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Economics and Economic Policy in the Fourth Quarter of 1928.

(Concluded down to 15th January, 1929.)

By E. Varga.

I. Problems of the New Roumania.

The great peasant demonstration in the summer, the overthrow of the Bratianu Government, and its substitution by a Government of the Peasant Party have within the last few months placed Roumania in the forefront of public interest in Europe. From the standpoint of foreign politics, it is likewise of extraordinary significance for the international proletariat, as being one of those countries which would be called upon to play a very prominent part in the assault of the capitalist countries on the Soviet Union, the organisational preparation of which is being made more and more openly. This fact makes the position of the country in question a matter worthy of more detailed consideration, all the more so as a study thereof leads us to some problems of particular theoretical interest.

These problems are as follows:

1. Is it possible for the bourgeoisie of a capitalistically poorly developed country in the epoch of declining capitalism, to develop the productive forces of the country without outside aid ("by ourselves", as Bratianu's programme proclaimed) and to assume an attitude of independence in relation to foreign financial capital?

2. Is a bourgeois agrarian reform calculated and able to solve the agrarian problem in such a sense that the immediate producers can attain a secured existence and enhanced prosperity by the development of the productive forces of agriculture?

3. What are the peculiar characteristics of Roumanian capitalism?

Roumania, a Poor Agrarian Country.

Though the economy of Roumania was enhanced by the annexation of the economically more developed regions formerly belonging to Hungary¹⁾ and though the Roumanian bour-

¹⁾ According to the last census, the number of inhabitants per h. p. was as follows:

Old Roumania	42
Transylvania	28
Banat	13

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NOTE. All quotations from American and English sources contained in this Report have been retranslated from the German.

geoisie has employed all economic-political means to develop industry. Greater Roumania has remained an agrarian country. So far as the relative literature is known to us, there are unfortunately no comprehensive statistics in regard to the distribution of the earners according to their occupation, but it is a well-known fact that in the whole country there are only two cities of more than 100,000 inhabitants, viz. Bucharest and Kishinev, which together contain less than half a million people or only 3 per cent. of the total population; we likewise know that in the entire country there are only 200,000 workers in big industrial enterprises. And this suffices for us to establish the agrarian character of the country.

Indeed, Roumania is not only an agrarian country, it is a poor and backward agrarian country. This seems to be in contradiction with the fact that before the war Roumania was one of the chief wheat-exporting lands and was therefore generally regarded as a rich country. These large wheat exports, however, were based — as was the case in Tsarist Russia — on the pauperisation of the peasants, who were literally bled white by the boyars. The wheat was exported to foreign countries, while the peasant population subsisted miserably on maize. In spite of the agrarian reform, these conditions have remained practically unchanged down to the present day. 60 per cent. of the Roumanian peasantry are illiterate. The cultivation of the soil is on an extremely low level.

In spite of the great natural fertility of the plains, the harvest yield of Roumania is among the smallest in Europe.

The country is likewise poor in the fundamental raw materials of the heavy industries, since coal and iron are only found in the newly-acquired Transylvanian territory, and that in limited quantities. The exploitation of water-power is prevented by the lack of capital. The development of the general commodity industry is impaired by the small absorptive capacity of the home market, which is mainly an outcome of the poverty and frugality of the rural population.

The economic development of the country was rendered more difficult by the devastation caused during the war. First of all the British devastated the country, in the first place by systematically destroying the all-important oil-fields with a view to preventing the advancing Germans from making use of the economic assets of the country in the interest of a continuation of the war. Then there came the retreat of the Germans, the conquest of Bessarabia, and so on. Almost the entire territory of the country has served as a theatre of war.

Of yet more importance, perhaps, is the fact that the individual parts of Greater Roumania are but very unfavourably linked up with one another by traffic channels. The railways of the newly-acquired territories were constructed to connect up the most varied centres. The Transylvanian railways all converge in the direction of Budapest, those of Bukovina lead, via Poland, towards Vienna, and those of Bessarabia run in the direction of Odessa and Moscow. The new regions in the West are hardly connected at all with the great export harbours of Roumania on the Black Sea. The railways in general and the rolling-stock in particular are in a very bad condition and call for new investments of several hundred million lei if the traffic system is to be put in anything like good order, a task for which the capital resources of the country by no means suffice.

The paucity of capital in the country is very pronounced. The rate of interest charged for loan-capital figures at 30 or 40 per cent. — if we disregard the Note Bank, with whose political activity we shall deal elsewhere. By the greatest efforts and by a severe restriction of the note emission it has been found possible to check the depreciation of the currency, as the following figures indicate:

Number of Lei Quoted per Dollar.

1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
18.3	55	86	151	209	201	206	210	165	165

We may see that depreciation has reduced the value of the lei to something like one fortieth of its gold value. This depreciation took place not during but after the war; in 1927-28 there was a slight improvement in the rate, attained by an establishment of the note circulation at a maximum of 21,000 millions.

Note Circulation at the Close of Each December.
(In Thousands of Millions.)

1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
4.2	9.5	13.7	15.2	17.9	19.4	20.1	21	21	22

This drastic restriction in the note circulation added to the lack of productive capital a lack of financial capital, which further diminished the possibility of developing the potential productivity of the country. The 21,000 millions of circulating money represent no more than roughly 30 million pounds sterling, a ridiculously small sum for a country with a population of 18 millions.

All this has led to a shrinkage of the capital emissions, which, reckoned in gold, figure as follows²⁾:

Monthly Average in Millions of Lei.

	1913	1924	1925	1926	1927	1928
Paper	100	262	219	541	282	420
Percentage of Gold or Dollar Parity ³⁾	20	2.60	2.52	2.40	3.14	3.20
Value of Emission in Dollar Parity ³⁾	20	6.8	5.5	13.—	8.7	13.4

We observe that in Greater Roumania, with double the population, the emission of capital is far smaller than it was in Old Roumania before the war. If we also take into consideration the diminution that has taken place meanwhile in the purchasing power of gold, the actual amount of newly-issued capital is reduced yet further.

The Defeat of the Roumanian Bourgeoisie in Its Struggle against Foreign Capital.

The change in the Government in the autumn of 1928, which brought the "National Peasant Party" to power, represented the end of that policy of the Roumanian bourgeoisie which was directed towards an independent exploitation of the Roumanian workers, without the aid of foreign capital. The Roumanian bourgeoisie had to capitulate seeing that without a great foreign loan the stabilisation of the currency, the development of the productive forces of the country and the restoration of the disorganised traffic system would have proved impossible, while the foreign financial capitalists made an alteration in the "anti-foreign" economic regime a preliminary condition to the grant of a loan.

For the sake of a better understanding of the present development we must revert to the time before the war. In the agrarian Old Roumania, governed by the big landowners, no industrial bourgeoisie had developed. The only important industry in the country, that of oil exploitation, was ruled by foreign capitalists. The Roumanian bourgeoisie primarily represented capital-usury. Grouped around a few leading banks, these usurers exploited both the spendthrift boyars and the miserable peasants. At the same time they controlled the State together with the landowners, alternating with the agrarians in the Government.

The war and post-war periods were productive of some important changes.

a) The agrarian reform diminished the economic preponderance of the landowner class and relatively enhanced the importance of the bourgeoisie.

b) Through the conquest of the formerly Hungarian territories, the Roumanian bourgeoisie was augmented by classes which were nationally different, more highly developed, and not used to Old-Roumanian conditions. The Magyar bourgeoisie of Transylvania was largely industrial and represented industrial capital; it was connected with the Budapest or in some instances with the Vienna banks, which likewise represented a higher class of business-institutions than the usurious banks of Roumania. The German farmer-bourgeoisie of Transylvania was in a cultural and financial connection with Germany and strictly separated from the surrounding poor Roumanian peasantry.

c) Strengthened by the accretion of power resulting from political conquests, the Old-Roumanian bourgeoisie attempted to subject the bourgeoisie of the newly-acquired regions and to effect a transition to a system of industrial capitalism by its own unaided efforts. To this end, it made use of the following means:

By State pressure the big industrial enterprises of the conquered territory were forced to cede a considerable part of their share-capital to the Roumanian bourgeoisie, thus "Roumanianising" these concerns. At the same time an attempt was made to subject the bourgeoisie of the new provinces to the Old-Roumanian banks. This was done by the practical monopolist-

²⁾ "Vierteljahrshefte für Konjunkturforschung", 1928, III.

³⁾ "Statistisches Jahrbuch für das Deutsche Reich", 170. — 1928 computed by ourselves.

tion of note-bank credits by the Old-Roumanian banks. It is well known what a source of enrichment this constitutes in times of inflation. The establishment of an emission-limit for banknotes by means of legislation made no difference in this regard. The difference between the rate of interest of the Note Bank (6 to 8 per cent.) and the rate charged of their clients by the private banks was and is enormous; a credit obtained from the Note Bank represents a sure source of enrichment. The credits accorded the Magyar and German bourgeoisie were restricted to a minimum, so that they should be forced to apply for credits at second hand from the Old-Roumanian banks.

In this connection the number of banks was doubled. To intents and purposes, the banks lived on the margin, between the Note Bank rate and the rate for private loans, which amounted to as much as 40 per cent.

What is most important is the attempt on the part of the Roumanian bourgeoisie to effect unaided the transition to industrial capitalism, industrialising the country by means of their own resources. All possible means were employed to this end, mainly in the direction of founding new industrial enterprises and safeguarding them against foreign competition. The chief measures adopted were as follows:

a) Newly founded enterprises receive building-sites on credit and are accorded permission to import machinery duty-free. During the first ten years of their existence they are taxed to the extent of no more than three per cent. of their net proceeds, and in the second decade to the extent of four per cent. These facilities are in the first place accorded industries working up products of agriculture, such as mills, sugar, starch, and spirit rumeries, besides electricity-works and others.

b) In all public contracts preference is given to the home industry if its prices are not more than 5 per cent. in advance of those of foreign firms.

c) Export duties on foodstuffs and raw materials. These duties, which were greatly reduced of late years under pressure on the part of the landowners and big farmers, served the double purpose of permitting the Treasury to benefit by the difference between the price level abroad and the price level within the country, which latter was exceptionally low as a result of inflation, and at the same time of securing cheap raw materials and cheap labour for Roumania's industry. The cheap prices of foodstuffs, artificially maintained by export duties, decreased the value of labour power together with that of the foodstuffs consumed by the Roumanian workers, thus enabling the industrialists to pay lower wages than their competitors in the West. That they at the same time underpaid the labour they employed, is a fact apart.

d) Very high important duties on finished industrial goods. The present duties have been in operation since April 1927. All categories of goods are taxed very high. According to the calculations of the Vienna Chamber of Commerce for the World's Economic Conference the duties amount to 98.4 per cent. of the value an average of all goods, Roumania thus figuring first in Europe as regards the height of its tariffs¹⁾, followed by France with tariffs averaging 58.1 per cent.

Export duties	360 million lei
Import duties	3240 million lei

e) Wherever import and export duties prove inefficacious, the Roumanian authorities have recourse to import and export prohibitions.

f) Forcible suppression of the labour movement and violent measures against the Communists, with a view to ensuring industry low wages and long hours.

All these measures, however, failed to entail the desired result. Roumanian industry has developed, but the progress made is not great and alters nothing in the fundamental character of the country as an agrarian State. Naturally, if the progress of industry is computed in paper lei, as is done in most of the Roumanian official books and publications, there are indications of a vigorous industrialisation. In view of the great depreciation in the value of the lei, however, this advance is absolutely worthless. We must therefore restrict ourselves to such available data as are computed in goods-units or in gold lei.

¹⁾ The fiscal results of the tariff system were as follows in the first half of 1928:

Such figures, published in 1926, show a greater advance as from 1921 onwards, though in regard to coal, iron, and steel the pre-war level was not yet attained. In regard to most branches of industry there are no pre-war figures bearing on the present Roumanian territory. In certain lines (constructional timber, cement, leather), we may even remark a pronounced falling-off.

The following table affords some comprehensive data in regard to the development of industry between 1922 and 1925:

	No. of Enterprises	H. P. (1000)	Capital Inv. in Buildings & Machinery (Mill. G. Lei)	No. of Operatives
1922	3441	375	—	163
1923	3301	392	721	182
1924	3846	389	734	213
1925	3445	384	759	208

These figures show that, once we raise the "inflation veil" the resulting progress in industry is very moderate indeed. A separate examination of the individual industrial lines shows a very unequal development, viz. a greater increase in the metal and timber industries and a marked falling-off in the chemical and building-material industries.

How small the industrial development of Roumania really is may be seen by the very slight consumption of machinery. According to the publication "Die Maschinenindustrie der Welt", issued in 1927 by the Association of German Machine-Constructors (Page 189), the machinery consumption of Roumania per head of the population in 1925 stood at 1.6 marks. In this respect Roumania thus figures last on the list of European countries, being preceded, in an inverse order, by Yugoslavia (2.1), Bulgaria (2.2), Lithuania (2.3), Greece (2.3), Portugal (2.5), Poland (4.0), Spain (4.1), Esthonia (5.5), Ireland (8.0), Latvia (8.6), etc.

In summing up we can establish that in spite of the exceptionally high protective tariffs which enormously enhance all inland prices (thus sugar costs 40 lei as against a world-market price of 12 lei), it has not been found possible to create any sound national industry. The high prices of the industrial products and the frugality of the broad masses of peasants have led to a survival of cottage-industry and village handicraft and have increased the existing inclination towards self-sufficing farm economy. The extension of the Roumanian market and the speedier inclusion of the peasant population in the capitalist system of production would in the first place call for a cheapening of industrial output. For this purpose, however, capital is needed and this can only be obtained from abroad. The new course adopted upon the change of Government will therefore obviously lead to a speedier capitalist development, though at the same time to an increased dependence on foreign financial capital.

The dearth of capital in Roumania has, especially since the actual currency stabilisation effected two years ago, led to a state of affairs by which the entire economy of the country is strangled. The year 1928 was a critical year for Roumania. The total number of bills protested figured at from 5 to 10 times what it had been one year earlier, quite especially as regards bills in foreign currency. The State revenue rapidly declined. In the first eight months of the year there was a State deficit of 6600 million lei. Relief could only be obtained by means of a great foreign loan. The negotiations in regard to such a loan have now been in progress for almost two years.

Again and again the conclusion of an agreement was reported, only to prove "premature". At first it was said that all the note-banks would join in according a stabilisation loan under the control of the League of Nations (Poincaré's speech in the French Parliament on July 16th). The Bank of France was to grant an advance of 300 million francs. The loan was frustrated by the fact that the Roumanian bourgeoisie under Bratianu's lead refused to submit to the foreign capitalists. Thus the "Statist" reported on May 26th that Bratianu had refused the demand of the bankers that the finances of Roumania should be subjected for the duration of the loan to the control of a delegation of the League of Nations. After Roumania had

concluded a somewhat onerous agreement with the British, French, and German holders of pre-war loans with a view to opening up the way to fresh credits, the great loan appeared to be a certainty about the middle of 1928.

With a banking consortium, consisting of the Bank of France, the Banque de Paris et des Pays Bas, Lazare Brothers & Hambros, of London, and the Blairst group of New York, an agreement was concluded for the grant of a loan of 250 million dollars, the first part of which, to the amount of 80 million dollars, was to be issued in the autumn. In this connection, a Bill was passed in Parliament on July 28th, stabilising the Roumanian currency. The consortium was immediately to grant an advance of 20 million dollars, but this did not materialise and the Government was obliged to take up a loan of 12 million dollars with the Banca Commerciale in Italy, as an "advance payment on account of the advance". This credit was for a period of five months at the rate of 7½ per cent. In 1928, neither the advance of 20 million dollars was liquidated nor the first part of the loan, amounting to 80 millions, issued. At the end of October all the papers again reported that the loan was ready. But nothing came of it. Great Britain demanded the alteration of the "anti-foreigner" mining laws.

Finally, the foreign capitalists demanded the formation of a coalition Government by the inclusion in the Cabinet of the National-Zarandist Party, seeing that the clique-rule of the Old Roumanian bourgeoisie failed to afford sufficient guarantees.

There followed the overthrow of the Liberal Bratianu Government and the peasant party came into power with a programme providing for equal rights for native and foreign capital and an extensive employment of the latter in economy. Nevertheless, the loan was not realised before the end of the year, the new Government merely receiving 35 million marks from the German Government, or rather from a German bank in part redemption (in the sense of the agreement) of the notes issued by the Germans during the occupation. This gave the new Government a short respite and the fall in the currency-rate occasioned by the Government crisis could thus be made good. Besides this, a German goods credit to a value of 125 million marks appears to have been secured with the guarantee of the German Government. The Italian 12-million-dollar loan maturing in December was prolonged for a further six months. But the big Franco-British loan has not yet materialised.

We may thus observe the following results to date:

The attempt of the Roumanian bourgeoisie to monopolise the exploitation of the workers, to become independent of the foreign bourgeoisie, and to develop the productive forces of the country by an "unaided effort", has been frustrated through lack of capital. Now begins a fight for the "economic" penetration of the country. The German bourgeoisie, which before the war played the leading rôle in the foreign trade of Roumania and in the capital investments in that country, is making haste to be the first to offer credits. Italy, whose position on the Balkans is threatened by renewal of the Franco-British Entente, is likewise anxious to make advances to Roumania. As regards the hesitation of the Anglo-French-American group to grant the big loan, which is obviously under French control in particular, we are under the impression that the big bourgeoisies of the West are dissatisfied with the monopoly rule of the peasants' party and would prefer not to do wholly without the business politicians of the Liberals, thus adhering to the conception of a coalition of all the ruling classes. We should not be at all surprised to see another change of Government brought about shortly under pressure from this quarter.

The Roumanian Agrarian Reform and Its Consequences.

Among all the ruling classes of Europe, the ruling class of Roumania was in the most critical position at the time of the post-war crises. Having in the first place been to all intents and purposes defeated in the war, this class could only continue to keep control of the exploited peasant masses by a promise of an extensive distribution of land. In the East there was the great Russian revolution with its revolutionary expropriation of the land and in the West there was, for a time at any rate, the Hungarian Soviet Republic, so that an attempt had at all events to be made to fulfil the promises in question.

The agrarian reform was to have been effected with a full compensation of the big landed proprietors⁵⁾, the State paying them for arable ground 20 times and for pastures 20 times

the annual rent of pre-war times, in the form of 5-per cent securities. By reason of the depreciation of the Roumanian currency to one fortieth of its former value, this compensation lost all value. As a matter of fact, the landowners did not receive more than the equivalent of one year's rent in the form of 5-per cent securities so that the disappropriation was practically tantamount to a confiscation. The peasants, meanwhile, got the ground on the same terms; that is to say, almost for nothing, in view of the currency depreciation.

It is obvious that the ruling class in Roumania, i. e. the landowners who are strongly allied with the big banking interests, did everything possible, as soon as the revolutionary danger was over, to sabotage the land reform, an attempt which succeeded to a considerable extent.

The latest data available in regard to the status of the agrarian reform, reflecting the state of affairs as it was in the middle of 1926, are as follows:

	Expropriated Land	Finally Allotted to the Peasants
Old Roumania . . .	2,776,401	1,681,467
Bessarabia	1,488,613	1,025,174
Transylvania . . .	1,603,809	93,498
Bukovina	75,957	15,771
	6,064,790	2,815,820

This shows that not even half the expropriated land had actually passed into the hands of the peasants by the middle of 1926. The remainder is "temporarily" held by the peasants or else still in the possession of the former owners or again has been handed over to churches, schools, and the like. Nor is it likely that any great changes have come about since then, for already between 1924 and 1926 the distribution of the land showed a tendency in favour of the original landowners, almost four-fifths of such expropriated land as was still undistributed in 1924 remaining to the old proprietors.

By reason of this sabotage of the agrarian reform, only a part of those entitled to receive land were actually allotted any. According to the agrarian reform law,

2,915,000 inhabitants were entitled to receive land, and of these only;

1,150,000 ultimately received land allotments.

Not more than 39 per cent. of the total of those entitled to land really obtained any. It must be remembered, moreover, that persons other than peasants, who were considered necessary for the maintenance of class rule, such as priests, schoolmasters, and gendarmes, were the first to be considered in the land distribution, so that still fewer poor peasants actually received land than would appear to be indicated by the above figures.

But even such as actually obtained land under the land reform law, in most cases obtained far too little to be able to obtain a living from it. The distribution of the ground in all Greater Roumania after the agrarian reform of 1923, may be seen in the following table. Later data are not obtainable, but no great changes may be assumed to have subsequently taken place.

Landed Prop-erty	Area in Thou- sand hectares	Percent. Proport.	Number of Proprietors	Percent. Proport.	Aver. Size of Prop. in Hct.
up to 5 H.	5746	42.0	3154,000	82.7	1.4
5 to 10	2619	19.2	458,500	12.0	5.2
10 to 50	2359	17.2	181,500	4.7	13.0
50 to 250	1425	10.4	16,600	0.44	86.0
over 250	1537	11.2	3,200	0.08	477.8
	13686	100.0	3813,900	100.0	3.3

⁵⁾ V. I. L. Evans: "The Agrarian Revolution in Roumania", Cambridge 1924, Rohrenhöller: "Großbrumänien", Berlin 1926, and, from the Communist standpoint, Timoff: "The Agrarian Question in Roumania" (Russian), Moscow 1928.

⁶⁾ The main fault of the otherwise highly meritorious book by Timoff lies in its complete neglect of the effects of inflation

Besides the one and a half millions, therefore, who were entitled to receive land and failed to do so, there are more than three million proprietors of less than five hectares, or on an average of 1.4 hectares, each. Since, in view of the small harvest yields, five hectares of ground hardly suffices for an independent peasant farm — save in a few instances near the cities — there are, in addition to those 1.5 millions who have remained devoid of land, a further three millions (or 82.7 per cent. of all proprietors) who are not really independent farmers but merely poor villagers possessing an insufficient amount of land.

It is obvious, moreover, that the large estates were not abolished by reason of the land reform. If we count the categories of more than 50 hectares, which have an average size of 86 hectares and for the working of which outside help is almost invariably required, to the large estates, more than 20 per cent. of the land will prove to be in the hands of big farmers and landed proprietors. It is by no means true that the agrarian reform has made Roumania a peasant country. The great bulk of the rural population consists of peasants with either no land at all or else only quite small holdings which are insufficient to maintain them. To eke out a living, they are obliged to lease additional ground of the big farmers and are therefore almost as dependent upon the latter as they were before the war.

Let us pass over to an examination of the effects of agrarian reform on agriculture itself. The development of grain cultivation may be seen in the following table:

Area under Grain in Roumania in Post-War Years. (Thousands of Hectares)⁷⁾.

Aver. Pre-War Status ⁸⁾	Wheat	Rye	Barley	Oats	Maize	Together
1922	2650	206	1727	1333	3409	9,379
1923	2690	270	1878	1345	3404	9,587
1924	3172	271	1851	1237	3621	10,152
1925	3301	270	1704	1185	3931	10,391
1926	3349	295	1549	1079	4060	10,332
1927	3101	281	1771	1084	4219	10,456
1927 ⁹⁾	2950	265	1681	1056	4159	10,111
1928 ⁹⁾	3206	296	1759	1116	4455	10,832

We see an increase in the total area, which is, however, completely restricted to the increase in maize and barley. The village poor cultivate maize, the staple food of the Roumanian country population. We likewise see a recession in the area under wheat in consequence of the diminution of the cultivation of wheat for export purposes, carried only by the larger owners. The area under other crops not specially mentioned here (such as sugar-beet, fibre-plants) has greatly increased.

Pre-War and Post-War Yields (in 100 Kilogr. per Hectare)

	Pre-War Yields	Av. Yields 1925—1927	Percentage Decrease
Wheat	11.3	8.7	23
Rye	9.6	8.5	11.5
Barley	9.9	8.0	19.2
Oats	10.3	8.3	19.4
Maize	12.9	11.3	12.4

The diminution of the hectare yields may be attributed to changes in the price level and to the insufficient supply of means of production. The farmers in the regions taken from Hungary were wont before the war to receive for their products the world-market prices plus the duty (five gold crowns per 100 kilogrammes of wheat), since the Austro-Hungarian Monarchy formed a single tariff-protected grain-import territory. By their cession to Roumania, which is a grain-export territory, the customs protection was lost. Nay, more than that, for the

export duties collected on grain in the new Roumanian provinces artificially diminished the grain prices below the world-market level. The result was a slackening of economy in general in the regions taken from Hungary. In the case of the small, newly formed farms, it is the lack of means of production, of beasts of draught, of tools, of the requisite seed and of fertilisers which have caused a decline in output.

The diminution of the yield per hectare is, in a percentage proportion, greater than the increase of the area under cultivation; hence a decrease in the total yield, as the following table shows:

Grain Output.
(Millions of Metric Centals)¹⁰⁾.

	Pre-War	1919	1920	1921	1922	1923	1924	1925	1926	1928
Wheat	39.8	18.0	16.7	21.4	25.0	27.8	19.1	28.5	30.2	27.9
Maize	50.3	35.9	46.2	28.1	28.0	38.5	39.5	41.6	60.8	37.0
Barl.	13.6	6.9	14.7	9.9	20.4	13.2	6.7	10.2	16.9	12.5
Oats	9.0	3.3	9.9	9.6	13.4	9.1	6.1	7.4	11.6	8.5
Rye	4.7	7.6	2.4	2.3	2.3	2.4	1.5	2.0	2.9	2.4
	117.4	71.7	89.9	71.3	89.1	91.0	72.9	89.7	122.4	88.3

The table shows the very small fluctuations characteristic of an extensive grain economy. A certain increase in yields has been noticeable of late years, though the pre-war yield is still far from being attained. This diminution of the yield in connection with the increased home consumption has led to a great decline in exports of bread cereals, similar to that in the Soviet Union.

Net Exports.
(Thousands of Tons)¹¹⁾.

	Wheat ¹²⁾	Rye ¹²⁾	Barley	Oats	Maize	All Together
1909—1913	1598	162	751	163	1464	4978
1921	91	59	387	165	769	1071
1922	56	30	576	233	202	1397
1923	58	13	798	168	669	1736
1924	275	31	276	92	745	1419
1925	40	—	183	21	579	823
1926	417	26	581	81	687	1772
1927 ¹³⁾	299	61	703	89	1762	2914

Seeing that before the war wheat exports were the most important item on the export side of the trade balance, the recession explains the difficulties which have hitherto been in the way of currency stabilisation.

According to official data, money wages in 1924 stood not quite 25 per cent. above the level of 1914, while the cost of living was 38.11 per cent. above 1914. Real wages therefore, according to the official returns for 1926, were still 13 or 14 per cent. lower than the starvation wages of 1914. Since cost of living has risen again (in 1927 to 40.31 per cent. — for 1928 the returns are not yet known, but may be expected to have risen by a few more per cent.). The agrarian reform has thus caused no improvement at all in the position of the proletariat.

Agrarian Reform and Change of Government.

The unsolved land question caused the peasant masses to give their support to the Peasant Party, which managed to gain the adherence of the small farmers and of part of the proletariat. In reality, however, this party does not represent the interests of the proletariat but those, on the one hand, of the middle and big farmers and, on the other, of the petty and middling bourgeoisie, especially in the newly-acquired provinces, classes formerly represented by the National Party.

⁷⁾ "Wirtschaftsdienst", issue 48, p. 1986.

⁸⁾ Without Duroster and Caliacra.

⁹⁾ Provisional Figures.

¹⁰⁾ "Wirtschaftsdienst", issue 13, p. 529.

¹¹⁾ Ibid., issue 48, p. 1986.

¹²⁾ Including flour, in terms of grain.

¹³⁾ Gross Exports.

Contrary to the Liberal Party, representing the clique of the Old Roumanian banking bourgeoisie and the landowners connected with it, the National Peasant Party has a broader class basis. This was best to be seen when last May more than 100,000 peasants assembled at Alba Julia and appeared ready to march on Bucharest with revolutionary intentions, a plan they were induced to abandon by the resistance of their own leaders. For the leaders of this party are bourgeois business-politicians who in the first place mobilised the peasants with a view to themselves attaining to power.

It would therefore be altogether mistaken to deem the new Government a revolutionary government of the poor peasants, though at present it has the support of broad masses of the latter. The programme of the new Cabinet, embodying the termination of the agrarian reform, the repeal of the export duties on agricultural products, the according of equal rights to native and foreign capital, and a practically unchanged attitude as regards the persecution of the revolutionary workers' movement, clearly shows the reactionary bourgeois-and-kulak character of the new Government.

It would, at the same time, be a great mistake, to make no distinction at all between the two bourgeois Governments and thus to assert that no change had come about at all from the class standpoint. As a matter of fact, the former clique of the banking bourgeoisie has been replaced by a government of the middling and petty bourgeoisie of town and country. Instead of reserving the exploitation of all the working classes, workers, poor peasants, middling farmers, and petty bourgeoisie and, by means of the usurious banking system, also that of the bourgeoisie of the new provinces, to a small group of native bourgeois, the party now in power will enable a far broader class of the bourgeoisie in town and country to enjoy the fruits of such exploitation. The admission of foreign capital on an equal basis means for the middling and petty bourgeoisie a mitigation of the usury hitherto carried on by the Roumanian banking clique, while for the wealthier peasant class it means cheaper industrial goods and a better sale of their products at home and abroad. The new Government is naturally a bourgeois Government, but it stands for other classes of the bourgeoisie than those which were represented by the Liberal Government.

The Peculiarities of Roumanian Imperialism.

Roumania is undoubtedly an imperialist State. Present-day Roumania is the outcome of imperialist conquests, as is apparent in regard to Bessarabia. No one in Bessarabia desired a union with Roumania, nor did any one in Dobruja either. In the provinces separated from Hungary there was certainly a pro-Roumanian movement, but there was also a violent opposition on the part of the Magyars and Germans. On the territory of Greater Roumania there live, according to the garbled official Roumanian statistics, not quite 70 per cent. of Roumanians and rather more than 30 per cent. of non-Roumanians, the latter numbering some five million souls. Any objective statistics would naturally show a yet far greater proportion of non-Roumanians. If allowed self-determination, all these non-Roumanians would certainly vote for a separation from Roumania. They were annexed by force and are kept by force under Roumanian authority. This constitutes imperialism.

Roumania's imperialism, it is true, has some curious characteristics. Before the war Roumanian economy was certainly not on a level rendering the conquest of additional monopolistically governed territories necessary; there was no exportation of industrial goods and therefore no fight for the world market; nor was there any capital exportation. But our age is an age of imperialism, an age in which every foreign policy of a capitalist State acquires the forms of imperialist expansion, supposing the possibility to be given, even if the economic presumptions do not yet obtain. It is in this that we find the peculiarity of Roumanian imperialism, which has effected its imperialist conquests even before experiencing the economic need of expansion, in which connection the Roumanian bourgeoisie subjected regions with a more highly developed capitalism than its own. This was the case in the provinces taken from Hungary.

This anomaly entailed the difficulties which became apparent in the exploitation of the conquered territories. While the capitalistically less developed Bessarabia could without more ado be subjected to exploitation by the Roumanian capitalists, the Roumanian bourgeoisie which had hardly begun to pass beyond

the stage of commercial and loan capital, was faced in Transylvania with the problem of economically subjecting the far more developed industrial bourgeoisie of that region. This task it attempted to solve by a forcible nationalisation of the big concerns in the hands of hostile capitalists, by the extension of the State promotion of industry to none but such companies as had a majority of Roumanian shareholders, and by a rigorous exploitation of its own monopolised control of the Note Bank and the traffic system.

It is not possible to ascertain to what extent the Roumanian bourgeoisie has actually succeeded in gaining the mastery over the German and Magyar bourgeoisie in Transylvania and to what extent the subjugation of these elements is merely formal. At any rate this fight against a more cultivated bourgeoisie within the country is a peculiar characteristic of Roumanian imperialism.

Another peculiarity is the dependence on capital importation and on the support of foreign capital, the necessity of submitting to a certain control. Herein there are undoubtedly certain semi-colonial elements in the relations between Roumania and the great imperialist Powers, similar to the case of Germany in connection with the Dawes agreement. Nevertheless, it would be wrong to consider Roumania as a semi-colonial country. Like every debtor country it is to some extent dependent on its creditors. This dependence will increase after the change in the Government and the prospective conclusion of loan agreements for stabilisation and development purposes. But the position of a debtor country can hardly be compared with that of a semi-colonial land, all the less so seeing that in the case of Roumania various imperialist Powers, France, Great Britain, the United States, Italy, and Germany, are competing for the possibility of making capital investments.

In summing up we may say that Roumania is not a first-class imperialist Power but is undoubtedly an imperialist country with the peculiarity that its imperialist expansion has outrun its own economic development and has led to the subjection of regions on a higher economic level. The fact of capital importation is not sufficient reason to deny the imperialist character of Roumania, still less to call it a semi-colonial country. The fact that Roumania is an important link in the imperialist system is bound to be strikingly demonstrated in the inevitable collision between the capitalist world and the Soviet Union.

II. General Section.

THE GENERAL ASPECT OF THE WORLD'S ECONOMY.

The last few months of the year entailed a far-reaching revival of economic struggles on the European Continent, while in Great Britain there was a continuation of the "Peace in Industry" which has lasted ever since the defeat of the miners. The big labour disputes in Germany, Poland, and at present in France and elsewhere, have occasioned a falling-off of output without, however, causing any profound change in the process of business. The recession brought about by the labour struggles is counter-balanced by the good harvests, which represent an important factor for the improvement of the economic position especially in the East European countries and in the Dominions. Those tendencies which we described in our last report in connection with the business position of the leading countries have been reinforced during the last few months.

In the United States the business position has experienced a further improvement and may now, from the point of view of the volume of production, be looked upon as a pronounced boom period. All along the line, quite especially in the construction of automobiles, in the iron and steel output, in the chemical industry, and in the building trade, output has continued to rise. The home market was hitherto absorbent enough to provide buyers for the tremendously increased number of automobiles, dwellings, etc. Sales to foreign countries, it is true, have greatly increased, but compared with the enormous increase in production this augmentation is immaterial. The anticipated over-production has not yet become apparent. The tension of the money market and the unprecedented craze for speculation on the Stock Exchange continue. In Canada, the business position developed in keeping with the tendency noticeable in the United States. In view of the greater relative importance of agriculture in Canadian economy, the record crops here exercised an enhancing influence on the business development.

The economic life of Great Britain continues upon the whole to show signs of a chronic crisis. The big staple industries, coal, iron and steel, and cotton, are either stagnant or else continue their downward course, accompanied by agriculture, whereas the new industries, the chemical, automobile, and electricity lines, enjoy prosperity and are capable of competing on the world market. The preparations for a rationalisation of the old staple industries are now under way; there have been some big amalgamations in the heavy industries, attempts at a concentration of the regional coal cartels to form a cartel for the entire Kingdom, and the formation of trusts in the cotton industry. The outcome will, however, obviously only be an increase of profits but hardly any noteworthy extension of output.

France and the neighbouring Belgium may be said to be enjoying a better business development. The still relatively low price level, the low standard of living of the working classes, and the efficient and newly-constructed productive apparatus, ensure the competitive ability of these countries on the world market. Both these countries are beginning to regain their position as exporters of capital.

In Germany we see a continued deterioration of the business position, aggravated by great economic struggles but not yet amounting to a general crisis. The deterioration of the business position has spread from the "second division", the sphere of the commodity industries, to the "first division", the sphere of such industries as produce means of production. The recession of output is here very keenly felt. An exception obtains in the case of the new industries, especially the chemical and electricity lines, in which the growth of the market resulting from technical development counter-acts the business deterioration. The depression in German industry is transmitted to the neighbouring countries in the East by reason of the smaller importation and the greatly increased exportation of industrial goods.

In Italy there are certain quite slight indications of an improvement in the business position. The great political disturbances in the Balkan countries (change of Government in Roumania and Yugoslavia) influence economy in the form of a far-reaching insecurity.

Among the great Asiatic lands, India would appear to be approaching serious times. In extensive areas of that country the crops have proved very poor; India has already commenced importing grain. The general decline of Indian agriculture under British rule¹⁴⁾ is greatly aggravated by drought. This year many millions will not only suffer chronic starvation but fall victims to starvation in its acutest form. In view of the greatly restricted capacity of the Indian home market the failure of the crops will doubtless also be of influence on Indian purchases of industrial products.

A similar state of affairs obtains in China. In wide territories of Northern China, starvation rages. Twenty million people cannot be kept alive save by charity. The improvement in the commercial balance, registered with much satisfaction by the foreign press, should therefore by no means be taken in the sense of a "stabilisation" in China. The attempts of the Chinese bourgeoisie to create a uniform, bourgeois China, have hardly got beyond mere projects on paper. As a matter of fact, China is even to-day ruled by a number of generals, who are only formally subject to the Central Government. So far, the United States have accorded only their foreign-political support but no capital for the restoration of the country's productive apparatus. The bourgeois development is by, no means a certainty; the decline of agriculture goes on, and the revolutionary forces are gathering for new fights against the tottering reactionaries.

The economy of Japan shows a gradual improvement. The possibility of a return to the freedom of gold traffic is being contemplated, which would mean a restoration of the old gold-parity of the yen. In view of the intimate connection between Japanese economy and China, the difficulties in the latter country are making themselves felt in Japan too. In extensive areas of China Japanese goods are effectively boycotted with the secret support of Japan's ally, Great Britain.

In general it may be assumed that the volume of capitalist production will continue to rise in 1929 as it did in 1928. We

¹⁴⁾ Vide the long report recently published by the "Royal Commission on Agriculture in India", London, 1928.

are faced with the fundamentally important fact that, whereas in Soviet Russia capitalism has been overthrown and the development of Socialism is in progress, and while in Western Europe capitalism is "overripe" and is destined to be smashed by the next revolutionary wave, there are still wide regions in the world in which capitalism is not only on the advance but on a youthful and rapid advance at that.

In this connection we refer to Turkey and Afghanistan, which under different constitutional forms, are very speedily passing from feudalism to capitalism, both economically and ideologically; likewise to the spontaneous capitalist development of the British Dominions and of certain South American States. Upon the whole we see upon the one hand an ever greater prominence of the symptoms of decline in the capitalist system of economy in general, and on the other a geographic expansion of the capitalist mode of production and an extension of the volume of the capitalistically produced goods. These symptoms, which are characteristic of the period of decline and which show a parallel existence of capitalist types of various stages of development and decline, obviously constitute one of the chief reasons for an absence of rhythm in the general economic position, and render it difficult, in spite of the growing number of institutions for business research, to venture any prophesy as to the coming economic situation.

STRUCTURAL AND CHRONIC UNEMPLOYMENT.

As has already been the case for some years past, there was this time again around the end of the year a mass-unemployment running into millions. The capitalistically most developed countries, the United States, Great Britain, and Germany, are mainly affected by this wholesale unemployment, but in its percentage proportion the number of unemployed in the smaller European capitalist countries appears to be no smaller. The total of unemployment in the capitalist world at present far exceeds ten millions (two to three millions in Germany and United States, respectively, and two millions in Great Britain), not to speak of the chronic unemployment in India and China.

This mass-unemployment is the outcome of three factors, seasonal, casual, and structural unemployment. Of the first-named there is nothing particular to be said, since it occurs regularly every year in temperate climes as soon as agriculture and building, the chief occupations carried on in the open air, are interrupted by the approach of winter. The casual unemployment occasioned by fluctuations in the business position can this year be said to play a more important rôle only in Germany; in Great Britain the trend of business is no worse, and in the United States materially better, than it was last year. What is more and more apparent in unemployment, however, is its structural element. The tremendous increase in the workers' output, occasioned by greater productivity and an increased intensity of operations, constantly releases far larger number of workers in industry and in agriculture than can be reabsorbed into the productive apparatus by the expansion of the capitalist market. The geographic extension of the area of capitalist production, it is true, reaches yet farther, as we have already pointed out, but it is accompanied by circumstances quite different from those obtaining in the past century.

Meanwhile, not all the workers flung by technical progress out of the productive apparatus remain unemployed. Were this the case, the army of employed would be still far greater. A considerable number finds accommodation in branches of occupation which are not immediately engaged in the production of surplus values. We see the enormous increase in the number of those employed in "service and distribution", as the Americans call it, viz. chauffeurs, hotel employees, entertainment staffs, commercial employees, domestic servants, and others. The number of workers employed by industrial capital in the sense of Marx is growing relatively smaller and smaller¹⁵⁾, while that of employees engaged in service and distribution grows apace. The parasitical character of highly-developed capitalism is more and more apparent.

¹⁵⁾ An exception must be made for the building industry, in which for technical reasons (houses having to be built in a fixed locality and not being produceable in factories in a complete form) the increase in the productivity of labour is always incomparably smaller than in the industries carried on in factories.

Bourgeois circles often maintain that unemployment is no greater now than it was before the war; it is only far better recorded statistically in view of the development of social insurance since the war. We do not believe this argument to be conclusive. It is contradicted by the unemployment statistics of the German and British trade unions. In the free German trade unions there were fewer workers organised before the war than there are now, but the difference is not so great as to tend to disqualify a comparison of the unemployment figures. The number of fully-unemployed members, reported by the trade unions affiliated to the German General Federation of Trade Unions figured in the yearly average¹⁶⁾ as follows:

1907								1923
to	1923	1924	1925	1926	1927	1928 ¹⁷⁾	to	1928
1913	2.4	9.6	14.7	7.1	18.3	9.1	8.0	11.1

The following table shows the development of unemployment in the trade unions in the last few months:

Unemployed among those Organised in Trade Unions. (In Percentage Proportion.)

	Great Britain	Belgium	Holland	Denmark	Sweden	Germany Unempl.	Schort-time	U. S. A. Degree of Occupations ¹⁸⁾
1927								
September	9.3	1.4	6.7	16.0	8.4	4.6	2.4	91.9
December	9.8	3.6	14.9	31.6	13.6	12.9	3.1	89.1
1928								
July	11.7	0.7	5.3	13.6	7.4	6.3	6.5	88.5
August	11.7	0.5	5.2	13.1	7.1	6.5	6.6	90.0
September	11.5	0.6	4.7	12.2	7.6	6.6	6.3	91.2
October	11.8	0.6	5.1	14.3	9.1	7.3	6.3	91.5
November	12.2	—	6.2	17.6	10.8	9.5	7.6	91.7
December	11.2	—	—	—	—	10.7	7.0	—

Unemployment is smaller in the small countries and greater in Great Britain and Germany than it was in the corresponding months of the preceding year.

INTERNATIONAL INTERCONNECTIONS.

In the various international trust-formations the capital of the United States gains more and more ground. The geographically most extensive trust, the "Swedish" match trust, which embraces practically the whole world, is in fact far more an American than a Swedish enterprise. The same is obviously the case in regard to the "German" artificial-silk trust; the American Bemberg artificial-silk factories are juridically German capital investments; as a matter of fact, however, the artificial-silk industry operating in Germany appears to be partly under American and partly under British capital influence.

Similarly, in the electro-technical industry. The recently founded Belgian International Electro-Trust ("Sofina-Trufina") was created by 61 founders from 12 countries, including Morgan, Kuhn-Loeb, and Dillon from America, Rothschild, the Midland Bank, and Baring from England, the German D-Banks and the A. E. G. from Germany, Loucheur from France, and the Belgian "Sofina". The actual lead is here again in the hands of the Americans.

The General Electric Company is now the hub of the world's electricity system, controlling the A. E. G., the Sofina, Thomson-Houston, and the new British Docker group. In the case of the Sofina, this fact may be seen by a simple comparison of the individual quotas in the Trufina concern. The American group represents 18 per cent. of the entire participation, which is only 0.35 per cent. less than has been accorded to the native Belgian group. All other countries have been

allocated far smaller shares, foremost among them being Germany with 15 per cent., Great Britain (Vickers-Docker, etc.) with 14.75 per cent., and France with 12 per cent.; these are then followed by Holland with 8 per cent. and Spain with 6.5 per cent.

The dominating position of American finance capital in world economy is clearly expressed in this instance. The unlimited capital reserves of the Morgan financial group backing the General Electric are decisive. It would, it is true, not be altogether right simply to confound the national quotas represented in the Trufina with the quotas of individual concerns. A closer inspection of the composition of some of these national quotas shows interesting results. Thus 16,000 out of the total 36,000 shares of the American consortium fall to the share of the actual Morgan-General Electric group, while some 12,000 are in the hands of the group of Kuhn, Loeb & Co., which bank is interested not in the General Electric but in the other great electricity concern of America, Westinghouse, hitherto never associated with the European transactions of the General Electric. True, Kuhn, Loeb & Co. are again connected with the German A. E. G. by financial associations and were so until quite recently also by personal ties¹⁹⁾.

III. Special Section.

GERMANY.

During the last few months, the economic position in Germany has been characterised by the following chief moments:

- a) The intensified struggle between workers and employers.
- b) The continual decline in the business position, a fact which has induced the capitalists to choose this time for a struggle.
- c) The crisis of big landed property.

Let us start with the development of the business position, seeing that it forms the foundation for the other two factors.

Partly by reason of the autumn season and partly by reason of the lockout in the metal industry, the business position shows a further regressive tendency, though without amounting to any fully developed crisis. At the same time a certain change is noticeable in the proportion between commodities and means of production. In the industries producing means of production the regression is more marked, while the first relapse in the industries producing means of consumption assumed no very great dimensions, certain branches even showing a slight improvement.

The change that set in in the business development a year ago, represented by a gradual aggravation of the situation of industries producing the means of production, is still in operation, without having assumed any catastrophic dimensions for the capitalists. The falling off of sales on the home market is to some part counterbalanced by increased exportation. Certain privileged branches of industry, such as the chemical, electricity, and artificial silk lines, the world output of which is constantly expanding, have not yet been affected by the crisis. Lines which are in a critical position all the world over, such as coal, are likewise more seriously involved in the German crisis.

What is much more serious is the position of the workers, for added to the increase of unemployment as a result of the decline in business there is the constant release of workers owing to rationalisation. The number of unemployed on December 1st was already at least half a million above that of one year earlier.

Number of Unemployed in Receipt of Relief. (Including those in receipt of Emergency Relief)

	In Thousands.	
	1927	1928
September 1st	550	655
October 1st	479	664
November 1st	456	764
December 1st	752	1138
December 31st	1400	1830

¹⁶⁾ "Statistisches Jahrbuch des Deutschen Reiches", p. 336.

¹⁷⁾ Our estimate on the basis of the data for the first eleven months.

¹⁸⁾ On the basis of 100 to represent the level of 1919.

¹⁹⁾ "Magazin der Wirtschaft", November 15th, p. 1766.

Added to these there are such as receive no relief at all (estimated by the Institution for Business Research to average 10 per cent. but in reality more than this), besides short-time workers and the juveniles who have not yet been able to start work. Altogether there was at the close of the year, calculating short-time work in terms of full unemployment, an army of quite three million unemployed. The new law in regard to unemployment relief, which restricts the duration of relief for seasonal workers to six weeks and represents a great aggravation of the general position, will in a few months' time effect a purely apparent improvement in the number of the unemployed.

The Struggle between Capital and Labour.

The capitalists affirm that wages have grown so greatly of late years as to endanger Germany's exports and the profitability of production. Now it is extraordinarily difficult to investigate the rights and wrongs of such an assertion. The capitalists themselves furnish no proofs. Borsig's reference to the fact that 41 per cent. of the shares at the Berlin Stock Exchange are quoted below par does not really carry any weight, for it is a moot point how far the nominal share capital exceeds the capital actually invested. As regards the level of wages, we have only official bourgeois data at our disposal, and these make wages appear too high. The capitalists, moreover, reckon with the wage per hour as expressed in money, while we must consider the actual earnings of the working class as a whole (allowing for unemployment) in the course of a whole year. It is furthermore worthy of particular mention that the capitalists do not pay any attention to the increase in the intensity of work as a result of rationalisation; they set up an altogether wrong calculation by assuming a constant and uniform output of labour power per hour.

Subject to all these reservations, we reproduce the following table taken from official bourgeois statistics:

Cost of Living and Wages of Late Years²⁰⁾.

New Cost-of-Living Index	Weekly Wages in Marks (acc. to Tariffs)				
	Means-of Production Industries		Means of Consumption Industries		
	Skilled	Unskilled	Skilled	Unskilled	
1913 100.0	36.19	23.78	22.94	18.35	
1924 127.6 Oct.	37.55	27.88	22.85	19.64	
1925 139.8 "	46.08	33.98	30.34	26.21	
1926 141.2 "	47.42	35.21	30.29	26.26	
1927 147.6 "	50.33	37.66	33.07	27.60	
1928 152.1 "	54.10	41.30	37.48	31.48	
Increase					
since 1913	52.1%	50%	73%	64%	71%
since 1924	20%	47%	47%	60%	65%
since 1925	9%	17%	20%	23%	20%
s. Oct. 1927	3%	8%	10%	12%	12%

We again point out that these statistics can be recognised as applying at most to the progress of the wage development but by no means to the extent of wages (which are generally piece-work wages) and still less to the income of the entire class. To mention only one instance, taxes are now deducted from wages, whereas before the war the majority of the workers were really free of taxation. If we take all the sources of error into consideration, we shall come to the conclusion that the real wages of the skilled German worker are slightly below and those of the unskilled worker somewhat above the pre-war level, without special consideration of the increased intensity of labour nor yet of increased unemployment. If we allow for the latter point, representing a difference of at least five per cent., real wages sink accordingly.

A certain control of wage development is attained in the case of Germany by the per capita consumption of such commodities as are covered by statistics. Since the majority of the German population consists of the proletariat (workers, small clerks and officials, servants, etc.) and as it may safely be assumed that the consumption of these commodities by the wealthy classes has remained fairly unchanged — since their

incomes never sink below a limit calculated to necessitate restrictions in eating and drinking, while they meet bad business by a restriction of luxury — the formation of consumption by the masses approximately reflects the formation of the real wages received by the proletariat. From official data we have put together the following table²¹⁾.

Consumption Figures in Germany per Head of the Population.

	1913	1923	1924	1925	1926	1927
Rye (kg.) . . .	153.1	89.7	105.5	87.2	114.5	97.2
Wheat (kg.) . . .	95.8	46.5	57.4	67.9	73.7	78.8
Potatoes (kg.) . . .	700	560	433	495	582	382
Meat (kg.) . . .	49.49	34	39.5	44.9	45.4	49.89
Beer (litres) . . .	102	45	61	75	76	81
Sugar (kg.) . . .	19	19.5	13.3	20.2	20.5	21.7
Spirits (ltr.) . . .	2.80	0.94	1.05	0.99	1.05	1.35
Coffee (kg.) . . .	2.44	0.61	0.87	1.42	1.66	1.95
Cocoa (kg.) . . .	0.77	0.80	1.38	1.28	0.98	1.12
Dried Fruit (kg.) . . .	4.44	0.70	4.77	6.09	6.20	6.72
Tea (kg.) . . .	0.06	0.04	0.06	0.07	0.07	0.03
Cotton (kg.) . . .	7.23	2.99	4.50	5.90	4.68	7.14

The following facts are apparent:

a) The consumption of rye, wheat, potatoes, beer, spirits, coffee and cotton is smaller than before the war, while that of meat has remained unchanged and that of sugar, cocoa, dried fruits and tea has increased. In general the total average consumption is smaller than before the war, while the consumption of the proletariat is still considerably below the average.

b) Since 1923 there has been a pronounced and almost continuous increase.

What conclusion can we draw with reference to the high wages the capitalists talk about? It is obvious that out of an increased value product the capitalists give less to the workers than before the war. Labour has become appreciably more intense and more productive and the consumption of the proletariat has declined. High wages cannot possibly be the reason of the alleged unprofitability of German industry.

If this is true of all German economy, it is all the more true of the heavy industries. The increase in the working output was particularly large in this line of industry. Per head of the workers employed the daily output was as follows:

1925	May 1927	October 1927	Increase
1341 kg.	1833 kg.	1758 kg.	30 per cent.

The decrease in output between May and October is to be attributed to the fact that the temporary continuation of the employment of greater numbers entailed the use of older methods of operation²²⁾.

By reason of successful rationalisation, in the course of which, as Reinheit tells us, 1000 million marks were newly invested, the German heavy industries have been the first in Europe to regain their pre-war position, as the following figures show:

Output of Iron and Steel:

	Monthly Average in Thousands of Tons							
	Iron		1st. Half		Steel		1st. Half	
	1913	1926	1927	1928	1913	1926	1927	1928
Germany . . .	910	803	1092	1098	981	1019	1359	1310
Great Britain . . .	869	208	618	579	649	304	771	726
France . . .	756	786	774	833	581	753	690	771
Belg. & Luxembu. . .	419	496	540	548	317	468	515	531
United States . . .	2629	3334	3096	3136	2650	4089	3805	4198

If the German iron-producing industry nevertheless complains of insufficient profitability, this can — in so far as the complaint is no mere invention — only be occasioned by the immeasurable watering of capital (as in the case of the Ver-

²¹⁾ "Statistisches Jahrbuch des Deutschen Reiches", 1928.

²²⁾ v. Reinheit, Manager of the Association of German Iron and Steel Industrialists, in "Bedeutung der Rationalisierung für die deutsche Wirtschaft", Berlin 1928, p. 219.

²⁰⁾ "Statistisches Jahrbuch für das Deutsche Reich" 1928, and various issues of "Wirtschaft und Statistik".

einigte Stahlwerke) and the very high rates charged for loan capital. The "Frankfurter Zeitung" of Industry 1st, 1929, furnishes the following data:

Minimum Costs of Bank Credits	10 per cent.
Loans, Average Yield	7.8 per cent.
Mortgages, Net Costs	9.7 per cent.

Taxes, it is true, are considerably higher than before the war, but not essentially higher than in Great Britain or France, as we had occasion to point out in our last report.

Vögler, spokesman of the "diehards" in the metal industry, advanced as a reason for the lockout that an increase in wages would necessarily entail a further increase in the entire German price level, which was to be avoided in the interest of the community and therefore also of the workers. We shall refrain from discussing the theoretical error in this argument, merely pointing out that it was these very monopolists who were most active in driving up prices during the last few years. The Institution for Business Research, a source which for the capitalists is above suspicion, affords the following highly interesting compilation as to the price formation during the last three years, separately indicated for free and regulated²³, i. e. monopoly, prices²⁴.

Influence of Monopolies on Price Formation in Germany.

(On the Basis of 100 to Represent the Level of 1925.)

	Free Prices	"Regulated" Prices
1926 January	91.8	98.8
July	85.7	97.5
1927 January	85.7	97.5
July	91.3	97.7
1928 January	93.5	97.9
July	93.8	99.7
October	90.5	100.0

While the free prices have fallen by 1.3 points in three years, the monopoly prices have risen by 11.2 per cent. At the same time an enumeration of the goods in question shows that various monopolised commodities have been listed under the head of free prices, so that the difference is in fact still greater.

From all this it appears that none of the arguments advanced by the "diehards" is correct and that the motive in the lockout was nothing but the good opportunity — declining business position, Social Democratic Government, compensation out of the funds of the European Steel Cartel for the decrease in output, etc. — to prevent a further rise in wages and a further reduction of working hours, a point of great significance in view of the tremendous fixed capital of the rationalised industry. In this direction they have been successful.

The history and course of the lockout were discussed at length in the daily press; it suffices to mention them cursorily here. We shall merely underline one essentially new factor, the circumstance that — for the first time, as far as we know — the bourgeois State granted some relief to the locked-out workers. (In Great Britain not the miners but their families were supported by way of the poor law.) This afforded the reformists a splendid platform for their theory of a State standing above all classes, ready to help the workers against their employers when the latter act "against the State". This is naturally theoretical nonsense and from a political standpoint a most mendacious form of demagoguery. The German State by no means stands above the classes, but is the tool of the German bourgeoisie; it is in the service of the capitalists and serves to keep down the workers.

How was it possible, then, that the workers should have been accorded relief?

Wherever it is possible, the bourgeoisie is glad to make use of the services of the reformists to keep down the workers.

Certain sacrifices must therefore be made from time to time with a view to enhancing the reputation of the reformists when they are in the government, while now and again they are driven into Opposition so as to improve their standing with the workers. The parliamentary parties of the German bourgeoisie agreed to the suggestion of the Social Democrats that the locked-out workers be supported, because they desired to strengthen the position of the reformists as against the Communists, because they knew that the relief would only be paid for a short while until the reformists should have rallied their forces to throttle the movement, and finally because they wished at all costs to avoid social conflicts near the Western frontier at a time of strained foreign political relations, as represented by the preparations for a new settlement of the Reparations question and by the demand for an evacuation of the Rhineland.

The grant of State relief must therefore be looked upon as a particular exception which will not be so speedily repeated. After all, the bourgeoisie has in the main attained its object, in spite of, or perhaps rather because of, the State relief for the workers. The long working hours have remained unchanged²⁵, while the wage increases effected by the Severing arbitration award are negligible²⁶. The capitalists — in keeping with their programme, as was pointed out at the Bankers' Day at Cologne — have made a breach in the arbitration system by managing to render invalid a verdict already declared to be binding.

The Development of Foreign Trade.

One of the chief arguments employed by the capitalists in their campaign against wage increases is the necessity of maintaining the competitive capacity of German industry on the world market. Now it should be pointed out that the trade balance for 1928 was materially better than that of the preceding year. It figured as follows:

	Imports	Exports	Deficit
1927	14,143	10,219	3,924
1928	13,995	11,641	2,354

It is worthy of mention that the improvement in the trade balance is to be ascribed not only to a recession in imports but in the first place to an increase in exports, which have augmented by roughly 1,500 million marks and are now almost twice as large as in the year 1924. The increase in the exportation of finished goods amounts to about 1,000 million marks.

Finished Goods (Millions of Marks)

1927	7,550
1928	8,500

Of late months there has been a standstill in the upward movement of exports, the balance of foreign trade being far less satisfactory in October and November than in August and September. It must be borne in mind, however, that the method of recording the foreign trade values was changed in the autumn. Declarations of value are now employed as a basis of calculation in the place of estimates of export value, while an alteration has also been effected in the matter of time computation, so that the October and November figures are not altogether suitable for comparison.

²³) In a Parliamentary speech on the subject of the original award ("Vorwärts" of November 14th), the Social Democratic deputy Brandes said, "Added to this we have rationalisation, the success of which is reflected by the fact that there are still roughly 60,000 workers who work 60 hours a week, 75,000 who work 57 hours, 90,000 who work 54 hours, 84,000 who work 50 hours, and only 19,000 who work 48 hours, and that only for two weeks at a time, an extra shift being introduced in the third week." ("Hear, hear!")

²⁵) The "Vossische Zeitung" of December 22nd calculates that Severing's award means a saving for the employers of 10 million marks a year. To this the "Vorwärts" makes a very lame reply.

²⁴) Vierteljahreshefte zur Konjunkturforschung, 1923, III, p. 16.

Foreign Trade (in Millions of Marks).

	Imports	Exports	Import Surplus	Raw. Mat. Imports	Export. of Fin. Goods
Monthly Average					
1927	1179	852	327	596	629
1928	1166	970	196	604	703
October 1927	1245	960	285	564	718
November 1927	1291	910	381	647	683
December 1927	1257	953	304	662	710
August 1928	1083	1026	57	550	769
September 1928	1088	1059	29	552	801
October 1928	1213	950	263	613	703
November 1928	1173	940	233	610	692
December 1928	1101	978	123	566	721

The Tariff-Reduction Farce.

Early in December the German Government submitted a Bill to Parliament which provided for a long series of customs reductions in keeping with the resolutions of the World Economic Conference. This caused great excitement in many of the newspapers. The whole reduction of the tariffs, however, is a farce, as will appear from the following returns²⁹⁾:

	Import Value in 1927	Difference Effected by Tariff Reduction
	in Millions of Marks	
Chemical Products	272	0.2
Textiles	1542	0.8
Metal Goods (non-prec.)	1122	1.0
Leather Goods	246	0.006
Paper & Paper Goods	61	0.1
Machinery & Electr. Gds.	275	0.05

These returns suffice to characterise the farcical nature of the entire tariff reduction. On the other hand, agriculture is seriously urging a further increase in the agrarian duties; that of the duty on sugar is already being discussed.

The Capital Market.

Germany continues to suffer from a shortage of capital. The decline in the business position has made no difference as yet in this respect. Seeing that the home capital market has no great capacity of absorption and the foreign market, especially that of the United States, likewise betrays a tension, short-term credit has to a great extent taken the place of long-term loan.

By reason of the predominance of the short-term loans, statistics of emission may be said to reflect the movements on the capital market to an even smaller degree than hitherto.

Emission at Home and Abroad.

Monthly Average	Foreign Loans	Native Loans
	(in Millions of Marks)	
1927	140.5	82.8
1928	137.3	90.1
1st Half 1928	102.7	123.3
July 1928	10.9	15.0
August 1928	16.8	8.0
September 1928	113.4	10.0
October 1928	41.2	61.1
November 1928	242.9	11.0
December 1928	64.5	38.0

The sum total of foreign loans in 1928 was almost as great as in 1927.

Capital importation in 1928 was effected to a great extent in the form of gold, so that it could not immediately serve the purposes of German economy as regards capital. From January to December 1928, gold and silver were imported to a value of 933 million marks (net). The Reichsbank's holdings of gold and foreign bills rose between the middle of December 1927

and the middle of December 1928 from 2147 to 2861 million marks. In spite of the great increase in the circulation, the fiduciary cover advanced from 46 to 58 per cent., a process which was taken much amiss by British financial circles, which apprehended a further recession of the gold holdings of the Bank of England in consequence of the gold purchases of the Reichsbank.

The total development of Germany's foreign indebtedness is described as follows by the "Frankfurter Zeitung" of December 25th, 1928:

"The indebtedness to foreign countries, the increase of which in the period from 1924 to 1927 was to be estimated at 9,000 million marks including the Dawes Loan, rose somewhat more slowly in 1928 than in 1927, the debt accretion probably attaining the peak amount of 4,500 millions; the increase, however, still amounts to at least 3,500 millions, again subject to the deduction of the re-exported capital.

"Of these 3,500 millions, only slightly more than 1,500 millions were collected by the subscription of German loans abroad. The balance is accounted for by the unofficial participation of foreign countries in the placing of native emissions, by the Stock Exchange acquisition of shares and loans, by participation and the purchase of real estate, and by new short-term loans. The foreign accounts with German banks are now to be estimated at about 6,000 million marks, over against which there are about 2,000 millions of assets abroad, so that there results a net indebtedness of 4,000 millions marks — one third of the total debt — not counting the direct credits contained in the other two thirds, incurred by industry and home and foreign trade abroad."

To what extent these statements are correct or exaggerated in view of the coming Reparations negotiations, we are not in a position to estimate. To read the foreign Stock Exchange reports on the continuous purchases made by German capitalists, one would suppose the German capital invested abroad to be rapidly increasing. If the figures of the German foreign trade statistics are correct, the details are vague in regard to the source of foreign currency supplying the wherewithal for these purchases. We do not consider it impossible that, if the transfer clause were repealed, the subsequent returns of foreign trade and capital exportation would show a considerable change.

FRANCE.

The report on the economic situation of France in the year 1928, recently³⁰⁾ compiled by the British Commercial Attaché in Paris — perhaps the best periodical publication on the subject — contains a general description of the gigantic progress which has been made by French economy since the end of the war and, yet more, since 1926, the year of the stabilisation of the franc. For years, the writer points out, production had only been restricted by the small number of operatives; between 1921 and 1927, however, no fewer than 15 million foreign workers were imported. The material apparatus of production experienced a remarkable increase and improvement, which still continue thanks partly to the Reparations deliveries in kind. Two new railway lines to Spain and one to Italy are in course of construction or have already been completed, as has also a new line across the Vosges mountains to Strassbourg. The electrification of the railways is making rapid progress. All ports are being extended. Of the 38,000 municipalities, the following number were furnished with electric light:

1911	1922	1927	1928
2000	8200	16,000	18,000

In the last few years, coal-mining has progressed vigorously. Between 1926 and 1928, the mines of the Nord established 500 new coke furnaces with batteries, producing from 700 to 900 tons daily, the by-products being exploited by special coking plant. Whereas in 1925 only 44 per cent. of the coal was hewn with pneumatic hammers, the relative percentage in 1927 was 65. The smelting industry has likewise increased its ex-

²⁹⁾ Taken from an article by H. Strathus in the "Börsen-Courier" of December 4th, 1928.

³⁰⁾ J. R. Cahill, "Report on Economic Conditions in France in 1928", London, H. M. S. O., 1928, 334 pages.

capacity. The iron output advanced from 8.5 million tons in 1925 to 10 million tons in 1928, that of steel from 7.4 millions to more than 8 millions. The engineering works have improved their equipment mainly by the importation of new American, British, and German machine tools, especially in connection with the automobile, electricity, and locomotive industries. The great progress made in engineering is shown by the fact that its exports rose from 313,000 tons in 1913 to 1,469,000 tons in 1927, while in the same lapse of time imports in this line have receded from 440,000 to 250,000 tons. The textile industry has likewise expanded, especially as regards artificial silk; so has the chemical industry.

At the same time there is a pronounced process of concentration and trustification in progress. Most lines of industry are controlled by from one to six groups of capitalists. Both foreign trade and in particular the invisible exports in connection with tourist traffic have enormously increased. The expenditure of tourists is estimated by the writer at rather less than 50 million pounds per annum, while other estimates go as high as 100 million pounds.

The currency is stable and the State finances well balanced. For the year 1929, the State expenditure is estimated in advance at 45,000 million francs or, together with the revenue of the *caisse d'amortisation*, 54,000 millions, as against 5,000 millions in 1913; this is nominally tenfold, reckoned in gold francs it is double, and, considering the decreased purchasing power of gold, one and a half times the pre-war amount. If we take into consideration the increase of territory, the higher degree of economic development, and the revenue from Reparations sources, the tax onus will be found to be only slightly greater than it was before the war.

The restoration of the devastated provinces may now be looked upon as definitely completed. The various State and private restoration organisations have been liquidated or reduced to a minimum. The State has paid 73,000 million francs indemnity to private persons, and a further 13,000 millions are still to be distributed. Besides this, the State expended 18,000 millions for the new construction of roads, bridges, public buildings, etc. The total thus figures at 106,000 millions. What its gold value is, it is difficult to say in view of the constant fluctuations of the franc throughout the period of reconstruction. The present value is roughly 21,000 million gold francs, which is pretty much the same sum as Keynes arrived at in his calculation of the actual damage inflicted.

The redemption and interest service of these expenses would call for roughly 5,000 million francs or about 40 million pounds per annum. If France persists in her demands that all expenses must be covered by Reparations, there is hardly any possibility of the reduction of the Reparations payments. 85 million pounds per annum are required for the interest and redemption service of the inter-Allied debts to the United States.

The weakest point in the development of French economy is agriculture. The area under cultivation is receding, the crops are declining and the livestock is diminishing. On the other hand there is progress in certain branches, such as early vegetables, flowers, viticulture, etc.

All in all we may remark that although the progress of France has not been so rapid as that of Germany between 1924 and 1928, the degree of development now attained hardly falls short of that of Germany when compared with 1913.

* * *

The business development in the last few months has been fairly uniform, but a standstill has ensued in the slow and lengthy upward movement.

"The general economic aspect of France is favourable", writes the "Frankfurter Zeitung" of December 23rd, 1928. "The naive workers are fully occupied; in certain lines there is even a lack of skilled workers. Industry is upon the average well occupied and in a position to make full use of the works that were newly erected during the war and post-war periods. The commercial turnovers remain on a fairly high level. The number of bankruptcies and insolvencies is small. The prosperity of the population is reflected in substantial consumption figures and the rapidly increasing formation of capital..."

"The last few months were characterised by a standstill in the upward business development. The official index of industrial occupation remained stable, ranging merely bet-

ween 128 and 131 in the period from June to October (on the basis of 100 to represent the level of 1913)".

In comparison with former years, the aspect of the business development may be seen from the following index figures of the *Statistique Générale*, published in the "Bulletin Quotidien" of December 22nd, 1928.

Production Index Figures
(On the basis of 100 to represent the level of 1913)

	Average 1926	Sept. 1927	Sept. 1928	October 1928
Engineering	132	117	141	143
Metallurgy	113	114	124	125
Textile Industries	94	92	93	96
Mining	114	116	118	120
Building	102	69	99	101
Rubber	599	532	639	629
General Index	—	107	129	131

The good business position is revealed in the greatly increased output of the heavy industries:

Output of Iron, Steel, and Coal.
(In Thousands of Tons)

	Coal	Iron	Steel
1926			
Monthly Average	4285	783	703
1927			
Monthly Average	4315	775	690
1928			
Monthly Average (1st Qr)	4328	817	766
Monthly Average (2nd Qr.)	4280	849	776
Monthly Average (3rd Qr.)	4237	838	767
October	4701	857	834
November	4477	850	800
December	4178	—	—

The consumption of iron and steel on the home market has grown even more pronouncedly than the output.

"It may be assumed on the basis of returns to hand," says the "Frankfurter Zeitung" of October 23rd, 1928, "that the French consumption of iron has increased by 30 per cent. If, therefore, the Comité des Forges puts the home consumption in 1927 at 53 per cent. of the total output, the corresponding proportion for the current year should be about 70 per cent., which would exceed the returns for 1926, when it figured at 66 per cent."

The French iron-works are so overrun with orders, that they can hardly accept any more, so says the "Manchester Guardian Commercial" of November 22nd, 1928. According to the "Economist" of December 25th, the textile industry, too, reported a very satisfactory volume of orders as late as October and November last.

As a result of the good business position, the statistics during the autumn months fail to show the existence of any unemployed; on the contrary, there were complaints of a shortage of workers. In Parliament, a demand was put forward for the increased admission of foreign workers, while at the same time it transpired that foreign workers were being engaged for agriculture in an irregular way ("irrégulièrement"). Forgeot, Minister of Labour, issued a warning against exaggeration, stating that in the first eleven months of 1928 only 20,000 foreign workers had entered the country, as against 143,000 in the year 1926²⁸⁾. The worker-releasing effect of rationalisation is to be seen in the fact that the number of miners in the coal-mines has decreased since the beginning of the year from 316,130 to 297,050 in the face of an undiminished output.

On the basis of the very incomplete French statistics, it is very difficult to get any good idea of the formation of wages. In the middle of November, a new collective agreement was concluded with the miners in the northern coal-mining districts (Nord and the Pas de Calais); the minimum wage paid to miners is 36.19 francs a shift, the maximum 38.50 francs²⁹⁾.

²⁸⁾ "Information" of November 30th, 1928.

²⁹⁾ "Bulletin Quotidien" of November 19th, 1928

This is equivalent to about 6 shillings per shift, which is considerably less than what is paid to the miners in the Ruhr.

What meanwhile, is the cost of living?

According to official statistics, the cost of living is still substantially lower than in Germany or Great Britain, but the figures are based on a very small number (13) of the most important foodstuffs without reference to industrial goods and other expenses. The development of wholesale prices shows that these too are below the world market level, thus the prices of agrarian raw materials are considerably below the average.

Data of the "Statistique Générale".

	No. of Articles	End of the Months			
		Dec.	Nov.	Oct.	Sept.
Total Index	45	630	639	630	633
National Products	29	624	631	624	623
Imported Goods	16	642	653	642	649
Foodstuffs (all together)	20	583	595	583	590
Vegetable Foodstuffs	8	597	601	597	587
Animal Foodstuffs	8	550	580	550	543
Coffee, Sugar, Cocoa	4	625	614	625	707
Industrial Raw Materials (all tog.)	25	672	678	672	671
Minerals and Metals	7	596	613	596	594
Textiles	6	749	761	749	739
Various	12	672	668	672	675

If we reduce the general index figure of 639 by 6 to get the gold value, we obtain a gold index of 128, 10 or 20 per cent. below the general level. The chief factors making for this low average of prices are the artificially restricted rents (figuring at two and a half times the pre-war rent), the low prices of the products of peasant economy, the low railway freights, and the small salaries paid to Government employees. All these factors are of a more or less transient character, so that a continual rise in prices in the future may be reckoned with, a circumstance which is bound to lead to violent labour conflicts.

Foreign Trade.

In 1928 French foreign trade showed a deficit for the first time after several years. In the first eleven months of the year the foreign trade figured as follows:

	Foreign Trade (In Millions of Francs)		Compared with 1927 (First eleven Months)
	1928	1927	
Imports			
Foodstuffs	11.264	— 1492	
Raw Materials	29.853	+ 136	
Finished Goods	8.118	+ 1849	
Together	48.235	+ 563	
Exports			
Foodstuffs	5.579	+ 811	
Raw Materials	11.963	— 3336	
Finished Goods	29.071	— 711	
Together	46.613	+ 3235	

Imports will be seen to have risen over the preceding year by 0.7 per cent., while exports have receded by 6.5 per cent. The commercial balance for the entire year shows a deficit of 2101 million francs, while in 1927 there was a surplus of 1875 millions.

"The export of industrial goods", says the „Berliner Tageblatt" of December 31st, 1928, "has receded in regard both to weight and to value. The import of raw materials has indeed fallen in regard to weight, but it appears that this recession is only due to the absence of the special coal imports after the British strike. The importation of other industrial raw materials has greatly increased. The great advance in the importation of industrial goods is partly attributable to the increased Reparations deliveries."

In spite of the trade deficit of 1928, however, the position of French foreign trade is actually far more favourable than

it was before the war. In his report, Cahill furnishes the following returns, reckoned in dollars:

	Millions of Dollars					
	1909/13	1923	1924	1925	1926	1927
Imports	302	434	471	434	389	427
Exports	251	401	497	454	389	446

The increase in the value of foreign trade exceeds the increase in prices. The general deficit has given way to a general surplus, added to which the import figures now include the Reparations deliveries. This factor, in combination with the great tourist traffic, make France's balance of payments very favourable and render possible an exportation of capital, which has, however, not yet set in in full force.

The Crisis of Peasant Economy.

As we have already pointed out, agriculture is the weakest point in French economic life. The area under cultivation is on the decrease, the total of livestock has not yet regained the pre-war level, prices are, as already observed, relatively low, the crops of 1928 were particularly bad as a result of drought, migration to the cities depopulates the country more and more, and the settlement of foreign labour (Italians, Spaniards) on the land does not suffice to make up for the deficiency.

Area under Cultivation.

	(In Thousands of Hectares)			
	Average 1909—13	Average 1922—26	1927	1928
Wheat	6,787	5,440	5,287	5,178
Rye	1,253	867	777	789
Barley	804	696	707	735
Oats	3,978	3,469	3,458	3,469
Maize	467	337	349	337
Potatoes	1,640	1,461	1,497	1,463
Sugar-Beet	246	189	239	221
Together	15,181	12,459	12,314	12,192

The yield per hectare is somewhat larger than it was before the war (the worst fields being left uncultivated), but the total yield is smaller and the need of imports has increased.

The status of livestock figured as follows:

	Horses	Cattle	Sheep	Pigs
	(Expressed in Thousands)			
1913	3,220	14,788	16,131	7,036
1919	2,413	12,373	8,991	4,080
1923	2,848	13,749	9,925	5,406
1927	2,927	14,940	10,693	6,019

In horses, pigs, and sheep there is a great deficit in comparison with pre-war times, and the importation of fresh and frozen meat has advanced from 3200 tons in 1913 to more than 116,000 tons in 1928³⁰).

Of the entire population of France, 47 per cent. still live by agriculture. Complaints as to the bad situation of the peasantry are constantly voiced in Parliament and in the press. The drought last summer also hit certain special cultures very hard. There was very little fodder and hence a large number of immature cattle on the market, selling at greatly reduced prices. The "scissors" victimised the farmers seriously. They did just as badly at wheat cultivation as they did at cattle-breeding. In the great agrarian debate in the Senate in the middle of December, various Senators from the south-west, south, and south-east declared that their regions were not producing more than an average of 12 hectolitres of wheat per hectare and in some cases not more than 6 or 7 hectolitres. At a price of 150 francs, the income to be derived from such a crop figured at 1500 to 1600 francs, while the expenditure was 2300 to 3000 francs. Production therefore resulted in an unbearable deficit³¹). Any real help, apart from the raising of the agrarian tariffs, is just as little to be looked for in France as it is in the United States; peasant economy is more and more exploited wherever it is opposed to monopolised capitalism in industry, transport, or banking.

³⁰) Cahill, Page 227.

³¹) "Bulletin Quotidien" of December 21st, 1928.

GREAT BRITAIN.

The chronic crisis of British economy continues unchanged. The British bourgeoisie is no longer in a position to support great masses of workers by means of a productive occupation. The bourgeoisie is forced to institute charitable actions on a large scale so as to help the starving population of the mining districts through the winter. The traditional theory of free trade, according to which every one willing to work is sure to find work, has been officially given up.

"There is no hope", says the "Times" of November 24th, 1928, "of a future possibility of employing in the coal industry more than 200,000 men and boys, who will thus have no possibility of earning a living as long as they remain in the coal district. This means that a population of approximately three quarters of a million have no livelihood and no prospect of finding a livelihood in the districts in which they now live. Nor is there in most cases any sense in their looking for work in that region. The demand that unemployment relief be granted only if the applicant can furnish proof of having honestly sought work, has become futile. Why should these people be called upon to go the round of the mines, each of which has its full list of waiting unemployed? Such a demand becomes a cruel farce."

The reaction to the mass-unemployment which has now lasted for eight years and to the general misery of the working class is to be seen in a pronounced decline in the birthrate.

	Birth Per Thousand	Deaths Inhabitants
1901--1910	27.2	15.4
1921	22.4	12.1
1922	20.4	12.8
1923	19.7	11.6
1924	18.8	12.2
1925	18.3	12.2
1926	17.8	11.6
1927	16.6	12.3

The number of births is smaller than in France (18.2 in 1927). The number of deaths has been stationary since 1921.

All attempts on the part of the British bourgeoisie to keep the constant spread of unemployment within bounds have proved useless. The number of unemployed grows both absolutely and in percentage proportion from year to year. The percentages of unemployed among the twelve millions covered by unemployment insurance in Great Britain and Northern Ireland, figured as follows at the end of each respective November

1922	1923	1924	1925	1926	1927	1928
12.4	11.5	11.0	11.0	13.5	9.9	12.2

If we omit the year 1926, when unemployment was particularly great as a result of the mining lock-out, we must go back to 1922 to find a similar degree of unemployment as that obtaining at present.

The absolute number of unemployed at the end of November of the last four years is given as follows by the latest annual report of the Ministry of Labour on the subject of unemployment (reproduced in the monthly supplement of the "Economist" on December 22nd, p. 42).

	Coal Mining	Other Trades	Total
End of November 1925	189,548	1,124,355	1,313,393
End of November 1926	105,369 ³²⁾	1,524,773	1,630,142
End of November 1927	221,754	987,932	1,209,686 ³³⁾
End of November 1928	282,332	1,170,835	1,453,217

The deterioration in comparison with the preceding year is particularly marked. It is therefore easy to understand that the "Times" should write in the following strain on the occasion of the latest session of the present Parliament.

"It is a melancholy fact (which was reflected in the speech from the throne) that the main problem of the present Parliament at its final session should be the same which occupied its opening session, this being the problem of definite steps, direct or indirect, in regard to unemployment."

³²⁾ Not counting miners on strike.

It must be pointed out, however, that the development of unemployment does not wholly coincide with the development of production in England. As is the case in Germany and the United States, unemployment must to some extent be put down to rationalisation, which is also in progress in England and which in the new industries in particular releases workers in the face of a rising volume of output. A chronic crisis and a release through rationalisation thus combine to create a permanent mass-unemployment.

The Main Groups of Unemployed. (In Hundreds of Thousands)

	End of October		Increase
	1927	1928	
Coal Mining	224	280	56
Metal & Metalworking Industries	200	206	6
Shipbuilding	45	67	22
Textile Industries	117	178	61
Transport Workers	96	119	23

A transfer of the unemployed workers to other branches of industry has proved impracticable. The position on the labour markets of the Dominions does not permit of any very substantial increase in emigration. In the first nine months of 1928, 108,663 persons emigrated, as against 119,862 in the first nine months of 1927. Of the 8500 British workers who went to Canada as harvest workers, only 3800 stayed there.

The great charitable enterprise now being carried on by the Conservative bourgeoisie under the lead of the Royal Family for the purpose of mitigating the need of the unemployed coal miners, is partly an election manoeuvre and partly the outcome of fear of social disturbances. The "Times" warns the unemployed miners not to break out and overflow the country in search of work, since any such action would be vain. The transfer must be effected systematically.

The Progress of Production.

If we observe the course of production in Great Britain we notice a falling tendency in the face of a marked divergence of the old staple industries on the one hand and the so-called new industries on the other. The drop in the volume of production may be seen by the

Output Index of the London and Cambridge Economic Service Figures of Production

(On the Basis of 100 to Represent 1913)

4th Quarter 1927	95.1
1st Quarter 1928	93.4
2nd Quarter 1928	91.8
3rd Quarter 1928	84.8

The difference in the development of individual branches of industry is to be seen by the index of the "Economist".

"Economist" Index of Business Development (On the Basis of 100 to Represent 1924)

	Nov. 1927	Sept. 1928	Oct. 1928	Nov. 1928	Dec. 1928
Net Imports of					
Raw Materials	103	84	86	96	111
Coloured Metals	105	104	104	107	111
Consumption of					
Iron & Steel	104	83	83	79	77
Cotton	111	87	92	101	107
Rubber	233	181	257	314	311
Coal	105	89	95	102	103
Electricity	114	96	103	115	115
Railway Freight-Traffic	103	90	95	—	—
Exports of British Industrial Goods	112	108	110	110	111

³³⁾ Including 84, 858 casual workers in November.

Coal mining is in a particularly precarious position. The output returns, it is true, are no smaller than last year and the exportation of British coal has even increased somewhat, but the mines continue to work at a great loss. The closing down of the smaller, considerably indebted mines increases from week to week. The following table affords a comparison of the situation in coal mining before the general strike and at present.

	1925	1928
	(First Six Months)	
Output in Millions of Tons	107.0	107.5
Wage Expenditure in Millions of £	69.5	51.7
No. of Occupied Miners in Thousands	1053	906
Approx. Output per Man and Shift	17.91	21.11
Loss per Ton in 2nd Quarter	1s. 0d	1s. 5d

This table shows that the same quantity of coal was produced by 150,000 fewer miners, receiving 18 million pounds less in wages in the course of six months than in 1925. It is obvious that without an international agreement or a national cartel, which would necessarily much increase the home price of coal, it must be impossible to work the British coal-mines at anything but a loss.

The position of the iron and steel industry, meanwhile, is not much better, the output of iron is at present smaller than it was a year ago, while that of steel is 10 per cent. larger. The total output of the year 1928, however, will be just equal to that of 1927.

A pronouncedly regressive tendency is also noticeable in shipbuilding. The following is a survey of the vessels in course of construction:

	Tons
On September 30th, 1927	1,536,416
On June 30th, 1928	1,222,610
On September 30th, 1928	1,089,760

Of late there has again been a certain improvement in shipbuilding.

The difficulties of the textile industry, especially the American section thereof producing coarse cotton goods, have likewise remained unchanged during the last few months. In the new industries, on the other hand, the business development is still very good. The production of automobiles, electro-technical articles, artificial silk, and certain other wares, makes rapid progress.

Capital Emission and Profits.

The generally recognised fact of a chronic crisis in regard to the staple industries in Great Britain is in curious contradiction to the occurrences on the capital market. During the last few months there has been a very pronounced speculation in shares on the Stock Exchange, with such frequent symptoms of a "promotional" tendency that some serious publications, such as the "Statist" of October 20th and December 24th, found it advisable to admonish business circles to avoid the dangers of such a proceeding. Founder's shares are issued with a nominal value of one shilling, large profits for the founders are entered in the books, new companies with heavily watered capital are formed out of the foreign departments of British enterprises, and so forth. It is in particular in regard to gramophones, wireless appliances, and other luxury industries that this promotional activity and speculation have assumed such dimensions.

Another curious circumstance is the absence of a falling tendency on the part of the profits of British industries; in certain branches of industry, indeed, which are seriously affected by the crisis, the profits are relatively high. This may be seen by the following figures, compiled by the "Times Trade and Engineering Supplement" on the basis of balance-sheets published.

Groups	Rate of Profits on Capital	
	1927-28 %	1926-27 %
Coal, Iron and Steel	0.6	3.3
Engineering	5.7	5.2
Electrotechnics	8.4	8.5
Electric Power and Current	9.1	7.7
Cotton	10.4	5.2
Wool	8.7	6.0
Shipbuilding	6.4	4.5
Chemicals	7.6	7.7
Soap	9.9	8.7
Oil and Petroleum	12.3	15.4
Rubber	13.1	26.0
Tea	30.5	34.8
Brewing	17.6	16.4

We here see that there is an absence of profits only in the case of coal, iron, and steel, but that the cotton industry, e. g., records a profit of 10.4 per cent., which represents a very high rate of interest in view of the over-capitalisation prevalent in this industry. The rate of profit of the colonial enterprises, rubber, oil, tea, etc., continues to be extremely high. We may conclude from this fact that British capitalism is not in reality nearly so badly placed as we might be inclined to conclude from the situation of the workers.

A further confirmation of the fact that the British bourgeoisie has still powerful reserves at its disposal, is to be found in the constant increase of capital emission. We have often pointed out that the statistics of English capital emission do not afford any proper insight into the employment of the newly emitted capital, since in their classification according to industrial lines they fail to distinguish between the capital, invested at home and that invested abroad, while at the same time the statistics of foreign emissions are not nearly detailed enough. Nevertheless, the fact remains that the capital emission shows a great rise from year to year.

Emissions 1925-28 (In Millions of Sterling)

	1925	1926	1927	1928
Private	168.7	159.6	218.9	288.1
Cities	26.3	47.9	33.7	31.1
States	49.7	57.1	64.6	56.6
	244.7	264.5	317.3	375.8

Geographical Distribution:

United Kingdom	145.2	142.5	164.3	217.9
Dominions etc.	69.2	57.5	98.2	81.5
Foreign Countries	30.3	64.5	54.8	76.4
	244.7	264.5	317.3	375.8

The detailed statistics, which we do not reproduce here, show that this year 14.8 millions of new capital were employed for mines, 4.6 millions for coal, iron, and steel, an 15.1 millions for electric-current generation. Whether these funds were invested at home or abroad, cannot be ascertained. Since, furthermore, 133 millions figure under the head of "Commerce and Industry" and 65.2 millions under that of "Investment Trust", it is impossible to form an idea as to the actual employment of the newly emitted capital. We must content ourselves with establishing that all in all 60 million pounds more of capital were emitted than in 1927, 55 millions of this total being registered under the head of "Inland". So much is certain, that the crisis of British economy has not yet come to affect capital emission. There are rumours, it is true, to the effect that the new emission was largely taken up by the United States, which would mean a growing alienation of British enterprises. This may be the case, in particular, in regard to electro-technics. But the American share in the total emission is undoubtedly very small.

Foreign Trade.

Foreign trade shows a certain, albeit slight, improvement this year. The chief factors at work are as follows:

- The deficit in the first eleven months was 30 million pounds smaller than in 1927.
- In the first eleven months exports were 13 million pounds greater than in 1927. The regression of the deficit is thus attributable in the main to a recession of imports.
- The exports of finished goods were 13.7 million pounds greater, so that the entire increase in exports appears to fall to the share of finished goods.

Development of Foreign Trade. (In Millions of Sterling)

	Net		Raw Mat. Exp. of	
	Imports	Exports	Imports	Fin. Gds.
Monthly Average 1927	91.4	59.1	29.3	47.0
Monthly Av. 1st H. 1928	89.6	59.2	30.1	47.8
July 1928	87.0	60.9	24.0	49.2
August 1928	88.9	62.2	24.3	50.1
September 1928	80.8	56.2	20.6	45.2
October 1928	93.4	64.3	24.2	50.8
November 1928	96.0	63.8	29.9	49.9
December 1928	92.4	60.4	30.9	46.8

Economic Policy and Rationalisation.

A pronounced line of policy in economic politics has not yet developed on the part of the British bourgeoisie in view of the conflicting requirements of the individual industries. There are, however, three tendencies to be distinguished: 1. A strengthening of the tariff-protection movement, 2. a strong tendency towards the formation of monopolies, and 3. a co-operation of the trade unions with the capitalists on an economic basis for the purpose of effecting rationalisation.

1. As regards the tariff-protection movement, this tendency becomes more pronounced from month to month. The Conservative Government, which suffered such a severe defeat in 1923 with its tariff-protection platform, has not the courage to champion this principle openly at the elections. It was obliged, however, to respond to the pressure of the protectionists in its own camp to the extent of greatly facilitating the introduction of a protective system. Every branch of economy, with the exception of agriculture, was allowed the right to demand an investigation as to the necessity of "safe-guarding" its products. It suffices to prove that foreign goods are introduced into the country in considerable quantities in comparison to the home consumption and that these foreign goods are produced under worse conditions of labour than the respective British goods. This represents a great diminution of the difficulties hitherto standing in the way of the introduction of industrial protective tariffs.

The leader of the British safeguarding movement is A. Mond (Lord Melchett), whose programme consists in the creation of a uniform customs territory embracing the whole British Empire. The tariff is not only to serve the purpose of protecting British industries but also that of strengthening the British Empire.

"England is not a part of Europe; it is a part of the British Empire. If we have the courage to draw a barbed wire or to erect a wall all round the British Empire, there would, in my opinion, not be a single Free-Trade who would oppose such an extension of the free traffic of merchandise. I may say without hesitation that the future of England and of the British Empire, not only commercially but also as an Empire, lies in the finding of ways and means of forming an economic union between us and the Dominions and among the different parts of the Empire"^{*)}.

Mond has succeeded in gaining over the biggest trade union of the metal industry for the principle of tariff protection. If the Conservative Party is victorious at the next elections, Great Britain is likely to proceed rapidly in the direction of industrial protective tariffs.

2. The formation of monopolies has of late been making great strides in England. By the fusion of Vickers, Vickers-Armstrong, and Cammell Laird, two gigantic concerns have been formed, viz. a steel trust, the England Steel Corporation, with a share-capital of about 10 million pounds, and a great rolling-stock trust with a capital of 7.5 millions.

The formation of another community of interests in the iron industry has been officially announced. This will be effected by the amalgamation of Dormann Long and Bolckow, Vaughan; these are both well-known leading capitalist enterprises in the steel and engineering industry. The capital in the former case exceeds 8 million pounds, that in the latter case 5.5 millions. The merging of the two concerns will thus form an enterprise with more than 13.5 millions.

In coal-mining the experience gained by the three hitherto existing groups is likely to be exploited to advantage. The groups in question represented three different types. The Scotch cartel concentrates its production in those mines which can produce cheapest, adapts its total output to the receptive capacity of the market, and pays the closed mines a compensation which is borne by the total output and by the sale to certain sheltered industries. The Midland concern pays a subvention for exported coal and collects a due on all coal raised, without effecting any restriction of output. The cartel of South Wales tried to establish a minimum price and paid a compensation to those owners who lost orders by refusing to deliver for less than the fixed price.

Towards the end of November there was a conference in London of all representatives of the mining industry with a view to the establishment of co-operation among the existing organisations and the organising of a local cartel in northern England. The conference led to no definite result, but the endeavours towards development of the local cartels and of a connection among them have by no means been abandoned.

Early in December the Committee of the Master Spinners' Federation published suggestions for the restoration of the cotton industry. The most essential thing about the report in question is its insistence on the necessity of adapting the nominal capital of the spinning mills to the present possibilities of profit, which involves a sacrifice on the part of the banks and other credit institutions; finally the formation of a number of great trusts to co-operate with one another. The report then enumerates the advantages of trustification, which we shall not repeat here, as the arguments are well known. The "Times" affirms that most of the banks which control a great number of textile enterprises, have declared their readiness to participate in carrying out the suggestions of the Committee.

The "New York Times" of November 18th reproduces a London telegram, according to which four or five million pounds of cotton are now harvested in England. This is cotton of a new kind, which grows wild in British Guinea and which has for some years past been unobtrusively planted in agriculturally uncultivated areas of England. In July this cotton is to be supplied to British spinners at a fixed price of 12 cents a pound. The spinners are said to be highly satisfied with the new raw material and believe that in a few years' time the entire demands of the British industry in raw cotton may be covered in this way. We can find no confirmation of this sensational report in the British press.

Among other monopoly formations, mention may be made of the union of all English cement factories to form a price and selling cartel. Yet more important is the creation of an international nickel cartel by the fusion of the International Nickel Company and the Mond Nickel Company. The former is an American concern, which controls the greater part of the world's output outside Canada. Its shares have been bought up by Mond at the New York Stock Exchange. Since Mond controls the very important Canadian output, the result of this fusion is a British world monopoly in nickel, to the great annoyance of the American interests^{**)}.

3. The trade unions have of late come completely under the influence of the capitalists. This is the natural outcome of the principle of industrial peace. It is significant that the negotiations commenced by Mond with the General Council of the

*) "Times" of December 6th, 1928.

**) "New York Times" of October 20th, 1928.

Trades Union Congress have not yet been officially recognised by the great workers' organisations in England.

The weakness of the trade unions has caused many capitalists to refrain from increasing the prestige of the trade unions by any such negotiations. The number of trade-union members drops from year to year; at the close of 1927 it was 4.9 millions as against 5.2 millions one year earlier. At present it is probably still far lower. The pressure of the capitalists has now induced the union of the cotton spinners and that of the Iron and Steel Trades Confederation (the largest trade union in the metal industry) to advocate safeguarding their industries. This led to a very remarkable conflict between the textile trade union and the Labour members of the textile constituencies. The latter held a conference at which they advocated free trade in keeping with their traditional attitude and condemned the protectionist policy of the trade unions. We here see the reverse position in comparison with that at the time of the general strike, for this time it is the trade unions which are even readier to comply with the wishes of the employers than the Labour Party is³⁶⁾.

Protective tariffs, monopoly formations and the absence of all resistance on the part of the workers form the basis for rationalisation in the British staple industries, which despite great obstacles is actually in progress. The opposition in this case may be explained by the special interests of loan-capital and by the old-established individualist ideology of the British manufacturers. There can be no doubt, however, that in the course of time these obstacles will be overcome under the pressure of circumstances. There will then ensue a time of better occupation in the iron, steel, and engineering trades, coupled with increased competition on the world market and a further increase of unemployment by reason of the release of workers through rationalisation. While the British bourgeoisie, with its great capital reserves and its gigantic super-profits from the exploitation of the colonies and foreign capital investments, will carry on the fight for the recovery of their old position on the world market, the British workers will have no further possibility of development. Chronic mass-unemployment and low wages will continue to be the fate of the British proletariat until the overthrow of the capitalist order of society.

ITALY.

In view of the scanty and belated economic reports which are permitted to pass the Fascist censor, it is difficult to gain an insight into the economy of the Italian nation. It would appear, however, that a certain improvement has ensued in the economic situation in the autumn months. In some industrial lines, the steel industry, the silk industry, and the sugar industry, better business is reported by the Fascist confederation. General statistics likewise show a certain improvement in comparison with last year. Unemployment and short-time work are not so pronounced as they were a year ago.

Unemployment (in Thousands):

	Unemployed		Short-Time Workers	
	1927	1928	1927	1928
January	225	439	64	76
July	263	234	125	28
August	292	248	134	24
September	306	269	134	29
October	332	282	131	26
November	376	321	133	25

The development of freight traffic also points to a better business position, as the following table shows

	Railway Traffic		Ocean Traffic	
	(In Thousands of Tons)			
	1927	1928	1927	1928
January	4910	4419	2843	2477
April	5566	4759	3240	3104
July	5458	5314	2786	3162
August	5531	5633	2486	2916
September	5507	5495	2636	2657
October	5639	6186	2610	3050

A less favourable aspect is afforded by the development of foreign trade.

Foreign Trade (in Millions of Lire):

	Imports		Exports	
Monthly Average 1927	1697	1301		
Monthly Average 1st H. 1928	1851	1160		
July 1928	1740	1001		
August 1928	1552	1115		
September 1928	1617	1153	(1171 in 1927)	
October 1928	1868	1297	(1406 in 1927)	
November 1928	1860	1324	(1311 in 1927)	

The deficit of the commercial balance in the first eleven months of 1928 figured at 6797 million lire, comparing with 4380 millions in 1927; it is thus almost 2500 million lire greater than it was last year. Italy's industry is greatly dependent on exports. In some important lines, such as artificial silk, automobiles, silk goods, more than half the output is exported. Exports -- so says the "Manchester Guardian Commercial" of November 20th (p. 601) -- comprise 80 per cent. of the automobiles produced in the country, 60 per cent. of the artificial silk, and 40 per cent. of the cotton goods. The small receptive capacity of the home market continues to be one of the main hindrances in the way of a rapid development of Italian industry.

At the same time, Italian industry has to face a considerable foreign competition even within this limited market, especially as regards American goods.

"American automobiles", says the "Manchester Guardian Commercial" of December 6th (p. 634), "still find their way into the country, and showrooms are rented for their demonstration. American ice-machines and vacuum-cleaners for household purposes are offered for sale in the best execution and handled by the ablest distributing organisations. Orders placed with American shoe factories are constantly on the increase. Calculating machines and other office requisites are imported from Germany and the United States, and even office furniture frequently comes from across the ocean."

The improvement noticeable in the business position and in the level of the shares, which had been low ever since the times of inflation, has led during the last few months, under the influence of heavy American purchases, to important advances in such shares as Fiat, Montecatini, and Firelli. The capital market was greatly drawn on for share emissions within the country. According to the monthly balances of the Banca Commerciale, 2,500 million lire were employed for new share emissions in the first ten months of 1928³⁷⁾.

Meanwhile, the weak inland capital market does not suffice for the requirements of industry. Therefore, capital importation has ensued. Here again it is American capital in particular which is more and more engaged in financing Italian industry. In the Italian electro-technical industry, with a total investment of 16,000 million lire, 5,000 millions represent the American participation. The chairman of the Union of the Electric Industry has declared that another 10,000 million lire must be invested³⁸⁾. The Marelli concern, which manufactures electrical appliances, recently took up 2.5 million dollars as the first instalment of a loan of 10 million dollars.

³⁶⁾ In a New Year letter to the "Times", Lord Weir writes: "Before the general strike I was very much concerned as to the attitude and policy of the trade unions, but now a complete change appears to have come about, a change which seems to be honest. I trust that organised labour will be ready to prove friendly, helpful, and willing in a great national effort and to forget traditions, precedents, and certain restrictions."

³⁷⁾ "Economist" of December 15th, 1928.

³⁸⁾ "Information Commerciale" of December 4th, 1928.

"Such sums", says the "Manchester Guardian Commercial" of November 22nd, "cannot be raised in Italy itself, where there are plenty of speculators but few investors of capital; and if Italy desires to become an up-to-date industrial State on an up-to-date scale, there is no other path open to it than that of foreign loans."

The small absorbing capacity of the home market, the adverse balance of trade, and the desire to make the supply of foodstuffs independent of foreign countries in view of a possible war, are the economic motives which have driven Mussolini as the representative of the Italian capitalists to his present agrarian policy. Italy's agriculture is on a very low level; though half the earners of the country are engaged in agriculture, its yield is not sufficient to feed the other, non-agricultural half. As we had occasion to report in our last survey, Mussolini has started a campaign for an improvement of the Italian soil on a large scale. The respective legislative draft has already been sanctioned. The plan envisages a water-regulation system on a large scale, land-reclamation in swampy regions by means of drainage, afforestation of mountainous areas, irrigation and road-construction. Central and southern Italy in particular are to be improved from an agricultural standpoint. The means are to be provided by the State, which will in its turn derive the money from the funds of the insurance companies. A yearly expenditure of 500 million lire has been envisaged for a period of 14 years. The landlords are expected to raise an equal sum. The social object in view is that of creating a prosperous farmer class on the one hand and of combating the social dangers of unemployment in industry on the other. We shall revert to this matter later on.

It is unfortunately impossible to say anything definite about the agrarian conditions of the country, since Italy is the only country in Europe which has no statistics in regard to property and the distribution of the land. How confused conditions are in this respect, was pointed out by De Stefani in an article in the "Corriere della Sera" of November 15th, according to which the census shows the number of big landed proprietors to be on the decline, while the number of large estates is reported to be increasing very substantially. The census of December 1921 recorded.

1,080,000 owners of agricultural property, and
1,909,540 owners of sites built over.

These figures are lower than appeared from the census of 1881.

On the other hand, the number of ground-lots has developed as follows³⁹⁾:

1886	5,400,000 lots
1913	7,175,000 lots
1917	7,483,000 lots
1924	7,921,000 lots

If we do not consider both these accounts altogether unreliable, we must assume that on the one hand there is a great dismemberment of peasant property as a result of hereditary division, but that on the other hand this increased number of lots is in the hands of a smaller number of proprietors.

Apart from the ameliorations effected by the Government, Mussolini has declared it to be the duty of each individual landlord to till his land properly and has empowered the prefects to confiscate any badly tilled ground.

"A circular letter of the Prime Minister instructs the prefects to act, in keeping with the principles of an obligatory uniform amelioration, as the deputies of such landed proprietors as do not attend to the improvement of their property. In pursuance of this principle, the prefect of Rovigo took action against a proprietor who had neglected the proper tillage of his land, the result being a yield, which was only slightly smaller than could, in the opinion of experts, have been obtained from the ground in question under the very best circumstances. By order

of the prefect, the administration and operation of the area concerned were entrusted to the chairman of the Fascist trade-union association of the farmers of the Rovigo province; the administration is to be carried on on behalf and to account of the negligent landlord, the administrator being authorised to take all steps requisite in the interest of an enhanced productivity and being obliged to keep exact accounts and to ascertain all amounts employed in administration and to be deducted from the net proceeds⁴⁰⁾."

The second object Mussolini intends to attain by an amelioration of agriculture is that of combating urban unemployment and of transferring all surplus labour back to the land. His administrative measures have greatly restricted the liberty of the rural population.

"Thus," says the Berliner Tageblatt of November 29th, "the prefect of Rovigo (Venetia) has decreed that any one desiring to quit a community for the purpose of settling in another place must apply for permission to the 'Questura' at least a fortnight in advance. At the same time he asserts his authority to 'repatriate' any recent arrival who is in adverse economic circumstances. This puts an effectual end to the liberty of movement even within the country, the possibility of emigration having long ago been eliminated. Various passages in a speech delivered recently at Brescia by Turati show that the new Parliament intends shortly to take decisive steps in this direction."

So as give these administrative measures some legislative basis, a Bill has been submitted to Parliament, according to the prefects, Mussolini's executive organs in the provinces, far-reaching powers for the purpose of preventing a migration from the rural to the urban districts. The envisaged ameliorations in agriculture and the great projected road and railway constructions are to provide the surplus workers with occupation in the country⁴¹⁾.

It is obvious that Mussolini fears the accumulation of great masses of workers, especially in the cities. Therefore permits for the construction of new factories are to be accorded only in cities of less than 100,000 inhabitants. Mussolini's fear of the oppressed industrial proletariat is also to be seen in the fact that he has taken occasion to deprive the Central Committee of the Fascist trade unions of all juridical recognition, i. e. to suspend this central organisation, at the same time removing the committees of various trade unions and replacing them by commissaries.

"By a decree published in the official gazette," says the "Frankfurter Zeitung" of December 27th, "the juridical recognition of the Central Federation of Fascist Trade Unions is repealed while at the same time the committees of affiliated unions in agriculture, industry, transport, mental labour, commerce, and banking are abolished and replaced by Government commissaries. This measure represents the elimination of Rossini, hitherto the leader of the unions, who was much opposed as being too democratic. The unions will now be decentralised, so that they can no longer have a uniform administration as they had under Rossini. On the other hand, the influence of Bottai, Under-Secretary of State in the Corporation Ministry and well-known as an opponent of Rossini, is on the advance. This procedure again demonstrates the absolute dependence of the unions on the Government."

It appears, therefore, that even such caricatures of trade unions as the Fascist organisations are, are considered dangerous to Mussolini's arbitrary system, as being mass-organisation of workers. At same time, Rossini, General Secretary of the Fascist Trade Unions, has been completely removed from the trade-union movement. The entire trade-union organisation, the head of which Rossini stood, had a yearly budget of 300 million lire and no fewer than 10,000 paid officials. It is comprehensible that Mussolini desired to place this powerful apparatus in immediate dependence upon himself. Rossini, who still had certain illusions as to the class character of the Fascist State and frequently tried to champion the rights of the

³⁹⁾ "Bulletin Quotidien" of November 21st, 1928.

⁴⁰⁾ "Wirtschaftsdienst" of November 30th, 1928. p. 1988.

⁴¹⁾ "Economist" of December 15th, 1928.

workers as against the capitalists, had many enemies among the latter and had therefore to be got rid of⁴²⁾.

The serious position of the working population of Italy is manifest in the constant drop in post-office savings-bank deposits, representing the small savings of the working class. The following figures are taken from the "Bulletin Quotidien" of December 14th, 1928.

Development of Deposits & Withdrawals at the Post-Office Savings-Bank.

(In Millions of Lire)

Surplus of Deposits:

1920	1921	1922	1923	1924	1925
1781	1158	564	350	830	231

Surplus of Withdrawals:

1926	1927	1928 (till November)
54	644	333

Besides the amelioration of agriculture and the transfer of the surplus workers to the rural districts, Mussolini is seeking to gain markets for the feebly functioning Italian industry by means of a very active foreign policy. Now that by reason of the renewal of the Franco-British Entente the difficulty of penetrating the Balkans has grown, Mussolini is seeking to enlarge Italy's sphere of influence in the Eastern Mediterranean by friendly agreements with Turkey, Greece, and Bulgaria.

This object is to be served by the planned construction of a new railway-line from Tirana to Salonica and by the establishment of a direct connection between Albania and Constantinople, avoiding Yougoslavian territory. For the purpose of further improving the connection between Rome and Constantinople, a railway-line is to be laid from Rome to Bari, whence a traject is to ply across the Straits of Otranto and thus to form the connection with Durazzo in Albania. The realisation of this plan would make it possible to proceed by rail from Rome to Constantinople without quitting the train⁴³⁾. It is naturally an open question whether it will be possible to raise the requisite funds for the execution of this plan, which is of both commercial and strategic importance.

UNITED STATES OF AMERICA.

The business development in the United States during the last few months was characterised by a uniform rise, extending to practically every branch of economy. The volume of production reached a record extent, as will be seen by the following figures:

Index Figures of the Federal Reserve Board.

	Index of Industrial Output ⁴⁴⁾ (100 = 1923/25)	Index of Workers' Degr. o. Occ. (100 = 1919)	Index of Loaded Wagons ⁴⁵⁾ (100 = 1923/25)	Building Index (1923/25)
Monthly Average 1927	106	—	—	—
October 1927	103	91.7	101	137
November 1927	99	90.2	96	125
Monthly Average 1st Half 1928	108	—	—	—
July 1928	109	88.5	102	130
August 1928	112	90.0	104	111
September 1928	115	91.2	106	136
October 1928	114	92.0	106	147
November 1928	111	91.6	106	—

⁴²⁾ "Frankfurter Zeitung" of December 8th, 1928.

⁴³⁾ "Bulletin Quotidien" of October 6th, 1928.

⁴⁴⁾ Devoid of seasonal influences.

The figures show a strong upward movement, of roughly 10 per cent., in the industrial output as compared with the autumn of the preceding year and a rather smaller rise in the freight traffic and building activity (which in 1927 showed a record development). On the other hand, the index of the degree of occupation of the workers shows hardly any increase, figuring at 92 against 91.7. An increase of industrial production by 11 per cent. is faced only by an increase of 0.3 per cent. in the degree of occupation. The tendency towards the development of a structural unemployment is confirmed more and more every year by these facts.

The index figures of the "Annalist" show yet more strikingly the rise in output compared with last year and also compared with the summer months.

Business-Development Figures of the "Annalist".

	Dec. 1928	Nov. 1928	Oct. 1928	Sept. 1928	Nov. 1927
Iron Output	99.8	104.3	105.9	101.6	84.7
Steel Output	105.9	106.3	112.6	113.4	80.6
Loaded Freight Cars	92.1	93.6	95.4	95.0	89.0
Output of Electr. Energo	—	102.0	102.8	100.9	101.0
Coal Output	92.3	94.0	92.9	89.8	85.5
Automobile Output	87.8	77.3	100.8	108.9	42.4
Cotton Consumption	102.6	107.3	106.0	94.2	114.8
Wool Consumption	—	102.6	100.1	98.2	86.2
Output of Footwear	—	96.8	103.1	105.6	95.3
Zinc Output	86.9	91.3	91.9	95.3	94.2
Combined Index	96.8 ⁴⁵⁾	98.5	101.0	98.8	92.9

The increase of steel production in November by 30 per cent. and that of automobile production by 100 per cent. over the preceding year are characteristic of the entire situation.

The position in general was summed up as follows by Hoover in his last report as Secretary of State for Trade, dealing with the economic year which ended on July 31st, 1928⁴⁶⁾.

"The course of business in all its branches was on a level seldom if ever attained heretofore. The volume of output and consumption for the entire year and the quantities of exports and imports were very great; unemployment was relatively unimportant, and the status of real wages and of the standard-of-living of the masses remained on a higher level than anywhere else in the world."

The prospects for the future are likewise very optimistically estimated.

The well-known economist John Moody writes:

"The next few years are to bring the biggest "boom" in the history of this country, a boom which will surpass all previous booms in its intensity and in the distribution of prosperity."

The "American Bankers' Journal" writes:

"Industrial production is on a high level. Numerous output records are sure to be set up. The triumvirate of steel, automobiles and the building industry may look forward to a prosperous year⁴⁷⁾".

With a view to safeguarding the duration of the prosperous business cycle against all relapses, Hoover announced at the congress of the American Federation of Labour, amid the enthusiastic acclamations of the trade-union bureaucracy, that he has a plan for the formation of a fund of 3,000 million dollars, so that the State may come to the rescue with Government orders if the business position should decline. In a leading

⁴⁵⁾ Provisional Figure.

⁴⁶⁾ "Times" of December 4th, 1928.

⁴⁷⁾ "New York Times" of December 10th, 1928.

article in this connection, the "New York Times" (of November 23rd) remarks that a preparation for a threatening crisis at this time of prosperous business is a noteworthy thing, since a panic is excluded in view of the present elasticity of the Federal Reserve system.

The good business of the past year has again caused the number of persons with a taxed yearly income of one million dollars to rise spasmodically; there are now 283 such persons, which is 52 more than last year; their tax total was 96 million dollars. What is more interesting is the statistics of the income of the joint-stock companies, as recorded by the "Times" of November 13th, 1928.

249,877 companies reported 103,000 million dollars of gross receipts and 8,000 millions of net proceeds.

203,006 companies reported 24,300 million dollars of gross receipts and 2,300 millions of losses.

These figures show most clearly in what way the monopolist capital crushes the small capitalist concerns. The enterprises run at a loss are, as shown by the gross proceeds, i. e. the turnover, all small enterprises with an average turnover of 120,000 dollars a year. The profitable enterprises are the big ones with a yearly turnover of roughly 500,000 dollars. If we were to eliminate certain enterprises realising particularly gigantic profits, such as General Motors, du Pont, and the like, the survey would be yet clearer.

The monopoly formation continues throughout industry in full force. The year 1928 is described as a year of "mergers", of the formation of trusts. We have no space here to go into the question of the individual newly-formed trusts. Special interest attaches to the formation of a trust in the aircraft industry with a capital of 150 million dollars, comprising quite a series of formerly independent aeroplane and motor factories. The formation of this trust has been carried on under the guidance of the National City Bank, and it is a matter of particular interest that the board combines representatives of Fords, General Motors, and the Standard Oil.

Whereas formerly the official quarters in the United States assumed an attitude unfavourable to the formation of trusts and while there are to this day anti-trust laws, the American Secretaries of State now openly advocate the movement towards monopolies. Thus the "Journal of Commerce" of December 18th reports Labour Secretary Davis to have declared in regard to the difficulties in coal-mining that

"a simple way to prevent overproduction would lie in the closing of the less profitable mines. The only way out of the difficulty would consist in an amalgamation of the existing companies."

As regards the coming year, the "New York Times" declares that it is bound greatly to exceed the year 1928 in the matter of monopoly formation. "Negotiations are in progress among no fewer than two dozen joint-stock companies working in different lines. No fewer than five trust-formations of great importance will probably be announced at the commencement of the coming year. The greatest and most far-seeing among them is an oil combination which is to embrace a number of independent enterprises".

We do not intend this time to enter into details in regard to the position of the individual branches of industry. The greatest prosperity is that of the automobile industry. Output has been doubled (in comparison with the autumn months of 1927) by the re-opening of the Ford works. Ford intends to produce no fewer than 2,000,000 automobiles in the course of 1929, and the General Motors have similar plans. In the year 1929 from 5 to 6 million automobiles will thus be put on the market⁴⁹⁾. Davis, Secretary of State for Labour, proclaimed at the Congress of the American Federation of Labour that every

American worker's family must in future possess an automobile. In this connection the steel output has greatly increased, the orders placed with the Steel Trust being greater in November than they were last year. Two weak points are the textile industry of the North-East States and coal-mining. In the oil industry it has been found possible to prevent the further rise of the crude-oil output by means of an agreement and thus to avoid an over-production crisis. Finally, the position of agriculture has somewhat improved, without however comparing with the prosperity of the other branches of production.

The New Wave of Protectionism.

The business boom is looked upon in general as a proof of the correctness of the industrial-protection policy hitherto pursued, the further maintenance of which has become a maxim of both the Republicans and the Democrats; indeed, there is a strong movement in favour of a further increase of the protective tariffs.

In his character of Presidential candidate, Hoover contented himself with advocating the maintenance of the duties at present in force.

"Any change in the present protectionist policy," says the "New York Times" of October 16th, "would undoubtedly entail a flood of foreign textile products, which would spell nothing short of ruin to the industry of the New England States, affecting manufacturers and workers alike."

Raskob (of the General Motors) the leader of the Democratic electioneering campaign, also declared in favour of the high protective duties; indeed, he went so far as to demand a permanent tariff commission, independent of Congress and to be established by statute in the United States Constitution, so that in future the tariff question should no longer form a matter of argument at the elections⁵⁰⁾.

The outcome of the elections and the utterances of Hoover are looked upon by all interested parties as pointing in the direction of a campaign for a further increase in the protective tariffs. The textile industry of the New England States calls for higher duties for a number of articles. According to the "New York Times" of November 27th, the cement factories of the Atlantic coast region are complaining of foreign competition.

In the Ways and Means Commission of the Senate (says the "Bulletin Quotidien" of December 19th) the interested parties are to be given a hearing as from January 7th.

The champions of enhanced protection among the public are however, not the capitalists themselves but their menials, the bureaucrats of the American Federation of Labour, whose New Orleans Congress officially advocated an increase of the protective duties. The following are the principles set forth in the respective resolution:

"The present customs tariff has enabled our country to be flooded with foreign products and is partly responsible for the unemployment of thousands of our workers.

"We call for an immediate revision of the customs tariff and instruct our leaders to call upon the newly elected President to summon a special session of Congress for the purpose of creating a new customs tariff. We believe that the law requiring that foreign goods be supplied with marks of their origin should be amended in such wise as to make it requisite for the said sign to be easily discernible on every single foreign article. The duties, moreover, should be collected according to the value of the goods in America and not, as hitherto, according to the value abroad⁵¹⁾."

At the Congress, the following figures were brought forward in regard to the rising imports of foreign goods⁵²⁾:

⁴⁹⁾ The following figures furnish a good illustration of the significance of automobile construction for the economy of the United States. In 1923 there were 684 million h. p. "of prime movers", of which 454 million h. p. represented pleasure-automobiles; vide "Power Capacity and Production in the United States", New York, 1928, p. 48.

⁵⁰⁾ "New York Times" of October 31st, 1928.

⁵¹⁾ "New York Times" of November 26th, 1928.

⁵²⁾ *ibid.*, November 26th, 1928.

	1920	1927
	In Thousands of Dollars	
Books and Periodicals	3,540.6	13,159.0
Footwear	787.9	5,918.0
Bricks	151.0	1,949.0
Pottery	15,766.0	23,717.0
Electr. Machinery	863.0	1,162.9
Fur Caps	1,159.0	2,450.9
Straw Hats	7,848.6	9,084.7
Glassware	14,226.0	30,699.0
Imit. Silverware	5,972.9	10,467.6

In comparison with the domestic output of the United States in the same lines, these figures are obviously not at all alarming; nevertheless, some trade union leaders, in obedience to the instructions of the capitalists, speak of ruin threatening the workers.

The chairman of the union of pottery workers declared at the Congress that more than 50 per cent. of the members were out of work as a result of the great importation of foreign pottery and glassware. He added that last year more than half the table glass sold in the United States was of foreign origin.

The chairman of the glass blowers' union declared that if the present great imports of bottles continued, part of the American bottle industry would be a thing of the past. Secretary Flynn declared that the shoe-workers of Massachusetts were out of work because the industry was unable to compete with the Czechoslovakian factories, which "turned out great masses of shoes with American machinery and far lower overhead charges."

There is a close co-operation between the leaders of the American Federation of Labour and the capitalists; the workers vote for higher tariffs, while the capitalists in their turn advocate a further restriction of immigration into the United States. The free immigration from Canada and from other American States hitherto obtaining is shortly to be subjected to a revision.

Agriculture also demands higher duties, especially on condensed milk, cheese, and other dairy products, against the great Canadian imports; Florida asks for higher rates on bananas and other southern fruit; the stockdealers and cattle-breeders demand a rise from 3 to 8 cents per pound in the duty on meat. After the fate experienced by the Macnary-Haugen Bill, however, it is highly improbable that the ruling monopoly-capital will accord the farmers increased duties, all the less so seeing that the capitalistically conducted modern American agrarian estates reap a satisfactory profit even at the present prices, as we had occasion to point out in our last report.

We may thus reckon in the future with an increase in the industrial duties and with the unaltered maintenance of the present agrarian duties, which would become generally effective only if the domestic consumption were to exceed the output, which is hardly likely to be the case in the most important commodities, wheat, cotton, and tobacco.

Foreign Trade and High Protective Duties.

The question of a rise in the protective duties, i. e. of the increased exclusion of foreign goods in general and finished industrial goods in particular from the American market, is connected with the problem of a further development of America's foreign trade. This development continues to move in the direction of a growing surplus of exports over imports.

Foreign Trade (in Millions of Dollars):

	Imports	Exports	Export Surplus	Exports of ⁽²⁾ Finished Gds.
Monthly Average in the first 9 Months of 1927	300	441	51	185
Monthly Average in the first 9 Months of 1928	381	457	76	198
July 1928	318	379	61	205
August 1928	347	380	33	190
September 1928	320	422	102	130
October 1928	355	555	200	204
November 1928	327	546	219	—
December 1928	338	475	137	—

The export surplus in the last few months (seasonal exports of agricultural produce) has exceeded the tremendous sum of 200 million dollars a month. The exportation of finished goods also shows an increase compared with last year of roughly 10 per cent., and that despite the excellent business position on the home market. The enormous sale on the customs-protected home market enables the individual monopoly-organizations to throw the surplus output on the foreign market as cheap as they choose and even at a loss.

This settles the foreign trade problem for the individual capitalist. But with what is this export surplus paid by the receiving countries? Apparently by means of the constantly growing exportation of capital. Even the visible capital exports are on the rise. In the first 11 months of the year, these visible capital exports amounted to 1255 million dollars⁽³⁾, or rather more than the recorded export surplus of the trade balance. From the very carefully compiled balance of payments of the United States, however, in regard to the year 1927, we know that there was no actual capital exportation in the said year in spite of the great receipts which the United States derived from the foreign capital investments and the inter-Allied debts.

The counter-value to the surplus of exports is to be found in the first place in the immense expenditure of American tourists in Europe and Canada⁽⁴⁾, in the goods brought back thence by the said tourists (which are not included in the relative foreign trade statistics), and in the tremendous smuggling-trade in spirituous liquors, only the tenth part of which is seized by the authorities. At any rate the Americans have hitherto found ways and means of economically exploiting the counter-value of the export-surplus. Therefore they refuse all European suggestions of a customs reduction or a remission of debts in view of the difficulties of a transfer.

The second weak point of American economy is agriculture, or rather the bad position of the small farmers and the unprecedented speculation carried on on the Stock Exchange. On neither of these problems is there very much to be said. The unorganised farmers are exploited in every possible way by monopolised capital. The farmer receives less than 50 per cent. of the price which the consumer pays for agricultural products; half is lost in "costs of distribution", i. e. freights, charges, and middlemen's profits. During the elections various plans were discussed for the improvement of this state of affairs, including a State subsidy for the agricultural co-operatives and a Government inquiry into the costs of distribution. It is obvious that as long as millions of unorganised small capitalists

⁽²⁾ Without the products of the foodstuffs industry.

⁽³⁾ "Financial and Commercial Chronicle" of December 1928, p. 3311.

⁽⁴⁾ According to the calculations of Frederiks, Manager of the Bank of Montreal, Canada derived 275 million dollars from tourist traffic in 1927. For purposes of comparison it may be pointed out that the entire wheat exports of the country amount to 348 million dollars and the entire output of the mines to 220 millions. ("Financial and Commercial Chronicle", p. 3311)

in agriculture face the monopoly-organisations of transport, the mills, the stockyards, etc., this state of exploitation will continue to obtain.

As regards Stock-Exchange speculation, the artificial boom in the share-prices, and the increase in brokers' loans all attempts to restrict this activity have proved futile. Although the interest on the loan capital engaged in Stock-Exchange speculation has risen as high as 12 per cent. and although the Federal Reserve Board and numerous serious publications have given voice to warnings, the craze for speculation continues. At the following dates, the brokers' loans figured as under, in millions of dollars:

January 31st, 1927	3139
July 30th, 1927	3642
January 31st, 1928	4420
May 31st, 1928 ⁵⁵⁾	5274
July 31st, 1928	4837
September 29th, 1928	5514
October 31st, 1928	5880

The "small people" read in the newspapers of the coming prosperous business of the year 1929 and have naturally not the necessary economic knowledge to be able to judge to what degree the future profits have already been anticipated in the present prices of the shares. Individual setbacks in the rates do not suffice to shatter confidence; a great stock-exchange crash naturally must and will ensue, characterised by a wholesale expropriation of the "small people" by the big capitalists.

CHINA.

A year has passed since the destruction of the Canton Soviet Republic. It is therefore time to inquire to what degree the Chinese bourgeoisie may be said to have succeeded in realising its programme and in making headway in the direction of creating a bourgeois China, and to put the question as to whether the ruling classes in China will succeed in keeping down the revolutionary movement for so long a time as is needed for the building-up of a bourgeois China. Seeing that it is the agrarian conditions which form the foundation of the revolutionising of China, the question may also be put in the way in which we put it when last occupying ourselves more intimately with the problems of the Chinese revolution⁵⁶⁾. We then asked whether a bourgeois solution of the agrarian question in China was possible or not.

To put the matter briefly, we might well argue as follows. In the course of the past year the Chinese bourgeoisie has formulated its economic programme and has attained certain results in the direction of creating a uniform bourgeois China. It has, however, not achieved any results in the solution of the agrarian problem. The fundamental fact of the Chinese class system, the weakness of the actually productive bourgeoisie, the fact that bourgeoisie and landowners practically form one class, that the bourgeoisie derives its income to the greatest part either directly from landed property in the form of ground-rents or else indirectly by the exploitation of the peasants and landowners through usury and commercial capital, excludes the possibility of a bourgeois agrarian revolution or even of a bourgeois agrarian reform. The position of agriculture and of the Chinese peasantry necessarily deteriorates by reason of the development of capitalism and is bound to lead to the renewal of acutely revolutionary situations.

Plans and Achievements of the Chinese Bourgeoisie.

In the course of the year the Nanking Government succeeded in conquering Peking, driving back the Manchurian troops to Manchuria, and at least formally extending its rule over the whole of China proper. The seat of authority was removed from Peking to Nanking. That is no mere coincidence. It ma-

nifested the stronger influence of the big bourgeoisie of Shanghai, the most progressive wing of the Chinese bourgeoisie. The seat of government was not removed to Shanghai itself, seeing that there it would have been too greatly exposed to the menace of the imperialist Powers by means of their fleets.

In the course of the year there were at Shanghai several conferences among Chinese bankers and other representatives of the big bourgeoisie, which correctly formulated the programme of the big-bourgeois elements of China. It comprises the disarmament of the greater part of the army, the creation of a uniform tax, banking, and finance system. This programme was reflected in the manifesto published on October 18th by the National Government⁵⁷⁾.

The consolidation of the Nanking Government was most powerfully promoted by its de-jure recognition by the United States and the recognition by the latter of its tariff autonomy. Under the pressure of this agreement with the United States, to which we shall still have occasion to refer, all other States which had formerly greatly varied agreements with China, recognised the Nanking Government de jure and accorded it its tariff autonomy. In spite of the protest on the part of Japan, the Chinese Government published its new customs tariff and will put it into operation on February 1st, 1929.

The new customs tariff represents a great event in the economic development of China. We must therefore occupy ourselves with it in greater detail. The Chinese Government presented the new tariff to the foreign Powers simultaneously with its publication. The Japanese Consul-General Yada sent the document back to the National Government the very same day, declaring that he could not recognise the action of the Nanking Government officially until the negotiations regarding a new tariff were concluded⁵⁸⁾.

The new customs tariff is in the first place a tariff with an eye to revenue and not a protective tariff. The duties are all ad valorem and range from 2.5 to 22.5 per cent. of the value. The goods are divided into seven groups.

Group a (7 articles): alcoholic liquors, cigars and cigarettes, etc., 22.5 per cent.; **Group b** (12 articles): wine, beer, fruit, gold, silver, platinum and objects thereof, precious stones, tobacco in leaf-form, etc., 17.5 per cent.; **Group c** (28 articles): finer goods of silk, wool, clothes, footwear, and the like, watches and clocks, optical, photographic, and musical instruments, automobiles and parts thereof, sugar, jam, etc., 12.5 per cent.; **Group d** (32 articles): yarns, electrical goods, soap, paper, chinaware, 10 per cent.; **Group e** (49 articles) including ordinary cotton and woollen cloth, oils, gasoline, household apparatuses, etc., 7.5 per cent.; **Group f**: all other articles 5 per cent.; **Group g** (10 articles) including raw cotton and fertilisers, 2.5 per cent.⁵⁹⁾. The financial yield of the customs reform is estimated at 100 million yuan (silver dollars) per annum. It should be pointed out that the old customs rates of 5 plus 2.5 per cent. are still in operation, so that the duties actually to be paid are all 7.5 per cent. higher than here indicated.

If we examine these tariff rates attentively, we shall be led to the following conclusions. (1) The customs rates are on an average much lower than those of other capitalist countries. (2) The customs rates are adapted not to the interest of Chinese industry but in the first place to that of the industries of the imperialist Powers. This may be seen by the fact that the higher customs rates affect goods which are quite unimportant for the development of mass-industries in China, whereas the most important goods, for instance ordinary cotton stuffs, are merely taxed with an additional rate of 7.5 per cent. (3) The onus of the higher rates will to a great extent hit the more wealthy city population. (4) It is economically incomprehensible that a duty of 17.5 per cent. should be levied on the importation of gold and silver. We can thus endorse the verdict of the "Statist" (of December 15th), according to which the new tariff is a purely financial one and has not at all the character of a tariff intended to protect industry. In this way the new tariff reflects

⁵⁵⁾ Maximum prior to the "action" taken against brokers' loans.

⁵⁶⁾ "Survey of the First Quarter", "International Press Correspondence" 14th June, 1928.

⁵⁷⁾ "Times" of October 19th, 1928.

⁵⁸⁾ "New York Times" of December 2nd, 1928.

⁵⁹⁾ "Bulletin Quotidien" of November 29th, 1928.

the weakness of the Chinese industrial bourgeoisie in particular and the weakness of the new Chinese Government in its attitude towards the imperialists in general. For purely economic motives the resistance of Japan to the introduction of the new tariff is incomprehensible, for in regard to such goods as Japan supplies to China the rates have been raised only very slightly, if at all. The main outcome of the Chinese customs autonomy will therefore consist only in a strengthening of the financial economy of the Nanking Government.

The same object is served by the foundation of a central bank at Shanghai, which the Government intends shall have the sole right of issuing bank-notes. In this respect, however, the Nanking Government is likely to be involved in difficulties with Great Britain and Japan, whose banks in China have long been issuing notes at a stable rate.

With a view to the stabilisation of the currency, Professor Kemmerer, the well known American financial expert, has been invited to China, whither he has expressed his intention of going in January. The Chinese Government aspires to having a new and uniform currency on a gold basis with a central note-bank⁶⁰).

A stable currency and an increase of State revenue are also extremely important to the Nanking Government for reasons of its power-policy. It is only by a great augmentation of State revenue that the means could be found for the at least partial disarmament of the armies of the various generals and for the creation of an up-to-date army at the disposal of the Nanking Government. This is the essential presumption for any really central government.

Though in the course of this last year the Nanking Government has gained in influence, its authority does not actually extend beyond the provinces situated in the lower Yangtze valley. Manchuria is ruled, under Japanese suzerainty, by the son of Chang Tso Lin, whose formal adhesion to the Kuo-Mintang makes little difference as regards actual facts; the North and North-West by Feng, and the South by the Kwangsi clique supported by Great Britain, and the West alternatingly by various generals, including Wu Pei Fu.

China's Relations to the Imperialist Powers.

The dismemberment of China into a great number of districts governed by individual militarists is, as we pointed out in our last analysis of this subject, the outcome of the struggle among the imperialist Powers for the hegemony in China.

The position is as follows. The United States, which had formerly invested very little capital but whose trade with China is now increasing, desires in the first place to secure a firm footing for the future, for which reason it supports the Nanking Government, which it looks upon as the nucleus of a future uniform bourgeois government for all China. Therefore it did not delay to recognise the Nanking Government in the summer and to accord it tariff autonomy and the abolition of extraterritorial privileges, albeit with the reservation of most-favoured-nation treatment. It is obvious that the Chinese bourgeoisie in its turn relies mainly on America, a fact which is demonstrated by the invitation to Kemmerer to act as financial adviser to the Government, by the nomination of Ford and other American economic personalities as honorary experts of the Chinese State, and by the request that the American representation in China be raised to the rank of an Embassy. The reason is principally that the United States have occupied no territory within the Chinese frontiers and that the goods imported into the country from America are such as will not enter into competition with Chinese products until a fairly distant future.

Great Britain hesitated very long before recognising the Nanking Government, which it did only at the end of December, albeit in a particularly ceremonious form. If we study British press opinions throughout the year 1928, we shall clearly see how reluctantly the British Government made up its mind to take this step. Again and again it was pointed out that the Nanking Government was merely the local government of the provinces situated around Shanghai. At the same time Great

Britain considerably strengthened its position in Southern China by a connection with the Kwangsi clique. As a matter of fact, Great Britain is at present once more the virtual master in Southern China, whose authority is demonstrated by the following fact.

On the occasion of the anti-Japanese boycott at Canton, British goods were in many cases delayed until the proof of their non-Japanese origin was established. "This interference" says the "Economist" of November 10th, "caused the local traders much worry and they requested that the authority of the British Consuls in the Chinese ports be employed to enable British goods to pass through the boycott lines. There is an element of irony in this request, if we compare the situation with that of two or three years ago, but the request was made quite seriously and the Consul General at Canton promised to use his influence with the provincial authorities."

If in spite of this very favourable position in Southern China, Great Britain yet thought fit to acknowledge the Nanking Government, the tariff autonomy, and the future abolition of extraterritoriality, we may well assume that this was done with a view to competing with America.

Japan did not follow suit until January 1929. The differences between Japan and China proper had continued to grow throughout 1928. When somewhere in the middle of last year a fight occurred between Japanese and Chinese soldiers in Tsinanfu, the result was a general boycott of Japanese goods throughout Central and Southern China, which was secretly supported by Great Britain and America and is still in operation. In this connection it must be pointed out that the Japanese goods imported into China are mainly such as compete with the early stages of industrialisation in that country, viz. cheap textiles, paper, and the like. Furthermore, Japan has openly and brutally occupied Chinese territory and has in the course of the last year extended this occupation in the Shantung province. There is also a permanent conflict between Japan and China in the matter of Manchuria.

As regards the other imperialist Powers, France acts parallel with Great Britain, while the smaller States have elected to follow the American example and to live at peace with the Nanking Government.

The policy of the Powers in China is naturally not straightforward. Although Great Britain and Japan have apparently just concluded a new alliance and have publicly announced a common procedure in regard to China, Great Britain recognised the Nanking Government and its tariff autonomy prior to Japan and probably against the will of the Japanese Government. Undoubtedly, too, Great Britain supports the boycott of Japanese goods. On the other hand, although there is a growing estrangement between the United States and Japan, in consequence of the British-American antagonism, the United States have in spite of Chinese protests accorded a large loan to the Oriental Development Company, a Japanese company working in Manchuria and Korea. The fundamental differences are at present not yet so pronounced that the entire bourgeoisie of each respective country should act in uniformity.

Improvement of the Economic Position despite Starvation.

Seen from the capitalist standpoint, the economic position of China has slightly improved in the course of the last twelve-month. Upon the termination, or at any rate the official end, of civil war, commercial traffic is beginning to progress. The regions situated at a distance from the exporting harbours, whose requirements of foreign goods could for a long time not be satisfied and in which exportable goods were accumulated in greater quantities, are being reintroduced into the general commercial system. Many industrial enterprises have been restarted. Foreign trade is probably some 20 or 30 per cent. better than last year. Some new railways have been constructed and opened in the North. After lengthy negotiations, part of the rolling stock removed during the war was recovered. On all sides new roads are being built, some of them for the purpose of famine relief.

We must, however, not allow ourselves to be deceived by favourable symptoms. Foreign trade and industry form only a small part of the economic life of China, the main factor being agriculture. In extensive regions the crops have failed. The affected area extends from Shantung over the North of

⁶⁰) "New York Times" of October 21, 1928.

Chili to Shensi and Kansu. The reports of the American famine relief officers put the number of those suffering acute starvation at 20 millions.

We cannot judge whether this starvation is a casual outcome of drought, as it is said to be, or whether it is caused by the general regression of Chinese agriculture. In our last article on Chinese problems we pointed out that Chinese agriculture shows a downward trend for the following reasons. (1) The destruction of the water system by the neglect of irrigation and river-regulation works. (2) The destruction of the balance of fertility in the soil. (3) The inordinate robbery of the peasantry by the landed bourgeoisie, the usurers and the gentry, which deprives them of the most primitive means of production essential for tilling the ground and for the simplest forms of reproduction.

In this respect nothing has changed in the position of the peasantry. The decrease of the leases, promised last year under the pressure of the revolution, was repeated after the victory of reaction. Not only the formation of peasant Soviets in southern China but also the violent revolts of the Mohammedans in the North-west, where half a million are reported to have been massacred, show the great dissatisfaction of the peasant masses in China. Unreliable as the reports of this rising are, there can be no doubt that it was no religious matter but an economic revolt of the peasants.

The Differences within the Kuomintang and the Labour Movement.

In the British press the assertion is made again and again that within the ranks of the Kuomintang radical elements, allegedly Communists, are at work. This is obviously a manoeuvre for the purpose of strengthening the attitude of the reactionary Kwangsi clique against Chiang Kai-Shek. At the same time the Nanking Government appears to feel the urge to pursue an up-to-date, that is to say an anti-revolutionary, reformist labour policy — if only outwardly. Thus we read in the "Times" (of July 6th, 1928) that after the occupation of Peking by the Southern troops trade unions of railway-men, tramway-men, electricity workers, printers, smiths, weavers, etc., were founded with the assistance of the local Kuomintang organisation. A few weeks later, the "New York Times" of November 9th reports, there was agitation among the Chinese servants of

foreign households, while at the same time the journalists formed a trade union. The same report speaks of a great rise in the wages of the organised workers at Peking and Tientsin. In October, there was a great strike on the part of the postal employees at Shanghai, which ended in an increase of wages by 50 or 60 per cent.

It is interesting to see how the interests of the British post officials are defended by the British press. The increase in the wages of the workers appears to have been made possible in part by a reduction in the number of British post officials. In this connection the "Times" writes "The most a commissioner in the postal service can hope to get is 800 dollars (100 pounds sterling) a month, an income which is penury for an official who is probably married and perhaps has children". A salary which is one hundred times the wage paid to a native workman is considered penury for a British postal official.

What is more important is the strike of the tramway-men in the French concession of Shanghai. According to French reports, the Kuomintang is said to have sanctioned the following demands of the workers⁽¹⁾. Recognition of the trade union, no victimisation, re-instatement of the workers discharged since September 30th and payment of their full wages, a wage increase of 30 per cent, a strict observance of the eight-hour day, and payment of an initial sum of 5000 dollars and of 500 dollars a month by the tramway undertaking to the funds of the trade union. Naturally these demands are attributed to the influence of a Communist minority.

In summing up we may therefore establish the following chief facts. In the course of the year there has been a certain consolidation of the regime of the ruling classes in China, though the dismemberment of the country into various regions under different rulers continues. The bourgeoisie has taken no steps towards solving the agrarian problem, nor is it able to do so. Therefore the prospect of a lasting bourgeois regime in China is improbable in spite of the support of the United States. Sooner or later the agrarian question and the class-consciousness of the proletariat, strengthened by the revolution must lead to fresh great revolutionary movements in town and country.

⁽¹⁾ "Bulletin Quotidien" of December 10th 1928.

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