control of production and their conciliatory attitude toward the left social-democrats the general policy of the Party. At the same time they demanded the publication of Brandler's "Draft Programme of Action." This demand for the publication of a pro-

gramme of action, after the acceptance of the Essen Congress resolutions, implied the setting up of a definite opposition platform and therefore open struggle against the Party decisions.

This enhanced forward movement of the rights had certain definite objective causes. At the time of the German crisis in 1927 the bourgeoisie threw the workers a sop in the form of an average wage increase of 5 per cent. Through this the reformists temporarily achieved a certain new elasticity of action, from which the rights drew the conclusion that it would be false to claim that the reformists no longer lead any wage struggles. Obviously the rights confused the improvement in the position of a limited labour aristocracy with the position of the broad working masses whose actual wages were practically unaltered. As the supporters of the right considered the reformists' policy merely "inadequate" but not fundamentally inimical to the workers' interests, they developed their slogan of "Force the Leaders to Fight." They considered it possible to force the reformists into class militancy. They believed in giving the reformists the opportunity of betraying the workers so as to be able to unmask them later! Such tactics must necessarily result in the worker acknowledging that the Communists are indeed thorough-going critics of reformism; but it will not result in the workers following the lead of the Communist Party because the Party would not be organising the workers for struggle.

The basic disagreement, therefore, with the rights is the question of the leading role of the Communists in the organisation and carrying out of the working class struggle. This revolutionary leadership, however, presupposes from the very beginning a clear conception of the path leading to the dictatorship of the proletariat. The essence of the Brandler group's policy is to inveigle the workers into the struggle for power through the advocacy of certain transitional measures such as control of production, price control, no secret bank policies, etc.; to soothe them with the belief that a revolutionary workers' and peasants' government can be established without arming the proletariat, without the formation of revolutionary workers' councils, and without

the destruction of the capitalist State. In actual practice this policy implies the obstruction of mass strike movements on the grounds of the immediate demands of the workers and the masking of the struggle for the dictatorship of the proletariat. During the intensification of class antagonisms in Germany, the Brandler group unceasingly sought to disseminate their incorrect policies among the workers, while the struggle within the Party was actually going on. Simultaneously they were engaged in building up their fractional organisation.

The main feature of the policy of that group of comrades who later were known as conciliators, was the attempt to secure the basis for an alteration in the political course of the Party by a so-called concentration of all elements in the Party, not on a basis of principle but as a species of coalition. Instead of a concentration of the most progressive, active and revolutionary elements of the Party, they desired a concentration together with those comrades who had not yet, or who had only partially, rid themselves of their opportunist conceptions. The conciliators underestimated the right wing danger in our Party.

Since the rising wave of activity among the workers in 1927—characterised by the Sixth World Congress as the beginning of the third period—this opportunist danger developed into the chief danger. This became clear during the economic conflicts of 1927 although the ultra-left group had not yet been completely overcome at that time. At the Ninth Plenum the conciliators opposed with all their strength the argument that the right wing danger could be designated as the greatest danger; and later they attempted to treat the decisions of the Ninth Plenum as unimportant, and to obscure the fact that the Plenum's slogan, "Class against Class," was linked up with the frontal attack against the right wing danger. Gradually the conciliators' political line became more distinct. After the Reichstag elections in May, 1928, they spread the illusion that the elections were a victory for the bourgeoisie and the social-democrats, and that the bourgeoisie as a result of this experience, would find it possible to carry through their policy by democratic constitutional means. They did not realise that, precisely as a result of the intensi-

fication of antagonisms within the capitalist system and the consequent leftward tendency of the masses, the social-democrats would be made more and more responsible for master-class policies, so that the social-democrats could undertake the reorganisation of the State apparatus in the interests of capitalist dictatorship and could also serve as mediators and police chiefs to strengthen political and economic pressure upon the working class. This was necessary because "democratic" means were not sufficiently capable of suppressing the masses. This incorrect estimate of the situation by the conciliators reached its fullest expression at the Sixth World Congress in their attempt actually to characterise this third period as a period of stabilisation. The conciliators also defended the slogan "Force the Leaders to Fight," and endeavoured to side-track the fight against the right wing danger by gossip about the ultra-left tendencies of the Central Committee.

The records of this discussion, which had been piling up ever since the Ninth Plenum, were suddenly brought to the attention of the entire Party in connection with the case of Wittdorf. The utilisation of the Wittdorf case by the conciliators was the obvious consequence of their previous policy of concentration. On the pretence of political motives they sought to use the Wittdorf case to secure a change in the composition of the Party leadership, and thus secure a basis for an alteration in the Party line. Obviously these tactics were in violation of the decisions of the Sixth World Congress. The difficulty with which the unsuccessful attack of the conciliators and of the rights was overcome revealed that the majority of the Central Committee, in their desire not to disrupt the Party needlessly, had not sufficiently gone into the details of their differences with the rights and the conciliators at meetings of leading Party members and had not organised adequate resistance to the conciliators' attacks upon personalities.

While the rights and the conciliators, during the Wittdorf case, were attempting to confuse the membership with the slogan, "For or against Corruption," both groups were compelled to display their political colours during the conflicts in the Ruhr district. The acid test of struggle demonstrated that the political

line of our Party was correct and that the rights had drifted towards the position of the "economic democrats" while the conciliators floundered here and there without any guiding principle. During the metal workers' struggle in the Ruhr the Party used every effort to carry out the decisions of the Sixth World Congress regarding the fight against reformism and the building up of an independent strike leadership, while the rights supported the policy of the reformists inasmuch as they opposed the demands of the revolutionary workers and backed the demand—just as the social-democrats did—for the acceptance of the Wissel arbitration award. Just as did the reformists, they sought to divert the workers to the question of strike relief and the so-called policy of the control of production. Once the rights had appeared in the midst of an industrial conflict, as an organisation opposed to the Party, the preliminary to all future struggles was the necessity of purging the Party of the rights.

The separation of the openly declared rights from the Party naturally led to divisions within the conciliators' group. While the working class element which had previously sympathised with the conciliators gradually came nearer to the position of the Central Committee, the leading functionaries among the conciliators assumed more and more the position of place-holders for the rights within the Party. The conciliators have set up their own programme against the political resolutions of the Central Committee—which served as the groundwork of the Party Congress—and, on every political question, have endeavoured to have their standpoint put forward through group representation. After the Ninth Plenum the conciliators developed into a definite group with an independent platform and internal group discipline. They continued to maintain their incorrect estimate of the political situation and to under-estimate the practice of police persecution and Fascist measures against the working class. On the question of strike strategy they belittled the importance of rallying the unorganised, and of special strike leadership. In the factory council elections they sabotaged the decisions of the Party by refusing to lead the struggle for the return of revolutionary electoral lists, but sought to set up opposi-

tional candidates—whenever possible from within the trade unions—on a "free trade union" platform. Within the Party they have maintained their tactics of advocating the limitation of the rights in words, while opposing the policies of the central committee and of the Comintern in their acts. The Dresden Congress must demand a clear answer from those Party officials with conciliatory tendencies as to whether they recognise their gross errors with regard to their estimate of the situation, with regard to strike and trade union tactics, and with regard to the internal Party development; and also whether they are ready to carry out the decisions of the Congress in a disciplined manner and without reservations.

AGAINST OPPORTUNISM

The Party Congress will confirm the expulsion of the right wing functionaries. At the same time it will be necessary to bring to the knowledge of the Party membership the real character of the opportunist deviation of the rights and of the conciliators. The membership is only partly acquainted with the opportunist mistakes which have crept into the mass struggle. During the present rising wave of militancy among the workers we see the dangers of opportunism coming to full fruition in the policies of the Brandler group. Under these circumstances then, when the results of an opportunist deviation are becoming so obvious, it is necessary to strike a balance and to bring before the entire membership of the Party the general significance of the Brandler brand of revisionism.

The principal points are as follows:—

1. An analysis of the Brandler theory of the State which seeks to establish a transition stage in which the working class gradually prepares the preliminary conditions of the struggle for the proletarian dictatorship through the control of production and a so-called workers' and peasants' government, which is nothing more than a coalition government.

This opportunist use of the terms of a revolutionary transition period, independent of the struggle for the arming of the proletariat and the formation of workers' councils of a political nature, is nothing more than the theoretical

expression of opportunist errors such as were made during the mass movements in 1923.

2. The revisionists deny the leading role of the Communist Party. They believe that they can lead the workers in struggle jointly with the social-democrats. Such tactics signify a disbelief in the revolutionary capacity of the proletariat, and is an attempt to draw petty-bourgeois elements into the struggle by means of social-democracy. Rising from this fundamentally incorrect attitude towards the role of the Communist Party and that of social democracy, the tactics of the united front appear merely as an alliance with the social-democratic organisations. The consequences of this would be, in elections, joint candidatures with the social democrats; and, especially in municipal elections, the propaganda of "a working class majority." Such tactics foster the illusion that the social-democratic party can be transformed into a working class party under pressure from the workers. The policy of the right, as regards our attitude towards the social-democrats and the employment of united front tactics, implies a complete revision of the decisions of the Second World Congress of the Comintern on the role of the Communist Parties.

3. The trade union policy of the revisionists is opposed to the Communist Party's policy for winning over the trade union members and the unorganised workers. He who believes that the reformist policies are merely "inadequate" and not basically anti-working class must necessarily also believe in the possibility of revolutionising the trade union bureaucracy; thus arriving at that species of organisational idolatry which does not realise the essence of the thing, the actual content of trade union policy, but is engrossed only in the preservation of the form. The Brandler group's policy aids the reformists and obstructs the development of the working masses towards Communism; because the workers, when faced by such a policy, correctly declare that the Communists can really offer no other way than the reformists; for they subordinate themselves to the orders of the reformist traitors and renounce the leadership of the working masses by their very actions. This opportunist policy must lead to the isolation of the Communist Party from the working masses

and implies a revision of the Leninist position regarding the aims and methods of our trade union work.

4. The fundamentally anti-Bolshevik standpoint of the revisionists finds its organisational expression in the abandonment of democratic centralism, in the denial of the submission of the minority to the majority, and in the refusal of discipline as regards the decisions of the Comintern. The gentlemen of the Brandler group would degrade the Comintern down to the same level as that of the Labour and Socialist International—namely, that of a letter-box. Therefore they fight for the independence of the various national sections; in other words, for the right to carry out a different policy from that which has been decided by the leading bodies of the Comintern. This denial of democratic centralism on an international and national scale implies an attempt to transform the Comintern and its sections into a conglomeration of every possible tendency.

After the Brandler group openly renounced the programme of the Communist International and the decisions of the Sixth World Congress they proceeded to formulate their anti-Bolshevik conceptions into a so-called "programme of struggle." In the spirit of this revisionism they now request the Communist Party to unite with them upon a programme for the Saxon Landtag elections. They actually claim that our Party shall accept Brandler's left social-democratic programme. After having supported reformist policies in the Ruhr struggle, the Brandler group is now assisting the left social-democrats in the elections in Saxony to weaken the power of the Communist Party, by putting up their own candidates. Objectively, this means supporting the forthcoming social-democratic coalition policy in Saxony. The Brandler group asks the Communist Party to declare itself prepared "to support a social-democratic minority government" and to unite with the social-democrats in a joint list of candidates. As a result of such a policy the workers would be perfectly correct in saying, "If the Communists support a social-democratic government we might as well vote for the social-democrats right now." The Communist Party absolutely declines to acquiesce in the revisionist

proposals of the Brandler crowd. During the electoral fight the Communist Party will make it clear to the workers that only a revolutionary Workers' and Peasants' Government, based upon revolutionary workers' councils and the armed proletariat, can carry out a working class policy. All the talk about a social-democratic government only serves to make the road to coalition easy for the Saxon social-democrats and particularly for their "left" leaders. The detaching of the workers from social democracy will be brought about, not by supporting a social-democratic government, but because the Communist Party understands how to prepare and to lead the extra-parliamentary struggle of the workers for their political and economic demands. Not a united front with an eventual social-democratic government, but the organisation of the united front on the basis of the factories, will free the workers from the influence of social-democracy.

It is precisely these recent experiences which have revealed the fundamental worthlessness of the revisionism of the Brandler group. This is an important preparation for bringing our Party membership towards the real Leninist conception of the correct tactics in the struggle for the dictatorship of the proletariat and socialism.

THE TASKS OF THE PARTY

The characteristic feature of the present phase of the working class movement is the development of the *political* mass struggle. While, during the period from the Essen Congress until 1928, the workers were engaged almost exclusively in fighting for industrial demands and political struggle took the form mainly of the fight against compulsory arbitration, the sharpening of the class struggle implies an increasingly significant political campaign against the repressive measures of the State, against police persecution and Fascist terror, and for the overthrow of the capitalist government and the setting up of a revolutionary Workers' and Peasants' Government.

The principal task of the Party lies in winning over the masses to the formation of a proletarian class front for the struggle to secure economic demands, against police terror and imperialist armaments; and thus to estab-

lish the organisational forms of the proletarian united front. At the Dresden Congress the Party must put in the foreground the evaluation of all their experiences in independent strike leadership and the activities of that leadership, so that the entire Party may be informed on the actual operation of our "Class against Class" policy. At present this is only partly the case. In many districts where the Party has not yet assumed independent leadership of the economic struggle, the Party membership has not arrived at a complete understanding of the essentials of these tactics. This was shown, among other instances, in the resistance to the carrying out of our tactics in the factory council elections.

The question of building up a revolutionary leadership in the mass struggle is the question of the Leninist use of the united front tactics and of the realisation of proletarian democracy. Without these tactics, an offensive struggle against reformism is impossible. The Communist Party will only be in a position to win over the majority of the working class when it thoroughly understands how to formulate its political and economic slogans on the basis of the actual needs of the workers and then, through the creation of the necessary organisational bodies, to launch and to lead a struggle for those claims. In view of the strike-breaking part played by the trade unions it is more necessary than ever to supply the workers' will-to-struggle with organisational forms, by means of workers' delegate conferences to which the delegates shall be democratically elected by the workers in their factories. The representatives of the factories must decide upon the demands and also decide in what form the strike committees, councils of action and similar bodies for the preparation and leadership of the movement shall be organised. To the extent to which we are enabled to throw up a new leadership in these struggles, and to develop new local leaders from the factories, the preliminary conditions will be obtained for the workers, in the period of the forthcoming struggle for power under leadership of the Communist Party, to organise their workers' councils at the right moment. From this point of view, the strike committees and similar bodies have a great educational work to carry out.

The reformist bureaucracy tries to render the organisation and leadership of political and economic campaigns by the revolutionary trade union opposition impossible by expelling revolutionary workers from the trade unions and by the dissolution of entire local branches or districts in which the revolutionaries have gained the leadership. These disruptive policies must be opposed by a strengthened opposition to reformism both inside and outside the trade unions. We know that we cannot capture the reformist trade union apparatus. But we must and can win over the majority of the trade union membership. Therefore our Party slogan must be: "Face towards the Factories!"—the concentration of all forces on winning over the workers in large-scale concerns, for they are essential for the carrying out of economic and political struggles. Daily agitation and propaganda in the big factories, recruiting campaigns for the Communist Party, and sympathetic organisations—these are the most important tasks. It is, however, important at the same time to strengthen the opposition in the trade unions and to make a more systematic attempt than hitherto to influence the trade union membership. A higher standard of work within the sympathetic organisations is also an important means of winning over the trade unionists who belong to them for our class war policy in the factories and the unions.

In those cases where the reformists try to overthrow revolutionary leadership in the trade unions or even to dissolve certain bodies, our comrades must not give up their positions but must safeguard the unity of the organisation by rallying the membership against the reformist disruptors and creating new means for fighting the reformist plans.

These offensive tactics against reformism, and the creation of temporary organisational forms for the struggle, must not lead to the gradual substitution of any special organisations of non-unionists, or to mutual benefit societies for the expelled. We must continue to oppose reformist disruption and to fight for the revolutionary unity of the proletarian front. If, in the expectation that splits will occur later in certain trade unions, we were now to start building up new organisations, many workers would believe that we are in favour of drawing the workers out of the re-

formist trade unions. This would greatly enhance the difficulty of winning over the trade unionists for the struggle against reformism. It is quite another question if, in the process of the revolutionary mass struggle in Germany, the reformists openly carry out strike-breaking activities leading to the destruction of the trade unions. It would then be quite clear to the workers who are the splitters, and why the reformists were breaking up the union. In such circumstances, it would depend upon the experience of the workers, upon the political situation, and upon the strength of the Communist Party, whether the organisation of class trade unions should be carried on.

The struggle on behalf of the industrial demands of the workers, and against compulsory arbitration and police persecution, is part of the struggle against the imperialist war aims of the German capitalists and their social-democratic flunkys. For this reason, these questions must be brought into relation with the cruiser-building policy of the social-democrats and the rule of trust capital. The preparations for International Red Day, which will take place on August 1st, require a thorough discussion at our congress of the questions of struggle against imperialist war and for the defence of the Soviet Union, to ensure that, after the congress, a genuinely widespread mass agitation will be launched throughout the entire country. For this purpose, it will be necessary to organise united front bodies, in the factories and districts, for the struggle against the cruiser policy and to organise preparations for International Red Day.

The previously mentioned political questions indicate what organisational problems must above all be the object of discussion at the congress. The first question is the evaluation of the experiences of our factory groups and the working out of means for the improvement of their work in order that these groups shall really become vehicles for the political campaigns of the Party. In this respect the work of our Party improved during the recent industrial conflicts and the factory council election campaigns. But the congress must definitely decide upon a turn in our organisation policy which will have as a result that the functionaries of the large factory groups have the

deciding influence in the Party leadership; and also that the Party leadership shall be obliged to guide, support and control the work of the factory groups. If this change in our organisational work is not brought about it will cause tremendous difficulties in the organisation of temporary organs of struggle in the factories, as various political crises arise.

This orientation towards the factories will also enable the Party to rally and organise strategically important masses of the working class in the struggle against capitalism and social-democracy, in periods of suppression of

the press, prohibition of demonstrations and meetings, or under conditions of semi-illegality. The entire Party structure from the central committee down to the factory group, must be focussed upon the difficulties of work under semi-illegal conditions.

These are the chief problems with which the Dresden Congress of the C.P.G. will be occupied. It is, of course, understood that the questions relating to the policy of the Comintern and of the C.P.S.U. will likewise be subject of deliberations at our congress.

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