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Economics and Economic Policy in the First Quarter of 1929.

(Concluded down to 15th April, 1929.)

By E. Varga.

The World's Economy in 1928.

We shall attempt in the following to include the economic development of the year 1928 in the analysis furnished by the World Congress of the Comintern in regard to the world situation, with the contents of which analysis we presume our readers to be familiar. We shall therefore get down to facts right away.

The Formation of Production.

We publish below a comparative table of the development of world production, in so far as reliable figures in this regard are available. Two things must be specially remarked in connection with the data in question.

a) Total figures regarding production are only available for raw materials, seeing that the different quantities of finished goods (with few exceptions, such as shipbuilding or automobile construction) do not allow of their comprehension in aggregate figures. It is to be presumed, however, that in general the output of finished goods will be parallel to that of raw ma-

terials, since after accumulating certain stocks raw-material production must adapt itself to demands. It may, furthermore, be supposed that, as a result of the technical progress in the direction of standardisation, the same quantity of fuel, raw and accessory materials now yields a relatively larger quantity of commodities than was the case before the war. Finally, it must be pointed out that the enormously rapid development of the chemical industry since pre-war times could not be taken into consideration in this table for want of the necessary comprehensive data.

b) The accuracy of these returns, especially those referring to agricultural products, is not great. At the same time, it may be remarked that, in consequence of the sameness of the sources of error, the deviations from reality from year to year afford a certain dynamic uniformity.

The Most Important Output-Returns of International Economy.

| | In millions | | | | |
|---|-------------|--------|--------|--------|--------|
| | 1909-13 | 1925 | 1926 | 1927 | 1928a |
| Food | | | | | |
| Wheat b) output tons | 82,2 | 90,2 | 91,8 | 95,0 | 100,8 |
| Rye b) " " | 26,1 | 25,6 | 20,4 | 22,4 | 23,4 |
| Barley b) " " | 28,7 | 30,9 | 29,5 | 30,9 | 35,8 |
| Oats b) " " | 52,1 | 58,2 | 53,8 | 52,6 | 57,6 |
| Maize " " | 102,9 | 113,6 | 107,0 | 107,8 | 114,0 |
| Rice " " | 77,5 | 85,3 | 84,6 | 85,4 | — |
| Potatoes b) " " | 128,6 | 143,6 | 120,9 | 146,9 | 141,0 |
| Beet Sugar b) output Double centaes | 69,7 | 73,2 | 69,1 | 76,2 | 77,2 |
| Cane Sugar " " | 96,9 | 166,0 | 159,2 | 157,3 | 166,0 |
| Textile Raw Materials | | | | | |
| Cotton Production tons | 4,84 | 6,0 | 5,99 | 4,8 | 5,1 |
| Cotton Consumption bales | 23,3c) | 23,2d) | 24,7e) | 26,4 | 25,3 |
| Wool Produktion kg. | 1463,0 | 1329,0 | 1405,0 | — | — |
| Silk " " | 29,2 | 45,8 | 47,2 | 49,0 | — |
| Artificial Silk " " | 14,1f) | 87,0 | 99,5 | 130,0 | 158,0 |
| Caoutchouc " " | 114,0f) | 504,0 | 618,0 | 614,0 | 620,0 |
| Fuel | | | | | |
| Hard Coal tons | 1098,0 | 1187,0 | 1177,0 | 1283,0 | 1238,0 |
| Mineral Oil Barrel | 385,0 | 1065,0 | 1095,0 | 1249,0 | 1270,0 |

The World's Economy in 1928.

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| | 1909-13 | 1925 | 1926 | 1927 | 1928a) | |
|--|--------------------|----------|--------|--------|--------|--------|
| Metals | | | | | | |
| Iron | Production Tons | 68,3 | 76,9 | 77,5 | 86,7 | 86, |
| Steel | " | 65,2 | 90,8 | 91,6 | 102,0 | 107,2 |
| Copper | kg | 1030,0f) | 1443,0 | 1491,0 | 1510,0 | 1692,0 |
| Lead | " | 1194,0f) | 1524,0 | 1587,0 | 1643,0 | 1620,0 |
| Zink | " | 976,0f) | 1132,0 | 1249,0 | 13 0,0 | 1404,0 |
| Tin | " | 133,0f) | 150,0 | 147,0 | 159,0 | 180,0 |
| Aluminium | " | 63,0f) | 179,0 | 211,0 | 213,0 | — |
| Gold | 1000 | 768,0f) | 593,0 | 600,0 | 600,0 | 606,0 |
| Silver | 1000 | 6864,0f) | 7514,0 | 7454,0 | 7454,0 | — |
| Shipbuilding | | | | | | |
| Tonnage Launched 1000 gross tons | | 3333,0e) | 2193,0 | 1675,0 | 2286,0 | 2699,0 |
| Automobiles | | | | | | |
| | millions | — | 4,9 | 5,0 | 4,1 | 5,3 |

a) Preliminary figures. b) Without the Soviet Union. c) 1912 to 1913
d) 1924 to 1925. e) 1925 to 1926. f) 1913.

A closer investigation of the above table of world production will show that throughout the year 1928 the increase of output over the preceding years continued to obtain. Apart from grain, however, in which regard the outcome of the harvest owing to weather conditions is mainly decisive, the rate of progress was far slower in its percentage proportion than in the preceding years. In the case of a number of important commodities, such as coal, iron and lead, there was even a slight recession. The general rate of development was therefore far slower than in 1927 and 1926.

If we compare the data for the last few years with those of pre-war times, we shall remark a considerable progress. In this connection, however, there are certain points to be taken into account.

a) The increase in output is relatively far smaller in the case of such materials as figure in the Marxian scheme as "raw materials of the second division" (output of means of consumption) as in that of the "raw materials of the first division" (output of means of production). If we take into consideration the increase in the population over pre-war times — amounting to about 10 per cent. between the average of 1909—1913 and the close of 1928 — it is obvious that the standard of food and clothing of the population of the world can be only very slightly better now than it was before the war. On the other hand, the vigorous increase in the output of metals points to a rapid extension of the apparatus of production.

b) Although the progress in the output of raw materials of the first division in the last four years was very considerable, its rate does not exceed that of good business cycles in pre-war times. As regards iron and steel, for instance, their output before the war increased on an average by about 70 per cent. every ten years. In Germany in particular there were instances in which the iron and steel output increased in ten years by as much as 100 per cent.

On the other hand it must not be forgotten that prior to the war the new construction of railroads and ships absorbed far greater quantities of iron and steel than have been required for such purposes of late years. In comparison with pre-war times the construction of railroads is now insignificant, while shipbuilding is also far smaller than it then was. This means that for the expansion of the production apparatus in the narrower sense of the word, i. e. without the construction of means of transport, a still greater quantity of metals is employed than appears from the above figures.

The augmentation of the apparatus of production is proceeding at a greater rate than the increase in production on the whole, which means that there is a great accumulation.

From this situation there results a growing contradiction between the respective conditions of output and sale, between the productive capacity and the consumptive power of society under the given conditions of income.

The difficulty of disposing of his goods are attributed by the individual capitalist producer, who is embarrassed by competition, to the high costs of output of his own goods. If he were able to produce more cheaply, he could dispose of more goods at the cost of his competitors. Hence the efforts in the direction of a reduction of prime costs, which are the main characteristic of rationalisation. But the reduction of initial costs by means of rationalisation is only possible by increasing the productive capacity of the works in question. The out-

come of the endeavours of individual enterprises to increase their sales through a reduction of prime costs thus reflects the entire contradiction between production and the possibility of sale in the capitalist world.

Rationalisation and Unemployment.

Besides putting out of operation a great part of the production apparatus, rationalisation also entails the release of broad masses of workers from the actual production.

Apart from seasonal and other business influences the absolute number of unemployed increases from year to year.

The number of workers employed by industrial capital engaged directly in producing surplus value is relatively declining, while the number of such workers as are employed in connection with circulation and consumption is relatively increasing.

In the period between 1919 and 1925, there was a decline in the United States (according to the census returns), with the exception of the building trade, an absolute decline in the number of workers employed by industrial capital (agriculture, industry, mining, railways).

We shall here illustrate this development with the example of the British returns. Since 1923, the British Ministry of Labour has every July made a census of the insured employed and unemployed workers, both according to professions and occupations. It eliminates such as obviously do not come under the heading of industrial capital, such as workers employed in commerce, banking and financing, State and local administration, entertainment, grouping these together and comparing them with the sum total of the other occupations, we get the following movement in the number of those actually employed (unemployed excluded).

| | July | | | | |
|--|------|------|------|------|------|
| | 1923 | 1924 | 1925 | 1926 | 1927 |
| Sum Total of Employed in all Occupations | 100 | 100 | 100 | 100 | 100 |
| Thereof in Service of Industrial Capital | 77.6 | 79.1 | 75.3 | 74.2 | 74.6 |
| Thereof not in Service of Industrial Capital | 22.4 | 20.9 | 24.7 | 25.8 | 25.4 |

Expressed in absolute figures the development stands as follows (collected from the "Ministry of Labour Gazette")

| | Number of Employed in July, in Thousands | | | Together |
|----------------|--|--------------------------------|--|----------|
| | In Service of Ind. Capital | Not in Service of Ind. Capital | | |
| 1923 | 7,897 | 2,281 | | 10,178 |
| 1924 | 8,206 | 2,167 | | 10,373 |
| 1925 | 7,952 | 2,613 | | 10,565 |
| 1926 | 7,645 | 2,658 | | 10,303 |
| 1927 | 8,214 | 2,803 | | 11,017 |
| 1928 | 7,705 | 2,799 | | 10,504 |

Thus in Great Britain, too, there is a tendency, albeit less pronounced than in the United States, towards a diminution of the absolute number of workers employed by industrial capital.

Similarly to the case in the United States, the diminution since 1924, the year of industrial censuses, in the number of workers employed by industrial capital has been accompanied by a stable, or possible even slightly increased, production. Thus the

Output Index of the "London and Cambridge Economic Service"

shows the following figures (on the basis of 100 to represent 1913):

| 1924 | 1925 | 1926 | 1927 | 1928 |
|------|------|------|------|------|
| 90.9 | 87.1 | 67.0 | 96.2 | 91.0 |

The data of the "Economist", which are not collected on any total index, even point to an increased production. On the basis of 100 for 1924, they figure as follows for 1928:

| Imports | |
|---------------|-----------------|
| Raw Materials | Coloured Metals |
| 101 | 113 |

Consumption

| | | | | |
|--------------|--------|--------|------|-----------------|
| Iron & Steel | Cotton | Rubber | Coal | Electric Energy |
| 88 | 100 | 212 | 99 | 110 |

As we see, there has been a positive decrease in Great Britain since 1924 in the number of workers employed by industrial capital, in the face of a more or less stable volume of production. The year 1927, with its vigorous rise in the number of workers employed and in the volume of products, merely made up for the great deficiency of the preceding year of the strike.

In the United States there are no new census returns in regard to the number of employed workers. However, the monthly statistics of the Federal Reserve Board and the Bureau of Labour in regard to typical leading industrial concerns employing together about three million workers, prove that the tendency evinced by the census figures for the period from 1919 to 1925 has still continued during the last few years. The number of workers employed continues to decline in the face of simultaneous vigorous rise in the volume of output. The

Index of the Federal Reserve Board

shows the following comparative figures:

| | | | | | |
|---------------------|------|------|------|------|------|
| | 1924 | 1925 | 1926 | 1927 | 1928 |
| Index of Production | 95 | 104 | 108 | 106 | 111 |
| Index of Workers | 95 | 95 | 96 | 92 | 89.8 |

We shall shortly attempt to establish similar figures for Germany to those given above in regard to Great Britain. It would appear, however, that in Germany this development was started a few years ago, in which connection, moreover, the influence of the exceptional business development cannot be altogether eliminated.

The decisive fact, however, remains that the absolute number of unemployed in Great Britain and in Germany, as also in certain smaller countries of Europe, was greater throughout 1928 than in 1927. On the basis of the above Federal Reserve Board returns, we can assume the same to have been the case throughout the year in the United States too. There therefore remains the very important fact that it is just in the most highly developed countries that capital is least able to supply adequate employment for the workers. The old thesis of bourgeois economy, according to which the capitalist system of production affords every one willing to work the opportunity of earning his living, has definitely and obviously suffered shipwreck. The collections now being made in Great Britain under the patronage of the Prince of Wales for the support of the starving unemployed miners are the most flagrant proof of the general crisis of capitalism.

The Price Formation and the Fight for Markets.

If it is true that the fight for markets is particularly apparent at the present stage of capitalism, it would stand to reason that the price level should show a downward trend. We here reproduce the

Formation of the Price Indices in Certain Countries with Stable Currencies

(On the Basis of 100 to Represent 1913)

| | | | | | | | |
|-----------|-----------------------------|-----------------------|---------|--------|-------------|--------|------------------------|
| | Great Britain ¹⁾ | Germany ²⁾ | Holland | Sweden | Switzerland | Canada | U. S. A. ³⁾ |
| 1925 | 160.9 | 141.8 | 155 | 161 | 161.6 | 160.3 | 148.3 |
| 1926 | 149.4 | 134.4 | 145 | 149 | 144.5 | 156.2 | 143.3 |
| 1927 | 143.7 | 137.6 | 148 | 146 | 142.2 | 151.6 | 136.7 |
| 1928 | 140.9 | 140.0 | 149 | 148 | 144.6 | 150.4 | 140 |
| Jan. 1928 | 141.5 | 138.7 | 153 | 148 | 144.7 | 151.3 | 138 |
| Dec. 1928 | 136.5 | 139.9 | 148 | 145 | 145.2 | 148.6 | 138.5 |

1) "Economist".
2) Statistisches Reichsamt.
3) Bureau of Labour.

If we examine this table, we note that there was an all-round reduction in the price level only between 1925 and 1926. On the other hand, the last three years show a progressive reduction of the price level, such as might theoretically be expected, solely in the instance of Great Britain. In the great majority of countries, therefore, the undeniably acute price competition existing on the world market has not been reflected of late years, the main exceptions being Great Britain and Canada. This, of course, refers to the countries with stable currencies, the indices of such states as have only recently stabilised their currencies not being comparable in this sense, since their process of adaptation is not yet completed. In the course of 1928, however, most of the countries show a greater or smaller sinking of the price-level.

The question thus arises how it is that the price indices do not reflect the accentuated competitive struggle in a corresponding falling off in the price level. This is explained by the fact that, with the exception of Great Britain, all the countries indicated have high protective tariffs. The price indices reflect the price movements on the home markets which are greatly protected against the price-depressing effect of international competition by high customs-duties and internal monopoly systems. It must, furthermore, be remembered that these indices contain the average of the price formation of all goods under consideration, including agricultural produce the prices of which greatly depend on the outcome of the harvests. It is a well-known fact that in the countries with protective-tariffs the export-prices of the self-same goods are far below their home prices, and that the finished goods, in regard to which competition on the world market is greatest, are little suited to figure in the price indices in view of their varied and fluctuating quality. We know that a number of goods, such as coal, rubber, oil, and artificial silk, have greatly fallen in price during the last few years. We also know that the world market prices of the products of the metal-working industries, viz. ships, rolling-stock, machinery, etc., have been greatly depressed in price. All this is reflected very slightly, if at all, in the price indices indicative of the internal price level. It is only the price index of a still predominantly free-trading country like Great Britain that shows the theoretically natural development. The price indices of the protective-tariff countries are quite unsuitable for the purpose of estimating the price formation on the world market; there would have to be a special price index of world-market prices to enable us to record in figures the effects of the increased fight for international markets.

The struggle waged by the bourgeoisie for the control of the world market has led to no noteworthy increase in the volume of foreign trade. The returns of international foreign trade are only to hand for the first three quarters of the year. According to "Wirtschaft & Statistik" (1929, No. 1) they figure as follows:

Foreign Trade Turnover of 33 Countries

(Expressed in Millions of Pounds Sterling)

| | | |
|------|-------------|-------|
| 1927 | 1st Quarter | 2,735 |
| | 2nd Quarter | 2,750 |
| | 3rd Quarter | 2,725 |
| | 4th Quarter | 3,005 |
| 1928 | 1st Quarter | 2,880 |
| | 2nd Quarter | 2,760 |
| | 3rd Quarter | 2,780 |

The foreign trade of these 33 countries constitutes 83 per cent. of that of the whole world.

Unreliable as the statistics regarding world output and world trade undoubtedly are, it is obvious that the increase in output in 1928, especially in view of the good harvest, was greater than the increase in foreign trade. It follows that the foreign trade of last year contributed nothing to the solution of the general disparity between output and market possibilities.

If the above figures are divided into exports and imports, and if Europe is compared with the extra-European countries, the survey for the last quarters will figure as follows:

Foreign Trade of Important Countries¹⁾
(Expressed in Millions of Pounds Sterling)

| | Imports | | | Exports | | |
|----------------------|----------------------------------|--|-------|----------------------------------|--|-------|
| | European Countries ²⁾ | Extra-European Countries ³⁾ | Total | European Countries ²⁾ | Extra-European Countries ³⁾ | Total |
| 2nd Quarter 1927 . . | 930 | 540 | 1,470 | 710 | 570 | 1,280 |
| 3rd " 1927 . . | 895 | 525 | 1,420 | 755 | 550 | 1,305 |
| 1st " 1928 . . | 970 | 550 | 1,520 | 735 | 625 | 1,360 |
| 2nd " 1928 . . | 940 | 520 | 1,460 | 725 | 575 | 1,300 |
| 3rd " 1928 . . | 925 | 515 | 1,440 | 770 | 565 | 1,335 |

The increase of imports and exports is pretty much the same both in the European and in the non-European countries. It is obvious that the import figures should be higher than the export figures; this is a natural result of the fact that the same goods are valued higher in importation than in exportation, the difference being accounted for by the costs of oversea transport, intermediate profit, loss on interest, costs of insurance, etc.

Gold Movements, the Capital Market, and the Stock Exchanges.

The past year was characterised by a fight among the central banks (the bourgeoisie) of the individual countries for the increase of their gold holdings. It has turned out that a transition from an actual gold currency, with an internal gold circulation to a gold-standard currency without any circulation of gold within the country but a use of gold for international traffic, has by no means had the effect predicted by bourgeois economists such as Cassel and Keynes of a diminished requirement of gold on the part of the central banks. On the contrary, the table subjoined indicates for the last few years a perceptible increase in the monetary gold holdings of Europe and a diminution of the amount of gold in the United States, which is nevertheless still very great.

The Monetary Gold Holdings of the World
at the Close of the Year⁴⁾

(Expressed in Thousands of Pounds Sterling)

| | 1925 | 1926 | 1927 | 1928 |
|-----------------------|-----------|-----------|-----------|-----------|
| Europe | 681,050 | 755,950 | 795,250 | 948,600 |
| thereof France . . | 149,200 | 149,200 | 167,800 | 263,000 |
| Gt. Britain . . . | 147,700 | 154,350 | 155,650 | 157,400 |
| Germany | 63,700 | 94,850 | 96,550 | 139,750 |
| United States | 923,450 | 942,900 | 918,600 | 869,600 |
| Other Countries . . . | 551,800 | 550,400 | 571,000 | 583,200 |
| Whole World | 2,156,300 | 2,249,200 | 2,284,850 | 2,401,400 |

The percentage share of the great imperialist Powers in the gold holdings of the world may be seen from the following table (from the same source as the above):

Share of the Four Leading Imperialist Powers
in the Monetary Gold Holdings of the World.
(in Thousands of £)

| | 1913 | 1926 | 1928 |
|--------------------------------|-----------|-----------|-----------|
| Gold Holdings of the World . . | 2,063,350 | 2,228,250 | 2,402,550 |
| (Shares in Per Cent.) | | | |
| U. S. A. | 19.2 | 42.3 | 36.2 |
| France | 14.3 | 6.7 | 11.0 |
| Great Britain | 11.8 | 8.0 | 7.6 |
| Germany | 10.1 | 4.2 | 5.8 |

1) From "Wirtschaft & Statistik".

2) 21 countries.

3) 12 countries.

4) From "Wirtschaft & Statistik", 1929, No. 1.

With the stabilisation of the currencies and the move towards a maintenance and increase of the gold holdings, the pre-war inter-dependence between gold holdings and bank-rates has been restored. At the present moment a British bank-rate of 5½ per cent. compares with a German bank-rate of 6 per cent., a proportion such as was customary before the war. This does not mean that for the German industrialist-merchant loan-capital requires practically the same amount of interest as in England. As a matter of fact, the discount-rate in Germany is in general considerably higher than the bank-rate while in Great Britain it is in general lower.

Formation of Discount Rates on the Money Markets.

("Federal Reserve Bulletin" of February 1929, and "Economic Close of the Year.

| | Bank Rate | Commercial Bills | Private Discount |
|-----------------------|-----------|--------------------|------------------|
| New York 1927 | 3½ | 4 | 3.31 |
| 1928 | 5 | 5½ | 4.61 |
| London 1927 | 4½ | 4 15/16 | 4.31 |
| 1928 | 4½ | 5 | 4.37 |
| Paris 1927 | 5 | | 2.95 |
| 1928 | 3½ | | 3.41 |
| Berlin 1927 | 7 | 9.10 ⁵⁾ | 6.87 |
| 1928 | 7 | 8.77 | 6.31 |

An outstanding feature of the past economic year is the tremendous increase in stock-exchange speculation and the significance of the stock exchange in general. The chief features are as follows.

1. A great increase in share-turnovers.
2. A great increase in share-rates.
3. A great increase in stock-exchange credits on securities.

The advances in regard to the dividend-bearing securities reflect various factors, viz. the relatively low rate of interest on securities with a fixed interest-rate, the hope of better business and hence of bigger dividends, and finally in special cases the fight of various financial groups for the majority of the stock and the control of the enterprise. The greatest increase is recorded in rates in France, where a low rate of interest coincides with an improving business position, while in Germany, where relatively high rates of interest chronise with a declining business position, the advances have been very slight. The rate-indices can naturally not well be compared with one another.

Obviously, the rates of the various shares furnish no basis of distribution of profits. The formation of profits is concerned by the most varied and complicated financing operations, such as bonus shares, new shares at low prices, or a reciprocal change of shares. By the emission of various kinds of securities, preferred and deferred stock, the proceeds are so distributed that the small capitalists only receive a share commensurate to a return on loaned capital, in the case of independent small-capitalist enterprises even still less, while the difference between the rate of interest and the rate of profit of the monopolised concerns falls to the share of the big capitalists in various forms, such as founders' shares, deferred profits, investment in the concern, and the like.

Finally, the speculative operations on the stock exchange serve the same purpose. The periodically recurring rate successively expropriate a number of small capitalists operating on the stock exchange in favour of the big capitalists who are in a position to foresee the main fluctuations if they do not indeed, purposely bring them about. The expropriation of the small capitalists in favour of the financial capitalists, the main outcome of the inflation period in Continental Europe, is now — especially in the Anglo-Saxon countries — taking the form of an expropriation by means of stock-exchange speculation.

5) Advance on securities.

6) Monthly advances.

Europe and the United States.

During the world war the point of gravitation of world economy shifted to the United States. This was an event which was already obvious in view of pre-war developments. For the time it seemed as though the relative preponderance of the United States in relation to Europe was destined to grow

greater and greater and that — as Trotzky put it — “the capital of the United States was to place the capitalists of Europe on a war-ration footing”. We here subjoin a table showing the development in the output of certain important commodities during the last four years in the United States and in Europe and proving the inaccuracy of the above theory.

Production of some Important Goods in the United States and Europe (In Millions of Units)

| | Europe | | | | United States | | | |
|---|---------------------|----------------------|--------|----------------------|---------------|-------|-------|----------------------|
| | 1925 | 1926 | 1927 | 1928 ⁽¹⁰⁾ | 1925 | 1926 | 1927 | 1928 ⁽¹⁰⁾ |
| Foodstuffs⁽¹¹⁾: | | | | | | | | |
| Wheat Yield i. Tons | 37.8 | 33.0 | 34.4 | 36.8 | 18.4 | 22.7 | 23.7 | 24.6 |
| Rye " " " " | 23.8 | 19.0 | 20.3 | 21.9 | 1.2 | 1.0 | 1.5 | 1.1 |
| Barley " " " " | 15.1 | 15.0 | 14.9 | 16.0 | 4.7 | 4.2 | 5.8 | 7.6 |
| Oats " " " " | 26.0 | 27.8 | 26.8 | 27.3 | 21.6 | 18.2 | 17.3 | 21.1 |
| Maize " " " " | 15.9 | 16.9 | 12.4 | 9.5 | 74.0 | 67.2 | 70.8 | 73.5 |
| Potatoes " " " " | 129.4 | 104.4 | 129.6 | 117.0 | 8.8 | 9.7 | 10.9 | 12.6 |
| Beet-Sugar " " Dble. Cntrs. | 64.2 | 59.2 | 64.9 | 68.1 | 8.9 | 9.3 | 10.9 | 8.8 |
| Textile Raw Materials: | | | | | | | | |
| Cotton Cons. in Bales | 9.8 ⁽¹²⁾ | 10.2 ⁽¹³⁾ | 10.4 | 11.1 | 6.1 | 6.4 | 7.1 | 6.8 |
| Art. Silk Prod. in Kilogr. | 56.9 | 63.3 | 93.0 | 110.0 | 23.5 | 29.0 | 34.1 | — |
| Fuel: | | | | | | | | |
| Hard-Coal Prod. i. Tons | 545.0 | 463.0 | 610.0 | 585.0 | 582.0 | 601.0 | 544.8 | 492.9 |
| Oil " " Barrels | 76.0 | 93.0 | 104.0 | 114.6 | 764.0 | 771.0 | 901.0 | 890.0 |
| Metals: | | | | | | | | |
| Iron Prod. i. Tons | 37.0 | 35.1 | 45.6 | 44.2 | 37.3 | 40.0 | 37.2 | 38.0 |
| Steel " " " " | 40.8 | 40.5 | 52.4 | 51.0 | 46.1 | 49.1 | 45.7 | 51.2 |
| Copper " " Kilograms | 106.0 | 125.0 | 135.0 | 139.0 | 859.0 | 893.0 | 837.2 | 824.7 |
| Lead " " " " | 371.0 | 345.0 | 386.0 | — | 696.0 | 725.0 | 746.0 | — |
| Zinc " " " " | 514.0 | 528.0 | 618.0 | — | 520.0 | 561.0 | 537.5 | — |
| Aluminium " " " " | 104.0 | 103.0 | 108.0 | — | 68.0 | 75.0 | 75.0 | — |
| Shipbuilding: | | | | | | | | |
| Launched Tonnage (Thou. o. Gr. Reg. Tons) | 2030.0 | 1428.0 | 2030.4 | 2381.0 | 79.0 | 115.0 | 125.0 | 91.0 |
| Automobiles⁽¹⁴⁾: | | | | | | | | |
| (in Thousands) | 463 | 526 | 574 | 631 | 4266 | 4209 | 3394 | 4400 |

With all the reservations necessary in view of the incompleteness and restricted reliability of the productional records and with a due consideration of the influence of the various business movements, this table yet shows that the rapid rise of capitalism in the United States has slowed down during the last few years and that the disproportion between the rate of development in Europe and America, respectively, has decreased. The preponderance of the United States in relation to European capitalism has proportionately decreased rather than increased.

Contrary to the opinion generally held, the exports of the United States have advanced over those of pre-war times only a little, if at all, more than those of Great Britain, the respective figures having something like doubled in both cases. The increase in exports in the case of France and Germany is smaller.

If we regard only the figures for the finished-goods exports, in respect of which there is the keenest competition on the international market, we shall remark a certain advance of the United States in the course of last year, though this is probably attributable to the smaller degree of competition in the latter half year. The figures to date cannot be taken as indicating a pronounced effort to oust rivals from the world market.

Though the quota of finished goods in America's exports is getting bigger and bigger, more than 50 per cent. of the United States export still consist of foodstuffs and raw materials. The character of the United States as an exporter of finished goods is far less pronounced than in the case of the other industrial Powers.

Let us next regard the proportion between the United States and Europe from the standpoint of capital exportation.

In this connection it is in the first place important that the visible capital exports of the United States should have receded considerably in the course of 1928. According to the “Commercial Chronicle”, the foreign capital emissions of the United States figured as follows in millions of dollars:

| | |
|----------------|------|
| 1925 | 1086 |
| 1926 | 1145 |
| 1927 | 1604 |
| 1928 | 1319 |

In view of the great tension prevailing on the American money market it is probable that in the current year the foreign emissions of Europe will approach very close to those of the United States total.

The sum total of the foreign emissions, however, is by no means synonymous with the actual capital exports. The mutual purchase and sale of securities and the passing to and from of short-termed loans very considerably modify the result of the foreign emissions. As a case in point we may cite the balance of payments of the United States, which figured as follows for 1927:

Main Items of Capital Exportation (In Millions of Dollars⁽¹⁵⁾)

| | | |
|---|------|-------|
| New Investments of the United States Abroad | 1648 | —1648 |
| Return to U. S. A. of Former U. S. Investments Abroad | 767 | + 767 |
| New Investment of Foreign Capital in U. S. A. | 919 | + 919 |
| Return of Former Foreign Investments from U. S. A. to Foreign Countries | 709 | — 709 |
| | | — 671 |

⁽¹⁰⁾ Provisional figures.

⁽¹¹⁾ Without Soviet Union.

⁽¹²⁾ 1924/25.

⁽¹³⁾ 1925/26.

⁽¹⁴⁾ Production in Great Britain, France, Germany, Italy, Japan, Czechoslovakia and Austria.

⁽¹⁵⁾ “The Balance of International Payments of the United States in 1927”, United States Department of Commerce, P. V.

From the above it appears that a foreign emission of 1604 million dollars corresponds to an actual balance of capital exportation of no more than 671 millions, and this only on the assumption that the debts of banks in the United States to foreigners remained unchanged in the course of the year. Balance-of-payments returns for 1928 have not yet been published. The capital exportation of the United States in 1928 may be estimated at between 1100 and 1200 million dollars. At the close of 1928, and yet more so at the commencement of 1929, the capital exportation of the United States came to a standstill. By following the newspaper reports it is possible to see that owing to the high rates of interest at the United States stock exchanges and to the fact that the bank-rate is higher in New York than in London or Paris, very much short-termed money was retracted by the United States, while much European short-termed capital was invested in America.

We therefore see that the preponderance of the United States cannot be considered constant either in regard to output nor in respect of foreign trade, foreign emissions, and the actual capital exportation. On the contrary, the relative gravity of Europe would appear to be constant in all these connections. There can be no doubt that the capitalism of Europe is at present less dependent on the United States than was the case some years ago.

The Main Features of Economic Policy.

The economic policy of the bourgeois states has been directed — if we refrain from considering the constant class aims within the countries — mainly towards the support of their own bourgeoisie in its fight for the world market. The most important events in this connection were as follows:

a) The attempt at a new regulation of the Reparations question. Of this we intend to treat at greater length elsewhere in this report. The new regulation is intended, inter alia, to serve the purpose of mitigating and repressing the urgent necessity felt by the German bourgeoisie of abolishing the transfer clause and procuring the foreign values it requires for the payment of Reparations by means of a forced sale abroad.

b) The stabilisation of the currency likewise serves the purpose of equalising the competitive conditions on the world market. In the course of 1928 it made further progress, France, Poland, Bulgaria, and Greece having stabilised their currencies. In the case of France this was a purely juridical transaction, but in that of Poland, Roumania, Bulgaria, and Greece it was connected with the raising of a foreign loan and the accordance of a far-reaching control of State finances and the banking policy on the part of the creditors. This almost completes currency stabilisation in Europe; now there is only the Spanish currency that still evinces greater fluctuations than are compatible with a stabilised condition.

Particular importance attaches to the attempts at a stabilisation of the Chinese currency, seeing that with its 400 million inhabitants and hitherto insignificant foreign trade China is the object of the greatest hopes on the part of the bourgeoisie of the imperialist countries with a view to the possibility of a considerable expansion of the capitalist market. One of the presumptions for such a development would consist in currency stabilisation.

c) Higher instead of lower customs duties. The movement towards a reduction of the customs duties, decided on with so much set out on the occasion of the International Economic Congress in the spring of 1927, bore no fruits in the course of 1928. This was not surprising in view of the great significance of a control of the internal market for the trust-bourgeoisie of the highly capitalist states and in view of the anxiety of the bourgeoisie of the capitalistically less advanced countries to protect themselves by customs-duties against foreign competition.

Not only has there been no reduction of tariffs, but the tendency towards further tariff increases is more and more apparent in the most important countries.

d) In Germany, rationalisation has attained a certain, albeit temporary, completion; in the United States it continues in full swing, while in Great Britain all economic measures are directed towards a preparation for rationalisation.

The events following the VI. World Congress show the correctness of the analysis made on that occasion. For years appeared as though stabilisation must be considered "shaky,

partial, and temporary" for the reason that the bourgeoisie general had not succeeded in raising output, exchange of goods and accumulation, above the pre-war level and in view of the possibility and probability of a relapse into the conditions of the immediate post-war years and of the recurrence of an acutely revolutionary situation on the same economic basis at that time. The VI. World Congress confirmed the opinion of the existence of a general economic crisis of capitalism, though not on the basis of an insufficient output, accumulation, etc., but on that of the general increase of the internal contradictions of capitalism, which must necessarily lead to a continuation of the class struggle and seek a solution in revolutions and civil wars, in which connection a new period of acutely revolutionary situations will set in.

II. General Section.

The General Aspect of World Economy.

The following are the most outstanding of the general features of the world's economic development in the last few months:

a) An improvement in the business position of the capitalist countries (United States, Canada, Great Britain, France, Italy — Germany still uncertain), with at the same time a worse position in important outlying territories (China, Japan, Australia, parts of South America).

b) In spite of the better business position, increased unemployment by reason of the concurrence of an increase of organic unemployment with the standstill throughout Europe of all outdoor work in view of the exceptional cold.

c) A very great tension on the international money market (with the exception of France and Switzerland), which has led to an increase in the bank-rate in almost all countries, credit restriction, and to a keen struggle for gold on the world market. The stringency of money, however, has not yet led to any serious interruptions of the favourable business position.

d) Great fluctuations on the goods markets: over-production and price-slump in oil and sugar, rise of price of coffee, improvement in the world's coal market and in the price of rubber.

Altogether, very great differences and tensions, further enhanced by the lengthy Reparations negotiations, the election in Great Britain, the new civil war in China, and other events.

In regard to the economic position of the principal countries we can sum up the position as follows:

United States. Improvement in position, mainly in view of the great automobile production, whereas building activity falls far short of last year's volume. Record returns for iron and steel production. Threatening over-production of automobiles. Tremendous stock-exchange speculation, not to be curbed by the Federal Reserve Bank system. Speculation in securities has grown to such dimensions, that a liquidation appears impossible without a serious financial crisis. While leading banks are acting contrary to the will of the central banking system in supporting the speculators and protecting them against a crisis. A further increase in discount rates not excluded. Monetary stringency has an impeding effect on the building activity and may become the starting-point of a new depression, if not indeed of a crisis.

Great Britain. In the first few months of the year the trend of business in Great Britain showed a certain improvement. The extraordinary cold had entailed a lively demand for coal both at home and abroad. For many years this is the first occasion that the number of employed miners increased from week to week. In the week ending March 23rd, 933,000 miners were employed in raising the record amount of 5,630,000 tons of coal in one week. The great demand, however, appears already to have abated. In the iron and steel industries various industries engaged in the working-up of metals, the business position seems to have improved. On the other hand the bad position of the textile industry continues unchanged. Indeed, the crisis has even spread to the fine spinning of working up Egyptian cotton, which have for the first time introduced organised short-time work. The raising of the bank rate to 5.5 per cent. — a very high rate for England — likewise hampers the progress of business.

The economic position of France continues to be a good, although foreign trade has been developing unfavorably.

late. The low bank-rate of 3.5 per cent., the great liquidity money, the exportation of capital now setting in quite openly, a well-ordered State household, and the great revenue from reparations and from tourist traffic, all give French economy advantages such as few other capitalist countries enjoy at the present time.

In the lands to the east of France the tension on the money market is keenly felt in economy. In Germany the depression has increased; the unusually long duration of the frost, which brought all building activity to a standstill, the effect of the international tension on the capital market which obliged the note-bank greatly to realise some of its securities and to part with some of its gold, the unsolved crisis of the agricultural undertakings to the east of the Elbe, the unsolved reparations problem, the difficult position of the State household and the lengthy Government crisis, all these factors contributed to deteriorate the business position. However, there are already some symptoms of an overcoming of the crisis, such as a presumably greater building activity, a growing output on the part of the heavy industries, a record sale of artificial fertilisers, and a rapid increase in goods traffic in March. It will all depend on the trend of the international capital market, whether the business position in Germany will improve together with that in the other leading capitalist countries or continue to decline with that in the poorer capitalist countries.

Italy and the East European countries (Poland, Balkan states) have to suffer much from the international tension on the money market. In Italy the bank-rate was raised twice in the last few days to 7 per cent.; in Poland it is 8 per cent., in Bulgaria and Greece 9 per cent. In Poland there is a great scarcity of money, which has an adverse influence on the entire business life.

As regards the big oversea countries, the business position in Canada is extremely good, while in most of the South American countries it is not bad either. Mexico is ravaged by civil war, and Cuba is suffering under the effects of the international sugar crisis.

The big countries of Asia are in a far worse position, since almost each of them is suffering under its own particular crisis.

The economic state of Japan is very bad indeed. There is no end to the crisis which has prevailed there for years. The promised repeal of the export-prohibition on gold and therewith the return to a gold standard could not yet be effected. On the contrary, the Japanese currency has been sinking in value for months past and is now 10 or 11 per cent. below par¹⁶⁾. Nor is there any prospect of a speedy improvement. The balance of trade is unfavourable, exports to a value of 1912 million yens being faced in 1928 by imports valued at 2196 millions. Nor is this difference made up for by the slight surplus on the so-called "invisible" exports. Things are not likely to improve this year either. The Japanese balance of trade depends on the one hand on the exportation of silk and other textiles and on the other hand on the prices of the textile raw materials. The exports of 1928, to a total amount of 1900 millions, comprised:

| | |
|-----------------------------------|------------------|
| Cotton yarns and stuffs | 410 million yens |
| Silk and silk materials | 857 million yens |

The cotton imports in the first quarter of 1929 were estimated at a value of 390 million yens as against 287 millions in the preceding year, while silk exports remained unchanged¹⁷⁾. If we also take into consideration the civil war in China and the military expenditure it entails, an improvement can hardly be hoped for for a long time to come.

Japanese economy is more and more assuming the character of an economy of inflation. The foreign assets have dwindled down to 100 million yens. The requirements of economy in the way of foreign means of payment are no longer fully satisfied. The banks pay more than 1.5 per cent. for deposits, while the note-bank attempts to curb inflation by means of a reduction in the fiduciary circulation. The weakness of Japanese capitalism is more and more apparent now that the fight for markets daily increases.

¹⁶⁾ In New York the yen was quoted as follows:

| | |
|---------------------------|-------------|
| Parity | 49.85 cents |
| April 3rd, 1928 | 47.82 cents |
| April 3rd, 1929 | 44.5 cents |

¹⁷⁾ "Bulletin Economique et Financière Japonais", March 1929, Supplement of the "Bulletin Quotidien".

A kind of census of Japanese industry, compiled in the middle of 1928, shows the following figures (representing thousands):

| | Nr. of Workers in Concerns Employing | | | |
|--|--------------------------------------|-----------|----------|----------|
| | up to 100 | up to 500 | over 500 | Together |
| Total | 849 | 447 | 767 | 2058 |
| Thereof Textile Industry | 324 | 255 | 482 | 1061 |
| Thereof Metal-Working Industry | 121 | 68 | 194 | 383 |

More than half the workers are employed in the textile industry and only one sixth of the total in the metal-working industries.

In spite of this state of affairs, the profits of industry are still very great: according to the balance-sheets for the first half of 1928, 300 industrial enterprises realised a rate of profit of 13.5 per cent.

In China, the new year brought a revival of the general war, which is part and parcel of the struggle among the United States, Great Britain and Japan for the hegemony on the Chinese market. For the time being the policy of the United States appears to be the recognition of the full independence of a united bourgeois China under the actual protectorate of the United States. Chang-Kai-Shek, the personal representative of this pro-American policy, succeeded without much difficulty in dislodging the Kwangsi clique from their position on the middle reaches of the Yangtse, arresting their leader Li-Chi-Sun, and taking Canton by means of a rising. Great Britain has afforded the Kwangsi clique no active support. Japan has finally determined to evacuate Shantung, so as to put an end to the boycott of Japanese goods. A certain strengthening of the central Nanking Government has undoubtedly ensued; it has received several small loans and the revenue from the increased customs is regularly collected.

On the other hand, the country is still divided into numerous sections which are hostile to one another. In northern China, according to American reports, about a dozen million inhabitants are suffering from starvation. The resolved disarmament of the armies, in so far as it could be carried out, has merely tended to increase the number of bandits. In short, in spite of the political successes of the Nanking Government, which is backed by the United States, and of certain progress of an economic nature, China continues to be in a chronic state of crisis.

India, the third great Asiatic realm, is likewise experiencing a serious crisis. The social antagonisms have become extraordinarily marked. Last year the total number of strike-days was more than 31 millions, as against 1,400,000 in Great Britain. Practically the entire great-industrial working class was involved in the strike movement. The antagonism between the Indian and British bourgeoisie has also been accentuated. The banking question and the settlement of the currency question in a sense adverse to the interests of the Indian bourgeoisie have now led to a bank-rate of 8 per cent., which represents a great encumbrance to native business circles. Added to this, there are racial and religious conflicts which are stirred up by the British, and failures of the crops over large areas, which are bound to lead to starvation for further millions.

The improvement in the economic position in the highly developed capitalist states is counter-balanced by a deterioration and by critical conditions in the large overseas territories as yet devoid of a highly developed capitalist system. The improvement in the leading capitalist countries, meanwhile, is of a highly fluctuating nature, for on all hands there are weak points and pronounced contradictions, which can at any moment lead to renewed depression or to a crisis.

The hope that a regulation of the currency question might lead to some stability on the international money and capital market has proved vain. The bankers of the United States, who have come forward during the present Reparations negotiations with the ambitious plan of an international giant bank for the settlement of the monetary affairs of the whole world, must now admit that their own note-bank (as the "Financial Chronicle" of March 9th put it) has "lost control of the home money market", that (as Warburg says) there is in America "an inflation of quite a new character". The pursuit of gold is now

just as keen as it was before the war, seeing that, in spite of all talk of an "international organisation", of a "collaboration of the note-banks", and of "super-imperialism", gold in its natural form remains the sole generally valid tender in the anarchistic economic system of capitalism.

UNEMPLOYMENT.

In most European countries, unemployment has again reached record dimensions in the last three months. The constant increase of organic work, the deterioration in the business position, and seasonal influences such as the recent abnormal frost, have all contributed to this end. In Germany, the number of unemployed in receipt of relief amounted to 2,600,000. If we follow the example of the Institute for Business Research in adding 10 per cent to represent such as receive no relief, besides 200,000 in receipt of emergency relief, we get a total of more than three million fully unemployed, added to which there are the short-time workers. In February, about one third of the total number of workers were wholly or partly unemployed, making together with their families a total of some 10 millions. Similar conditions obtain in Great Britain, where the number of unemployed, including those not in receipt of benefit, the short-time workers and the paupers totals from three to four millions. Chronic wholesale unemployment is becoming a more and more inevitable problem of the highly developed capitalist countries, as the election campaign in Great Britain shows.

We give here the table of unemployment in its percentage proportion.

Unemployed among Workers organised in Trade Unions.

| | Gt. Britain ^(a) Unemployed | Belgium Unemployed | Holland Unemployed | Denmark Unemployed | Sweden Unemployed | Germany Unemployed | Germany Short-timers | United States (1919 = 100) Degree of Occupation |
|----------|--|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|-------------------------|---|
| 1928 | | | | | | | | |
| January | 10.7 | 2.2 | 16.1 | 30.3 | 14.2 | 11.2 | 3.5 | 87.9 |
| November | 12.2 | 0.6 | 6.2 | 17.7 | 10.9 | 9.4 | 7.1 | 91.6 |
| December | 11.2 | 1.2 | 13.0 | 25.0 | 17.2 | 16.7 | 7.0 | 81.3 |
| 1929 | | | | | | | | |
| January | 12.3 | — | — | 27.6 | — | 19.4 | 8.2 | — |
| February | 12.2 | — | — | — | — | 22.3 | 8.5 | — |

New Returns of Organic Unemployment in the United States.

Some time ago we set up the thesis that in the United States, the most highly developed capitalist country, there has been in post-war times a tendency towards an absolute decline in the number of workers employed by industrial capital in the Marxian sense. The provisional returns of the industrial centre for 1927 (now published in the "Annalist" of March 1st, 1929, p. 430) again confirm this thesis.

Since the end of the war, there has been the following Number of Wage-Earners Engaged in Industry^(b)

| | |
|------|-----------|
| 1919 | 8,999,000 |
| 1921 | 6,944,315 |
| 1923 | 8,776,646 |
| 1925 | 8,381,511 |
| 1927 | 8,351,257 |

The decline in the last two years has been very small, viz. 30,000. It is of importance, however, representing as it does a continuation of the tendency noticeable ever since 1919, if we refrain from considering 1921, a particularly critical year.

The following point must also be taken into consideration. Industrial capital does not cover merely industry but also agriculture, mining, and transports. It has, moreover, always been a characteristic of capitalism that agriculture releases workers, who are then absorbed in industry. Depopulation of the rural districts and migration to the towns has at all times been characteristic of capitalism. If, therefore, industry in the narrower sense of the word engaged no new workers between 1925 and

1927 but on the contrary decreased the number of its operatives the number of workers employed by all industrial capital necessarily have decreased yet far more.

A certain criterion for the release of workers in agriculture in the United States in 1926 and 1927 is to be derived from the following official data of the Department of Agriculture (published in the "Annalist" of March 15th):

| | Number Migrating from Farms | Number Migrating to Farms | Loss to Farms |
|------|--------------------------------|------------------------------|------------------|
| 1926 | 2,155,000 | 1,135,000 | 1,020,000 |
| 1927 | 1,978,000 | 1,374,000 | 604,000 |
| | 4,133,000 | 2,509,000 | 1,624,000 |

If we take into consideration that it is in general the older and less capable who return to the land, while young and capable workers quit it in favour of the towns, we may safely assume that of the new loss of 1,624,000 at least half were of an age capable of working and therefore presumably in search of employment. The development of organic unemployment is thus far greater than is indicated by the loss of 30,000 workers to industry.

If we desire to calculate the number of unemployed in the United States altogether, we must take the following figures (culled from the "Statistical Abstract" of 1928) into account:

Roughly 1,800,000 persons in the United States attain an age rendering them capable of work. In keeping with the present quota of the workers in the entire population (i.e. roughly 22 per cent.) there are thus annually 400,000 new workers and in two years 800,000.

The number of legal immigrants (deducting those returning home) was as follows:

| | |
|----------|---------|
| 1926 | 303,940 |
| 1927 | 252,023 |
| Together | 555,963 |

Added to this there are the illegal immigrants via Canada and Mexico. The great majority of the immigrants are workers so that we can safely assume a net increase of at least 450,000 persons in quest of employment.

On the other hand, there are annually 1,000,000 deaths of persons of more than five years of age. We can reckon the number of workers in this total roughly at 200,000 and thus obtain the following interesting calculation for the years 1926 and 1927:

| | |
|--|-----------|
| Natural Accretion in Number of Workers | 800,000 |
| Less Mortality | 400,000 |
| Net Increase | 400,000 |
| Immigrants | 450,000 |
| Released by Industry | 300,000 |
| Transfer from Agriculture | 800,000 |
| increase of Applicants for Work | 1,680,000 |

All our estimates and calculations have purposely been put very low; in reality the number of additional work-seekers probably exceeds 2,000,000.

What has become of these prospective workers? An exact answer can only be furnished by next year's official census. Part of them were absorbed by the apparatus of circulation and consumption, trade and service of automobiles, hotels, restaurants, boarding houses, sport service, retail trade, part again by the building trade; some are engaged in bootlegging; some, finally, have gone to swell the army of unemployed, which already in 1925 was fairly large in 1925 and is now very large owing to short-time work, (amounting to as much as three working days a week per worker if the works are employed to full capacity).

Goods Markets and Monopoly Formation.

It is not only the international money market that has been characterised by great tension during the last few months; the same applies to the most important goods markets, despite the international formation of monopolies. It is naturally impossible for us to deal with all the happenings in this sphere; we shall merely point out the most essential.

^(a) Insured workers only.

^(b) These returns comprise all enterprises with a yearly turnover of \$ 5000; enterprises below this limit (16 dollars per working day) are really of no importance. (In 1919 the workers in such enterprises totalled 137,000.)

The League of Nations, or rather the economic committee appointed by the International Economic Conference, has made an attempt to act as mediator among the contending bourgeoisie, by convoking first a coal conference and later an international sugar conference. In regard to both these commodities there is fierce and bitter international competition. The position in regard to coal has somewhat improved in view of the usually severe winter, but this improvement is not likely to prove more than transient. The discussions of the League of Nations, meanwhile, have not yet led to any result.

Nor was the sugar conference of the League of Nations destined to lead to any improvement. There is a great overproduction of sugar, and prices sank in March to the lowest level recorded for the last 15 years²⁰).

The price of "96 per cent. pol." sugar, c. i. f. England, figured as follows (in shillings per hundredweight)

| | | |
|----------------|-----------------|------------------------------------|
| June 3rd, 1914 | April 4th, 1928 | April 4th, 1929 |
| 10/3d. | 13/6d. | 9/1 ¹ / ₂ d. |

The price is thus 33 per cent. lower than last year and 10 per cent. lower than before the war. The reasons of the drop in price are the overproduction of cane-sugar on Cuba and Java and the growing output of beet-sugar on the European continent. The attempts to create an international agreement or the restriction of output have hitherto failed; the individual European states are now trying to raise the sugar prices on the home market by increased tariffs and export facilities.

In the case of certain other goods it has been found possible by means of international monopolies to restrict output and force prices up. This is the case in particular in regard to copper. True, the international copper cartel has been in existence for two years, but the price increase was not really material until the current year.

The London quotations for electrolytic copper were as follows:

(From the "Statist". — £ per Ton.)

| | | |
|--------------------|------------------|-------------------|
| June 30th, 1914 | August 4th, 1928 | January 3rd, 1929 |
| 62/10 | 64/12 | 78/10 |
| February 7th, 1929 | March 7th, 1929 | April 4th, 1929 |
| 83/5 | 91/5 | 106/- |

We may see that since the beginning of the year the price has risen from month to month, if not indeed from day to day, the difference on three months being almost 50 per cent. The curious part of it is that the price-rise is not based on a restriction in output or sales but on an increased demand, accompanied by a constantly increasing output. This growth of the demand, however, is quite out of proportion to the production of the chief copper-employing industries. In the electro-technical industry there is a satisfactory trend of business, but in engineering there is not. The extremely big demand for copper, therefore, can only be explained by the fact that certain Governments are anxious to lay in stocks of copper for war purposes.

Those who profit most by the boom in copper are the Americans, who control about 80 per cent. of the output, 10 per cent. falling to the share of Europe and about 7 per cent. to that of Africa (Katanga, Rhodesia). American metal statistics estimate the world's copper production in the last few years as follows:

| (Millions of Short Tons) | | | | |
|--------------------------|------|------|------|------|
| 1928 | 1927 | 1926 | 1925 | 1924 |
| 1.92 | 1.69 | 1.65 | 1.59 | 1.53 |

During the last few months Americans attempted to buy up the shares of the very promising Rhodesian copper mines; they did not succeed, however, in obtaining a majority. This is a fresh sphere of rivalry between Great Britain and the United States. On October 6th, the "Times" wrote as follows:

"America is by far the greatest copper producer and practically governs the copper market. It was therefore

obvious that the American copper interests should be desirous of attaining a participation in a region of such potential significance as Rhodesia. On the other hand, it would have been very surprising if the leading British interests, having recognised the significance of these originally Swedish discoveries, had not made every effort to regain control of these very promising deposits."

The victims of the copper boom, meanwhile, are mainly such countries as have great electricity and engineering plants, viz. Great Britain, France, and Germany. Germany at present imports about 300,000 tons of copper per annum. The price increase of £40 a ton therefore means for that country an extra expenditure of 12 million pounds annually, a sum equal to the tenth part of the Reparations payments.

To a greater or lesser degree, the boom in copper has also affected the other coloured metals, some of which (e. g., nickel and aluminium) may serve as substitutes for copper. The fact that of all these metals lead has registered the greatest advance in price, also points to war preparations.

The Continental steel cartel, which according to agreement expires in October next, is likely to be renewed with an improved quota for Germany. At the quarterly session in March Germany was accorded an increase of 5 per cent. in its export quota for the coming quarter. The entry of Poland and Great Britain into the cartel has not yet ensued. The international rail cartel was extended to include the United States, as was also the international tube cartel, the German-Dutch tube-works of de Maas, hitherto outside the cartel, being bought up at an advantageous price. The profits derived by the members of this cartel are illustrated by the fact that, although the capacity of the German works is not even exploited to 50 per cent., Krupps are about to construct extensive new tube-works.

As regards the other goods markets, the happenings in the oil industry deserve special attention. The agreement between the Russian oil industry and the great world concerns with regard to the British market are well-known to our readers; the result was the cessation of hostilities and the raising of the price, with the guarantee of a certain market for the Russian products. The struggle thus ended with a defeat of Deterding which it was difficult to conceal.

This was, however, the presumption for a more far-reaching agreement on the international oil market. The crude-oil production of the United States and of Venezuela threatened in the last half-year to turn into a very serious over-production. The American Oil Institution, an organisation of the oil interests, therefore appointed a committee, consisting of 80 heads of the chief oil companies, to study the question of a control of oil production. This committee came to the conclusion that a restriction of production could only be effective if undertaken in collaboration with the Royal Dutch. Teagle, head of the Standard Oil of New Jersey, remarked in this connection:

"The problem is not restricted to California, Texas, or Oklahoma, nor yet to all of them together, but to all of them and also to Venezuela, Peru, Colombia, Persia, and Iraq. There is a world-wide over-production. The time has come to act."

Therefore it appeared necessary to invite the leaders of the Royal Dutch and the Anglo-Persian to a conference.

At the end of March the historic interview actually came to pass at Houston in the United States, being in a certain sense the continuation of the discussions last summer in Scotland between Deterding, Cadman, and Teagle. According to newspaper reports, the outcome of this talk is the resolution that as from April 1st the oil output throughout the western hemisphere shall be so far restricted as not to exceed that of last year. Deterding is said to have fully agreed to this. (The Royal Dutch also carries on production on a large scale both in the United States and in Venezuela, Mexico, and other Latin-American countries.) Though on the basis of the old anti-trust laws the authorities of the United States appear to be placing difficulties in the way of the restriction of output, it will undoubtedly be realised.

The international oil agreement has called forth great dissatisfaction in such imperialist countries as have no oil output of their own, e. g. France, Italy and Spain. The dispute between Great Britain and France in regard to the question whether the pipe-line from Mosul to the Mediterranean is to end on French or on British territory, has thus been considerably aggravated.

²⁰) "New York Times" of March 6th, 1929.

Thus, in spite of the national and international formation of monopolies, there is a considerable tension on the main commodity markets, with simultaneous rapid price rises and sharp price drops. The price formation is anarchic and there is a wide field open to speculators. But, in spite of the great price fluctuations in regard to certain goods, there is a fundamental tendency towards over-production and falling prices. An over-production is threatening or is already present in automobiles, rubber, coal, oil, nitrogen, cotton²¹⁾, silk, artificial silk, sugar, frozen meat, etc. The next general economic crisis is likely to entail a sharp drop in the general price level, the height of which is in no proportion to the greatly enhanced productivity of labour.

III. Special Section.

Germany.

During the last three months the economic position in Germany has continued to decline. In this connection much was due to the extraordinary cold, which impeded building and made practically all outdoor work an impossibility. The unusual tension on the London and the New York money market has diminished the influx of foreign capital. Thus the depression lasts indefinitely, without, however, leading to any particularly critical breakdowns, a fact which is not surprising in view of the advanced development of monopolies, which makes it possible to maintain the price level within the country.

The falling-off of good business conditions commenced at the close of 1927; in the second half of 1928 we could already speak of a depression, which has greatly increased of late months.

The low-water mark of 1926, however, is far from being reached. In the second quarter of that year the production index sank to 91.4, whereas in December 1928 it was still at 115.2, the further decline in January and February being partly attributable to seasonal influences.

The output of the heavy industries is still on a fairly high level.

Output of Heavy Industries and Employment of Rolling-Stock.

| | | Hard Coal | Brown Coal | Pig Iron | Crude Steel | No. of Trucks Employed by State Ktws. p. Work. Day |
|-----------------|------|--------------|------------|-----------|----------------|---|
| | | million tons | | 1000 tons | (in thousands) | |
| Monthly Average | 1928 | 12.6 | 13.9 | 984 | 1210 | — 150.2 |
| January | 1928 | 13.4 | 14.2 | 1180 | 1469 | — 136.2 |
| December | 1928 | 11.8 | 14.1 | 883 | 1091 | — 143.4 |
| January | 1929 | 13.4 | 14.3 | 1098 | 1470 | — 129.8 |
| February | 1929 | 12.0 | 13.2 | 982 | 1323 | — 128.0 |
| March | 1929 | 13.5 | 14.7 | 1061 | — | — 147.7 ²²⁾ |

It is characteristic of the position in the iron industry that Krupps are planning the construction of new tube rolling works at an investment of from 15 to 20 million marks.

Engineering is still fairly well occupied (to about 68 per cent. of capacity), although there is a slow decline in this branch of industry too. In the electrical and chemical industries the trend of business is still good.

²¹⁾ During the last two years there has been a declining tendency in the consumption of cotton, which is given as follows by the statistics of the Master-Cotton-Spinners' Federation.

Cotton Consumption of the World (Expressed in Millions of Bales)

| | | Europe | Asia | America | Total |
|------------------|---------------------------|--------|------|---------|-------|
| Half-Year ending | July 31st, 1927 | 5.44 | 3.67 | 4.18 | 13.41 |
| " | Jan. 31st, 1928 | 5.52 | 3.24 | 4.08 | 12.99 |
| " | July 31st, 1928 | 5.43 | 3.35 | 3.63 | 12.55 |
| " | Jan. 31st, 1929 | 5.45 | 3.26 | 3.86 | 12.77 |
| " | March 10th to 16th, 1929. | | | | |

The business development in the textile industry is not favourable, though the decline has come to a standstill. The situation of the footwear industry remains bad.

"The number of orders received in the building industry", says the "Frankfurter Zeitung" of March 17th, "has increased materially during the last few weeks, the leading firms of the German building trade having now a very satisfactory volume of orders at their disposal."

Price Formation.

The last few months have for the first time witnessed a slight fall in the prices of finished articles, whereas the price index of the raw materials rose somewhat between October and January.

Price Index Figures

(On the Basis of 100 for the Level of 1913)

| | January 1928 | July 1928 | October 1928 | January 1929 | February 1929 |
|-------------------------|-----------------|--------------|-----------------|-----------------|------------------|
| Perishable Goods | 140.9 | 135.0 | 129.5 | 130.3 | — |
| Total of Fin. Goods | 156.1 | 159.6 | 160.0 | 158.8 | 153.2 |
| Means of Production | 134.4 | 137.6 | 138.6 | 137.7 | 137.4 |
| Articles of consumption | 172.5 | 176.1 | 176.1 | 174.7 | 173.9 |

The difference between the "free" prices and those regulated by associations has remained unchanged. This is a question we treated in greater detail in our last report. So far the monopolised organisations have succeeded in preventing a recession of the prices of native raw materials and semi-finished goods, whereas the prices of foreign raw materials have greatly receded in the course of the last twelvemonth.

Index Figures of Industrial Raw Materials Semi-Finished Goods

(On the Basis of 100 to Represent the level of 1925)

| | Prices Determined in Germany | Prices Determined Abroad |
|--------------|---------------------------------|-----------------------------|
| January 1926 | 97.4 | 91.3 |
| January 1927 | 97.2 | 81.7 |
| January 1928 | 99.1 | 90.2 |
| October 1928 | 100.9 | 85.8 |
| January 1929 | 101.2 | 86.1 |

The Formation of Foreign Trade.

The decline in the business position is also reflected in the recession of imports, while on the other hand there is no further increase in exports.

Foreign Trade (in Millions of Marks)

| | Imports | Exports ^{a)} | Import Surplus | Raw Mat. Imports | Fin. Goods Exports |
|----------------------|---------|-----------------------|-------------------|---------------------|-----------------------|
| Monthly Average 1928 | 1166 | 970 | 196 | 604 | 708 |
| January 1928 | 1357 | 862 | 495 | 662 | 632 |
| February 1928 | 1247 | 942 | 305 | 695 | 690 |
| January 1929 | 1319 | 1036 | 283 | 688 | 761 |
| February 1929 | 1017 | 921 | 96 | 546 | 690 |
| March 1929 | 1022 | 931 | 91 | 563 | 691 |

"The imports of the month of February", says the "Berliner Tageblatt" of March 21st, 1929, "are the lowest recorded for more than two years. This great regression can only be partly explained by the fact that the figures

^{a)} Without Reparations.

of the preceding month included storage costs and by the fact that February is the shortest of months. To some extent, too, the severe frost may be taken into account, as having greatly impeded the transport of goods, all the more so as the regression in imports is very pronounced in certain categories of goods. An important reason, however, is to be sought in the decreased industrial activity in the country and the consequently smaller demand for raw materials from abroad."

It is a fact worthy of mention that in the first three months of 1929 the deficit of the balance of trade was 537 million marks smaller than in the corresponding period of the preceding year.

Unemployment.

The number of unemployed (including those not in receipt of benefit and calculating short-time work in terms of unemployment) may be put on March 1st at four millions. Apart from the last inflation and first stabilisation months, Germany never before experienced such a degree of unemployment, as is to be seen even from the official unemployment returns.

Maximum of Unemployed from 1926 to 1929 (In Thousands)

| | |
|-------------------------------|------------|
| February 15th, 1926 | 2059 |
| January 15th, 1927 | 1972 |
| January 15th, 1928 | 1599 |
| March 1st, 1929 | 2620 |
| March 15th, 1929 | 2325 |
| April 1st, 1928 | 1200 |
| April 1st, 1929 | about 1900 |

The peak figure in 1929 is more than one million in advance of last year. Even if we assume that in consequence of the extraordinarily severe cold the seasonal unemployment this year amounts to 1.1 million and that the general unemployment will not increase in the course of the next few months, we must reckon with the probability of 1½ million unemployed during the summer.

While in former years unemployment started to recede in the middle of January, or at the latest in the middle of February, it continued this year to rise until the beginning of March.

About 25 per cent. of the trade-union members were out of work in February; even among workers in industries less influenced by seasonal fluctuations unemployment amounted to 11.4 per cent. and short-time work to 10 per cent.

The unusual degree of unemployment has undermined the financial position of the National Institution for Unemployment Insurance, which had to have recourse to Governmental loans to enable it to continue to pay out benefit. This fact has been made use of by the bourgeoisie in order to advocate the cutting down of unemployment relief.

Agriculture.

There can be no question of a general crisis of German agriculture. The situation varies according to regions, the nature of the enterprises concerned, their indebtedness and interest encumbrance. Abortive investments appear to play a decisive part in the crisis of the agricultural enterprises.

The first steps have already been taken towards the organisation of the agricultural co-operatives. After sustaining losses of 56 million marks the Raiffeisen Bank is being liquidated, while a uniform association of rural co-operatives is being formed under the supervision of the Preussenkasse. This change is of very great political significance, since it represents a victory of the industrial bourgeoisie over the big landowners, an advance against the strongholds of the German National Party, and an increased struggle for the leadership of the peasantry, a struggle in which the Social Democrats are also determined to take a full share.

The Cabinet of the Reich will shortly have to settle the problem of price stabilisation and of the reconstruction of the big agricultural enterprises to the East of the Elbe. A bill has already been drafted in regard to the relief for East Prussia. In the interest of price stabilisation, the agricultural asso-

ciations demand a general increase of the agrarian duties and a monopolist system for regulating the importation of agrarian products. It appears probable that the Government of the Reich will not prove wholly averse to these directives. The Minister of Food has declared that a "price-stabilisation fee" has been envisaged in regard to wheat.

The German bourgeoisie is in a highly anomalous position. Encumbered as it is by the Reparations and the high rate of interest on loan capital, it has an uphill fight for the sale of finished products on the international market. At home, the bourgeoisie has to wage a fight on two fronts for the purpose of maintaining its competitive capacity on the world market. It must fight against the proletariat for the diminution of the share of wages in the product-value, and against the landowners for the diminution of the share of ground-rent in the product-value.

This fight the German bourgeoisie cannot altogether accomplish. The deterioration of the working conditions of the proletariat tends to weaken the reformists and strengthen the Communists. For the protection of the bourgeois order of society, on the other hand, the bourgeoisie requires the support not only of the reformists but also of the landowners, so that it cannot consistently wage its fight against ground-rents. An economic diminution of the share of the proletariat and of the landowners in the product-value means a restriction of the absorptive capacity of the home market and consequently a diminished competitive capacity abroad. These internal contradictions engender the vacillating policy of the German bourgeoisie which is reflected in the chronic Government crisis.

The Money and Capital Market.

Owing to the decline in the business position the Reichsbank, on the 12th January, reduced the discount rate from 7 to 6½ per cent. Up to the time of the raising of the bank rate in London a considerable fluidity of money prevailed in Germany. The raising of the bank rate in London and the policy of strict restriction of credit in the United States resulted in the withdrawal from Germany of capital invested on short term. For this reason the Reichsbank was compelled, between the beginning of the year and the end of April, to part with about 1,000 million marks in foreign bills and gold. (The Reichsbank thereupon decided to raise the discount rate by one per cent.)

In spite of an increasing deterioration of the business position, therefore, there is a stiffening of the money market to be observed, which is further enhanced by the creditary needs of the Reich. The coffers of the Reich are empty and the Government has been obliged first to negotiate Treasury bills and bonds to an extent of 280 million marks and then to raise a current account of 150 million marks with the leading banks. Foreign capital continues to gravitate to Germany.

German Emissions Abroad (Millions of Marks)

| | |
|--------------------------------|-----|
| Monthly Average 1928 | 137 |
| January 1928 | 88 |
| February 1928 | 115 |
| December 1928 | 65 |
| January 1929 | 54 |
| February 1929 | 141 |
| March 1929 | 3 |

It is highly probable that the return abroad of short-termed foreign investments at present exceeds the importation of capital. Thus there is in our opinion no actual capital importation into Germany at the present moment.

On the other hand, it appears that an immediate investment of foreign capital is coming to take the place of short-termed foreign loans. The most striking example of such an investment is the purchase of the Opel Works by General Motors. The Opel Works are the only automobile works in Germany with an up-to-date equipment and working at a profit. The enterprise has to reckon in the first place with a very keen American competition, while on the other hand the offer made by General Motors of some 60 million marks was so splendid that it overruled all "patriotic misgivings" as to alienation.

Capital Formation and Economic Policy.

The tension on the money market has also diminished the emission activity of the last few months. The following were the Emissions of the First Quarter (in Millions of Marks)

| | Home Loans | omunal Obligations | Mortgage Certificates | Increase of Share-Capital | New Foundations (Cash Capital) | Total |
|------------|------------|--------------------|-----------------------|---------------------------|--------------------------------|-------|
| 1928 . . . | 589 | 130 | 531 | 164 | 18 | 1,432 |
| 1929 . . . | 192 | 116 | 326 | 203 | 60 | 903 |

The new emission of capital was thus 500 millions less than last year.

For a long time to come, Germany will continue to be dependent on capital importation, though certainly not to the extent of former years. According to the "Frankfurter Zeitung" of May 15th, Hillerding spoke as follows in his budget speech:

"Germany's requirements of capital (amounting to 10 or 12 thousand million marks per annum) cannot nearly be satisfied by the internal German capital formation. The requirements for industrial, road, and dwelling construction swallow up the greater part of the newly formed capital, so that far too little remains over for all the needs of industry, agriculture, traffic, and trade, and nothing at all for the Reich and its component countries."

In its business report, the Diskonto Gesellschaft also complains of the deficiency of capital formation.

"If we exclude all foreign credits and take the monetary depreciation into account, capital formation will be seen still to fall far short of its pre-war extent. On the other hand we have requirements in excess of pre-war times, resulting from the necessity of making up for ten years of working at a loss, rendering production more profitable, increasing exportation, decreasing importation, and, last but not least, providing for the Reparations payments. Thus all German economy is under the shadow of a ceaseless fight with the problem of capital, which it has not yet succeeded in mastering in spite of the most strenuous efforts."

We are convinced that the complaints as to the unsatisfactory formation of capital are greatly exaggerated. On the other hand, it is a fact that the requirements of capital are far greater than they were before the war and that the German bourgeoisie is anxious to cover these increased requirements by means of a greater exploitation of the working class, for which reason bourgeois circles complain of an insufficient capital formation. This question is in the very focus of the economic policy of the German capitalists. The demands of the bourgeoisie have been not accurately summed up in the business report of the Darmstädter & National Bank ("Danat-Bank"), the main demands being tax reductions for the capitalists²³), restriction of

²³) That a far greater part of the annual product-value is now collected in the form of taxes than was the case before the war, cannot be doubted. This results from a comparison of the total budget figure. Since owing to the pronounced process of concentration the small bourgeoisie and the small renters have forfeited their significance as taxpayers, the tax onus both on the proletariat and on the big enterprises has proportionately grown.

In an analysis of the balance-sheets of the leading banks for 1928 ("Wirtschaftsdienst" of March 29th, 1929) we find the following figures:

| | Million of Marks | | | |
|-----------------------------|------------------|-------------------|-------|-----------|
| | Gross Profits | Overhead Expenses | Taxes | Dividends |
| Deutsche Bank | 128.1 | 82.1 | 13.7 | 15.0 |
| Dresdner Bank | 78.3 | 58.0 | 7.5 | 10.0 |
| Diskonto Gesellschaft | 85.6 | 59.3 | 10.8 | 13.5 |
| Darmstädter & National Bank | 80.3 | 56.2 | 10.0 | 7.2 |
| Commerz & Privat Bank | 64.4 | 46.5 | 7.9 | 6.6 |
| | | | 49.9 | 52.3 |

social relief, and withdrawal from economic activity on the part of public corporations.

A similar train of thought may be detected in the business report of the Diskonto Gesellschaft, which is still more vehement in its protests against the wage-policy of the State.

"Nor must we omit to mention it as an instance of particular folly that at a time of the greatest unemployment the renewal of every tariff agreement is connected with higher wage demands."

The wage-policy of the State, i. e. the system of arbitration, was already reformed by the Leipzig award by which the Ruhr verdict was annulled.

"The considerations and suggestions", writes the "Kölnische Zeitung" of February 9th, "which dealt with the subject of arbitration reform between the conflict in the iron industry and the verdict of the Central Labour Court, now appear to be superseded by the Leipzig finding. The system of arbitration has been reformed overnight by the highest judicial authorities.

"The question arises as to whether the reform, as brought about by the Leipzig finding, is adequate or whether it will have to be upset and effected afresh.

"We consider this reform fully adequate and worthy of a trial. An attempt should at any rate be made to make do with it."

Armed with the Leipzig award, the bourgeoisie is preparing for the the coming struggle.

Not a penny more wages without a fight — such is the attitude of the employers. The serious unemployment and the entire economic policy of the bourgeoisie must entail a marked accentuation of class antagonisms. That is why the big bourgeoisie allows the Social Democrats to "govern", so that it may be sure of their assistance against the proletariat.

France.

Among the highly capitalist countries, France may be said at present to occupy a particularly favourable position. The chief factors in this connection are as follows:

1. The Bank of France possesses gold holdings of 34,000 million francs (or almost 250 million pounds), this being almost as much as the Bank of England and the German Reichsbank possess between them. Besides this, it has great claims on foreign countries, amounting, it is said, to 1,000 million dollars. Though the Bank of France has of late months had to part with a great part of its holdings of foreign currencies, its position is incomparably better than that of its European competitors. Therefore the French bourgeoisie enjoys a bank-rate of 3½ per cent. as against 5 per cent. in New York, 5½ per cent. in London, and 7½ per cent. in Berlin. This gives the industrial capitalists a great advantage over their competitors in other countries. The entire subsequent developments, indeed, most drastically confirm the opinion we saw fit to express when, in the summer of 1926, the franc crisis was at its worst, viz. that the stabilisation of the franc was economically ensured once a government favourable to big-capitalist interests came into power.

2. The constant rise in the price level and the gradual adaption of the internal price level to international prices provisionally enable the French bourgeoisie quietly to produce for the future and to reap extra profits by reason of the movement in prices.

3. The great liquidity of capital and the, albeit slowly, progressive entwinement of industrial and banking capital (as seen in the advance of the Banques d'Affaires) enable the French industrialists to support their exports by credits and by capital exportation more easily than it is possible for the German, and at the moment even for the British, industrialists to do.

Such are the foundations of the invariably good business development of the few years, which has also continued during the three months under review.

The satisfactory trend of business is characterised by the following index figures of the Statistique Générale:

The taxation and dividend totals are practically equal. We are aware that the dividends form part of the actual profits. Nevertheless, the proportion between taxes and dividends has shifted in comparison with pre-war times.

Index Figures of Production.

(On the Basis of 100 to Represent the Level of 1913.)

| | Jan. 1928 | Oct. 1928 | Nov. 1928 | Dec. 1928 | Jan. 1929 | Feb. 1929 |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Engineering | 121 | 143 | 143 | 149 | 154 | — |
| Automobile Industry | — | 562 | 599 | 657 | 692 | 657 |
| Metallurgy | 118 | 125 | 130 | 133 | 132 | — |
| Textile Industry | 100 | 96 | 100 | 99 | 97 | — |
| Mining | — | 120 | 122 | 119 | — | — |
| Building | 79 | 110 | 98 | 96 | 96 | 97 |
| Rubber | — | 629 | 637 | 618 | 618 | 726 |
| General Index | 116 | 131 | 132 | 134 | 137 | 136 |

The increasing profitability of the French enterprises may be seen by the **marked rise in the rates of shares**. According to the "Statistique Générale" and on the basis of 100 to represent 1913, the respective indices were as follows:

| | French Values (Fixed Rate) | Foreign Values (Dividend Bearing) | Foreign Values (Dividend Bearing) |
|--------------|-------------------------------|--------------------------------------|--------------------------------------|
| Average 1926 | 57 | 239 | 663 |
| " 1927 | 72 | 287 | 586 |
| " 1928 | 83 | 416 | 642 |
| January 1929 | 86 | 544 | 711 |

The same impression may be gleaned from the statistics regarding

Capital Emissions.

(From "Le Temps" of March 18th, 1929.)

| | Shares | Debentures | Together |
|----------------------|--------|------------|----------|
| Monthly Average 1913 | 123 | 97 | 220 |
| " " 1925 | 221 | 87 | 308 |
| " " 1926 | 240 | 160 | 400 |
| " " 1927 | 338 | 281 | 619 |
| " " 1928 | 557 | 333 | 890 |
| January 1929 | 581 | 189 | 770 |
| February 1929 | 757 | 335 | 1092 |

Though the extent of the pre-war emissions has not yet been regained in actual values, the progress is constant and rapid.

The business development of the individual branches of industry has been somewhat as follows:

The heavy industries show an upward trend of their output figures:

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

| | Coal | Iron | Steel |
|-------------------------|------|------|-------|
| Monthly Average . 1926 | 4285 | 783 | 703 |
| " " . 1927 | 4315 | 775 | 690 |
| " " . 1928 | 4280 | 841 | 783 |
| December 1928 | 4089 | 882 | 828 |
| January 1929 | 4528 | 905 | 837 |
| February. 1929 | 4188 | 781 | 738 |

The further prospects of the iron and steel industry are at the present moment satisfactory.

The French iron and steel industry has of late been making efforts to become more independent of foreign coke. Though the home output of coke has greatly increased (from 3 million tons in 1913 to 3.8 million tons in 1926, 4 million tons in 1927, and 4.4 million tons in 1928), the importation of coke yet figured at 5.6 million tons in 1926 and at 5.4 million tons in 1928.

The position of the textile industries is likewise improving.

The situation of the chemical and electro-technical industries is favourable, as it is all the world over. It is only in agriculture that a depression still prevails.

The Trend of Prices.

Prices, as already pointed out, are slowly but steadily rising.

Price Index Figures of the "Statistique Générale".

At the Close of the Respective Months.

| | Febr. 1928 | Dec. 1928 | Jan. 1929 | Febr. 1929 | March 1929 |
|------------------------------------|------------|-----------|-----------|------------|------------|
| Total Index | 622 | 637 | 644 | 652 | 653 |
| Native Products | 601 | 631 | 639 | 648 | 647 |
| Imported Goods | 660 | 646 | 651 | 658 | 665 |
| Foodstuffs Total | 565 | 589 | 599 | 611 | 610 |
| Vegetable Foodstuffs | 568 | 590 | 616 | 629 | 641 |
| Animal Foodstuffs | 527 | 579 | 580 | 590 | 579 |
| Coffee, Sugar, Cocoa | 639 | 607 | 605 | 617 | 611 |
| Industrial Raw Materials | 673 | 679 | 683 | 687 | 691 |
| Minerals and Metals | 575 | 609 | 610 | 627 | 669 |
| Textiles | 750 | 762 | 775 | 774 | 765 |
| Miscellaneous | 688 | 673 | 672 | 672 | 659 |

The French price index affords no details as to the price development of finished goods, though the prices in this regard may safely be assumed to have risen too. In Paris, the retail prices rose by 15 per cent. in the course a single year. The retail price index for February 1928 was 502 and that of a year later 602.

Foreign Trade.

The great changes in France's foreign trade in comparison with pre-war times may best be seen by an indication of quantities.

Foreign Trade according to Main Groups.

| | Weight in Millions of Tons | | | |
|----------------|----------------------------|------|---------|------|
| | Imports | | Exports | |
| | 1913 | 1928 | 1913 | 1928 |
| Foodstuffs | 5.5 | 5.8 | 1.5 | 1.7 |
| Raw Materials | 37.2 | 41.8 | 18.3 | 34.1 |
| Finished Goods | 1.5 | 1.5 | 2.3 | 5.3 |
| Total: | 44.2 | 49.1 | 22.1 | 41.1 |

The increase of raw material exports is greatly attributable to the exportation of iron ore from Lorraine, which in 1928 figured at 17 million tons. The most important change, however, lies in the augmentation of finished-goods exports. The following is the development in the case of the most important finished goods:

Exportation of Industrial Goods
(In Thousands of Tons)

| | 1913 | 1927 | 1928 |
|------------------------------------|------|------|------|
| Chemical Products | 1274 | 3068 | 3081 |
| Machinery and Parts | 82 | 210 | 213 |
| Tools and other Hardware | 149 | 837 | 789 |
| Automobiles | 26 | 98 | 85 |
| Yarns and Tissues | 159 | 240 | 226 |
| Wearing Apparel | 16 | 16 | 18 |
| Art and Luxury Objects | 17 | 18 | 18 |
| Rubber Goods | 7 | 34 | 31 |
| Paper and Stationery | 65 | 89 | 97 |

In 1928 there was a recession in some of the more important groups of exports, while in other cases there was an advance. The net result amounts to stagnation. Last year French foreign trade again showed a deficit of 2,100 million francs (a sum exactly equal to the absolute surplus importation of wine in the said year). In comparison with pre-war deficits, e. g. 10,000 million francs in present-day values in 1913, this amount is not inordinately great. The deficit, however, is on the increase; in the first two months of 1929 it figured 2,500 millions.

| | Imports | Exports |
|--------------------------------|-----------------------|---------|
| | in Millions of Francs | |
| Monthly Average 1928 | 4454 | 4279 |
| December 1928 | 5213 | 4733 |
| January 1929 | 5273 | 3702 |
| February 1929 | 5162 | 4118 |

The substantial deficit of the balance of trade is connected with the good business position in general and is attributable in the first place to the increased importation of industrial raw materials and also to the recession in the exportation of finished goods and industrial raw materials.

Within the total of foreign trade, traffic between the mother country and the colonies is coming to play a more and more important rôle, the increase in the course of last year being especially great. The "Wirtschaftsdienst" of March 22nd (P. 501) publishes the following survey of

France's Trade with its Colonies.

| | Percentage Share of Total Trade | |
|-------------------------|---------------------------------|---------|
| | Exports | Imports |
| Aver. 1909/13 | 12.8 | 11.1 |
| 1924 | 12.4 | 10.1 |
| 1925 | 14.2 | 10.4 |
| 1926 | 15.4 | 10.4 |
| 1927 | 14.1 | 11.4 |
| 1928 | 16.2 | 12.6 |

The greater part of the colonial trade is directed towards Northern Africa, the rôle of the other French colonies being still relatively small.

The Capital Market.

The French capital market is in a state of transition; the place of the short-termed loans is being gradually taken by credits for longer periods, though the short-termed loans still play a very important rôle.

"At present", writes the "Information Financière" of January 22nd, "a sound enterprise can place securities at a yield of 5½ to 6 per cent. Together with the fiscal onus incurred, the costs of a loan amount to almost 8 per cent. It is therefore more favourable to make use of bank credits which do not cost more than 4 or 5 per cent. and which are less encumbered with special taxation than the securities are.

There follows a comparison between the figures of 1928 and those of the 1907-13 period.

| | Average | Year | Increase or |
|----------------------------------|-----------------------|--------|-------------|
| | 1907-13 | 1928 | Decrease |
| | in Millions of Francs | | |
| Emission of Securities | 15,000 | 9,300 | - 6,200 |
| Bank Deposits | 28,600 | 34,300 | 5,700 |
| Total | 44,100 | 43,600 | |

"The total amount of the credits at the disposal of enterprises is thus not far different from what it was before the war, though its composition is not the same. Whereas the emission of securities shows a recession of about 6,000 million francs, the bank deposits show an increase of practically the same amount. The financing of economy is therefore at present secured by some 12,000 millions of short-termed capital in place of the long-termed capital employed before the war. This undoubtedly represents a danger to the French enterprises, which are far less prepared for the eventuality of a financial crisis and could thus offer far less resistance to the storm than before the war."

The rates of interest for long-termed loans have greatly receded.

France will undoubtedly again become an exporter of capital on a large scale in the near future. A beginning has already been made with long-termed capital exports, a Polish mortgage-loan of 50 million francs having recently been negotiated in Paris. There followed France's liberal participation

(to the amount of 12 million dollars) in the Roumanian stabilisation loan. The first loans are thus directed towards the politically most important countries. Others will doubtlessly soon follow.

The Position of the Working Class.

The position of the French working class differs from that of the working classes of the United States, Great Britain, and Germany mainly in the fact that there is no mass-unemployment. In the total absence of any accretion to the population and in view of the relatively slow rate of rationalisation there has as yet not been any pronounced release of workers. On the contrary, the capitalists complain of a dearth of labour, a circumstance which is expected to hinder the expansion of output.

It might be expected that under such circumstances the standard-of-living of the proletariat would improve. But this is not the case. Prices are constantly on the rise, while wages fail to keep pace with the price advance. The result is seen in considerable wage movements.

The bourgeoisie is anxious to find ways and means for ensuring industrial peace by the mediation of the reformist trade unions. In addition to the general method of courts of arbitration, Loucheur, the present Minister of Labour and the friend of Jouhaux, suggests the cession to the trade unions of shares in the enterprises.

The French bourgeoisie is thus experimenting with quite new methods of corruption in dealing with the reformist trade unions. The trade unions as shareholders would represent a new form of the American system of shareholding by workers and employees of industrial enterprises. We have still much to experience in the direction of reformists' betrayal of the workers' interests.

Great Britain.

The main factors characterising the business position in Great Britain during the last few months are as follows:

1. **The organisational preparations for rationalisation on a large scale are already in progress.** The obstacles which the "vested interests" (i. e. loan capital safeguarded by special mortgages) oppose to the realisation of rationalisation are being rapidly overcome by the pressure of the leading banks, the Bank of England, and "public opinion".

2. **Business has been rather better during the last few months.** Whether this is already the commencement of the rationalisation boom and will be of long duration or whether there will again be a falling-off as there has been repeatedly of late years, remains to be seen.

3. **The raising of the bank-rate to 5½ per cent. acts against an improvement in the business position and represents a heavy handicap for British industrial capital.** The attempt of the leading financial circles to keep the bank-rate at a lower level than that prevailing in New York, ended in a complete fiasco. The balance of payments, which was already adverse in relation to the United States owing to the heavy autumn purchases of raw materials and foodstuffs, coincided with an extensive transfer of short-termed capital from London to New York; the weak exchange rate of sterling and the heavy losses of gold thereupon forced the Bank of England to raise the rate by a full per cent.

4. **The improvement in the business position has led to no diminution of unemployment.** In Great Britain, as in all highly capitalist countries, the development of an organic unemployment has put a stop to the immediate coincidence of the course of unemployment with the trend of business. The latter may experience a far-reaching improvement without any diminution of unemployment.

The Progress of Output.

There has undoubtedly been a slow upward movement in the last few months but there can be no question of the depression having been overcome. An improvement in the position was already noticeable in the last quarter of 1928.

Productional Index of the "London and Cambridge Economic Service".

(On the Basis of 100 to Represent the Level of 1924²⁵)

| | 1927 | 1928 |
|-----------------------|-------|-------|
| 1st Quarter | 109.0 | 103.8 |
| 2nd Quarter | 106.6 | 101.5 |
| 3rd Quarter | 104.6 | 93.3 |
| 4th Quarter | 106.3 | 102.8 |

The index figures of the "Economist" are as follows:

Index Figures of Business (On the Basis of 100 to Represent 1924)

| | Febr. 1928 | Dec. 1928 | Jan. ²⁶ 1929 | Febr. ²⁶ 1929 |
|--|------------|-----------|-------------------------|--------------------------|
| Net Imports of Raw Materials | 107 | 111 | 131 | 123 |
| Coloured Metals | 125 | 110 | 121 | 123 |
| Consumption of Iron and Steel | 106 | 76 | 72 | 66 |
| Cotton | 107 | 109 | 117 | 111 |
| Rubber | 175 | 310 | 315 | 263 |
| Coal | 119 | 103 | 110 | 114 |
| Electricity | 124 | 122 | 126 | 128 |
| Railway Freight Traffic | 94 | 96 | — | — |
| Export of British Manufactured Goods | 103 | 111 | 113 | 109 |

Coal Output Millions of Tons

| | |
|--------------------------------|------|
| Monthly Average 1928 | 20.1 |
| December 1928 | 19.8 |
| January 1929 | 22.8 |
| February 1929 | 21.4 |
| March 1929 | 21.9 |

The situation of the iron and steel industry is promising.

Shipbuilding and engineering likewise enjoy a better outlook, so that there may be said to be an all-round improvement in the heavy industries. On the other hand, the cotton industry is still in a very critical position. The majority (over 85 per cent.) of the members of the Bolton Master Spinners Association, the organisation of spinners engaged in working up Egyptian cotton, have decided to work short time for two months. The spread of the crisis to enterprises employing Egyptian cotton is a new feature of the situation, since these concerns were hitherto fairly well occupied.

The Master Cotton Spinners Federation, representing the concerns engaged in working up American cotton, again put the question to the vote as to the desirability of a complete suspension of production during every Saturday and Monday in April (which would mean a reduction of the weekly working hours from 48 to 35). It was not possible, however, to procure a majority in favour of short time.

The Commencement of Organisational Rationalisation.

The process in progress in Great Britain at the present time is an organised diminution of the share of loan-capital in profits, i. e. an organised realisation of what in Continental countries resulted anarchically by means of inflation. This appears most clearly from the conditions accompanying the foundation of the "Lancashire Cotton Corporation".

The individual textile factories are bought up by the corporation, the value of each factory being paid in the form of shares. Meanwhile, the bank and the other "vested interests" receive no new debentures, but 5½ per cent. convertible income debenture stock, on which interest is only due if an adequate return has been realised.

The formation of monopolies as a preliminary stage of rationalisation is also progressing in other industries.

The elaboration of the British coal cartel is proceeding. The most influential of the British coal combines, the "Central Collieries Commercial Association", recently worked out a plan

which supplements the regulation of output hitherto in force by a regulation of prices.

The re-organisation of the heavy industries likewise makes progress. The English Steel Corporation founded some months ago is likely soon to absorb a number of other big enterprises. The reconstruction of the great firm of Armstrong, Whitworth & Co., which is at present in financial difficulties, is under way.

Foreign Trade.

Foreign trade has been looking up of late. Nevertheless, the volume of British exports in 1928 did not exceed 80 per cent. of the total of 1913. The following table shows in what measure the leading industries of the country have been affected by this recession.

Export Volume of Typical British Goods in 1913 and 1928.

| Category of Goods | 1913 | 1928 ²⁷ |
|--|------|--------------------|
| Coal (Millions of Tons) | 77 | 48 |
| Iron and Steel (Thousands of Tons) | 4935 | 4261 |
| Machinery (Thousands of Tons) | 700 | 566 |
| Railway Material (Thousands of Tons) | 47 | 41 |
| Cotton Yarns (Millions of Pounds) | 210 | 169 |
| Cotton-Fabric Goods (Mill. o. Sq. Yards) | 7075 | 3867 |
| Woolen and Worsted Goods (M. o. Sq. Yards) | 168 | 170 |
| Silk Goods | 194 | 66 |

Exports showed a more favourable development in 1928 than in 1927.

Imports Exports Imports Surplus (In Millions of Sterling)

| | | | |
|----------------|------|-----|-----|
| 1927 | 1095 | 709 | 386 |
| 1928 | 1076 | 723 | 353 |

The deficit of the balance of trade was 33 million pounds smaller in 1928 than in 1927, the increase in exports figuring at 14 millions (that in finished-goods exports alone at 14.7 millions). The increase in the exportation of finished goods was mainly due to larger exports of ships, machinery, and chemicals.

The slow advance of exports continued in the current year; in the first two months the increase in the value of exports over the corresponding period of last year was 5.5 million pounds. As regards finished goods alone, there was an increase of 4.4 million pounds.

The British bourgeoisie is more and more exposed to the competition of Germany on the world market. For this reason there was great opposition to the German-South African commercial treaty, though without avail.

Capital Exportation.

In connection with the recession in the deficit of the balance of trade, there has been an increase of capital exportation.

British Balance of Payments in 1928.

(Expressed in Millions of Pounds)

| | 1926 | 1927 | 1928 |
|---|------|------|------|
| Surplus of Imports of Goods and Precious Metals | 475 | 390 | 350 |
| Surplus of Outside Government Revenue | 4 | 1 | 13 |
| Surplus from Navigation | 120 | 140 | 130 |
| Surplus from Foreign Investments | 285 | 285 | 285 |
| Surplus from Interest on Short-Term Investments and from Commission | 60 | 63 | 65 |
| Other Sources of Revenue | 15 | 15 | 15 |
| Total Revenue | 484 | 504 | 508 |
| Available for Cap. Exportation | 9 | 114 | 149 |

²⁵) In our last report, the index was based on 100 to represent 1913; hence the difference in figures.

²⁶) Provisional Figures.

²⁷) Without Irish Free State.

British capital exports in 1928 were still not above 60 per cent. of the average capital exports of the five pre-war years 1909-13.

In connection with the exportation of capital we must consider the struggle between the bourgeoisie of Great Britain and that of the United States for the control of certain important economic positions. The Americans desire to secure a decisive influence in various British enterprises; this the British resent. Thus there is a struggle for the copper production of Rhodesia and for the control of the electrical industry. 60 per cent. of the shares of the British General Electric Company are already in American hands. It was only at the last moment that the Marconi Company managed to prevent the majority of its shares passing into American hands. Both these companies have denied the right of voting to foreigners, an example which the Burmah Company, which owns lead and zinc works in India, is now about to follow.

The General Electric Company (not to be confounded with the American company of the same name) has involved itself in a serious conflict with its American shareholders. It is issuing new shares to a value of 1.6 million pounds, which will be purchasable by British holders only, and that on very favourable terms.

Seeing that the Americans are in a position to adopt retaliatory measures and that there are still very considerable British investments in the United States, the General Electric Company will presumably have to give in. In the meantime the emission of the new shares has been suspended and negotiations are in progress with the representatives of the American shareholders in London. Such incidents are at the same time characteristic of the strained relations between the United States and Great Britain.

Unemployment and Industrial Peace.

The **production index to the Board of Trade** shows an increase of the volume of output by 9 per cent. over 1924 (without reference to mining), but the number of workers employed in industry has remained practically unchanged, i. e. 6.2 millions in 1924 and 6.3 millions in 1928. In the meantime, the number of unemployed is on the advance from year to year in keeping with the growth of the population.

| Number of Unemployed among Insured Workers. | Workers. | | | |
|--|----------------------------------|------|----------------------|------|
| | At the Close of the Month of: | 1927 | 1928 in Thousands | 1929 |
| September | 1075 | 1384 | — | 309 |
| December | 1368 | 1565 | — | 197 |
| January | — | 1199 | 1434 | 235 |
| February | — | 1109 | 1391 | 282 |

At the end of January unemployment comprised 12.3 per cent. of the insured workers, at the end of February 12.2 per cent.; apart from the time of the mining lock-out unemployment was never so great since 1923. By the end of March, the percentage of unemployed had receded to 10.1.

At the same time the number of unemployed not in receipt of benefit grows greater and greater and their need more and more unbearable.

The great chronic unemployment of the masses has enabled the trade-union leaders to reduce the economic struggles to a minimum. In the course of the last 35 years there were never so few strikes as during the last two years.

| | Participants in Labour Conflicts in Thousands | Duration of Strikes in Millions of Working Days |
|----------------|---|--|
| 1923 | 405 | 10.7 |
| 1924 | 613 | 8.4 |
| 1925 | 441 | 8.0 |
| 1926 | 2734 | 162.2 |
| 1927 | 108 | 1.2 |
| 1928 | 124 | 1.4 |

This is the basis on which the trade unions were able to develop their policy of industrial peace, which led to a complete capitulation to the bourgeoisie. In the middle of February, after the lapse of seven months, the great organisations of British capitalists (the Confederation of Employers' Organisa-

tions and the Federation of British Industries) turned down the suggestions of the Mond-Turner Conference, a step which was severely condemned even by the "Times". Nothing was said as to the reasons of this refusal, but they are fairly obvious. The said organisations of employers do not wish to recognise the trade unions attached to the T. U. C. as the only representatives of the workers, refusing to abandon the yellow trade unions existing in the shipping and coal-mining trades. The employers absolutely refuse to allow any interference of the trade unions in the organisation and conduct of the concerns, for which reason they are also not willing to negotiate in regard to the National Industrial Council.

The employers might well turn down the suggestions of the Mond-Turner Conference without endangering industrial peace, knowing as they do that the General Council is absolutely determined to avoid economic friction which might have an adverse influence on the election chances of the Labour Party and would be unbearable to a possible Labour Government. As a matter of fact, the General Council has, despite the rejection of the Mond-Turner proposals, accepted a further invitation on the part of the official organisations of British capital above named.

As may be seen, however, from the events in the Scotch mining trade unions the British working class is not inclined indefinitely to put up with the treachery of the trade-union leaders. The distress of the paupers and the unemployed amounting with their dependents to at least seven million persons, must sooner or later lead to a tremendous social upheaval. Hence the endeavours of all British politicians to find ways and means of reducing unemployment.

The United States.

With Hoover's entrance into office, the economic life of the United States has experienced a certain re-animation. Whereas Coolidge was only a passive executive organ of the will of the big bourgeoisie of the United States, Hoover is a living organisational force standing for the development of American imperialism.

In the address with which Hoover convoked the interim session of the Senate for the middle of April, he spoke in favour of a higher customs tariff. Since, as a result of the industrialisation of the South, the Democratic Party has also abandoned its resistance to high industrial duties, there can be no doubt but that a fresh material rise in the customs tariffs is imminent. In view of the predominance of the monopolies in economic life every per cent. by which the tariffs are increased spells a corresponding increase in the profits of the big monopoly organisations. It is characteristic that the American Federation of Labour should be among the advocates of higher tariffs. Woll, vice-chairman of the Federation, recommending not only an increase in the tariffs but also the application of the "American valuation" in the assessment of duties.

The proposed invigoration of the fight against spirit-smuggling is likewise in the interest of the industrial capitalists, as is also the envisaged creation of a fund of 3,000 million dollars for the purpose of carrying out public works in the eventuality of a recession in the trend of business.

Hoover's foreign policy, too, is completely directed towards supporting the expansion of United States capitalism. It is significant that Hoover has chosen as his Secretary of State Stimson, formerly Governor of the Philippines and an expert on matters connected with Asia; also that immediately upon his appointment and prior to his departure for the States, Stimson should have paid a visit to Shanghai, where he had an interview with the Chinese Foreign Minister. ("New York Times" of February 28th, 1929.)

Similar significance attaches to the decisive attitude of the United States Government in favour of the present Government of Mexico, the furnishing of arms to the Mexican Government troops, and the permission for these troops to cross American territory in the course of the civil war. These two facts, the visit of the State Secretary to China and the support of the Mexican Government, symptomatically point the direction of the future policy of expansion of the United States. (According to the "Frankfurter Zeitung" of March 26th, the Shanghai electricity works, which are among the largest in the world, are to be sold for 10 million pounds to the American and Foreign Power Company.)

The extremely capitalist character of the Hoover Government is clearly apparent from the composition of the Cabinet. Not only has Mellon, a typical representative of the financial capital of the United States (personally connected with the aluminium trust, with coal-mining interests and the like), retained his post of Secretary of the Treasury; the new Secretaries are all recruited from the ranks of the leading capitalists. Lamont, Hoover's successor as Secretary of Trade, is on the boards of a dozen big enterprises, including Armour & Company, Dodge Brothers, and the International Harvester Company. The commencement of Hoover's administration was the signal for a fresh vigorous boom on the stock market and for a series of gigantic amalgamations and capital augmentations.

The Business Development.

The business position has materially improved during the last few months, as will be seen by the following index figures. In this connection the reader should be warned not to draw any particular economic inferences from such index figures as appear in the daily papers. The index figures of the United States are frequently changed and are published in various forms. Thus the Federal Reserve Board has published an index of national production on the basis of 100 to represent the level of 1923 and more recently again an index based on the level of the average of the three years from 1923 to 1925. Furthermore, the said indices are published without any adaptation to seasonal differences. The daily papers, mean-

while, are wont to mix the various indices, so that they must be read with the utmost reserve.

Returns of the Federal Reserve Board.

| | Index of Industrial Production (1923/25 = 100*) | Index of Occupation of Workers (1919 = 100) | Index of Loaded Trucks (1923/25 = 100**) | Building Index (1923/25 = 100**) |
|------------------------|---|---|--|----------------------------------|
| Monthly Average . 1927 | 106 | 92 | — | 128 |
| Monthly Average . 1928 | 110 | 89 | 103 | 135 |
| January 1928 | 105 | 88 | 100 | 133 |
| November 1928 | 112 | 91.6 | 103 | 126 |
| December 1928 | 113 | 91 | 103 | 116 |
| January 1929 | 117 | 91 | 104 | 128 |

In January the index of industrial production was thus twelve points higher than a twelvemonth earlier, while the index of occupied workers had advanced by no more than 3 per cent. This means that the relative diminution in the number of workers in proportion to the volume of output continues to progress.

The following table, published in the "Annalist" is characteristic of the trend of production in individual industries during the last few months.

Business Index Figures of the "Annalist"

| | Feb. 1929 | Jan. 1929 | Dec. 1928 | Nov. 1928 | Oct. 1928 | Sept. 1928 | Feb. 1928 |
|------------------------------|----------------------|-----------|-----------|-----------|-----------|------------|-----------|
| Iron Output | 108.7 | 109.6 | 105.4 | 109.8 | 105.9 | 101.6 | 89.3 |
| Steel Output | 106.9 | 103.6 | 106.0 | 106.3 | 112.6 | 113.4 | 87.8 |
| Loaded Trucks | 101.3 | 98.2 | 97.4 | 98.7 | 95.4 | 95.0 | 94.0 |
| Output of Electr. Energy . . | 102.3 | 103.1 | 99.1 | 101.0 | 102.8 | 100.9 | 100.6 |
| Coal Output | 105.6 | 95.7 | 92.3 | 94.6 | 92.9 | 89.8 | 92.6 |
| Automobile Output | 145.7 | 145.7 | 99.1 | 97.0 | 100.8 | 108.9 | 96.4 |
| Cotton Consumption | 107.7 | 111.2 | 102.6 | 107.3 | 106.0 | 94.2 | 101.2 |
| Wool Consumption | 101.7 | 107.3 | 102.2 | 102.6 | 100.1 | 98.2 | 101.2 |
| Output of Footwear | -- | 102.9 | 91.2 | 98.2 | 103.1 | 105.6 | 103.0 |
| Zinc Output | 89.9 | 85.1 | 91.6 | 96.2 | 91.9 | 95.3 | 87.8 |
| Combined Index | 105.7 ²³⁾ | 104.0 | 99.1 | 101.5 | 101.0 | 98.8 | 97.2 |

The table shows that the production of automobiles is the main factor in the business boom. From this industry the boom spreads to the iron and steel output, which in February was from 15 to 20 per cent. higher than a year ago, while in March it showed absolutely record figures. The iron and steel industry in particular is supplied with orders for a long time ahead. The output figures at 95 per cent. of capacity and more. At the end of March the terms of delivery for steel plates were twelve weeks.

In March the output of pig iron was 3.7 million tons, which represents the peak figure of the last nine years.

Weak Points of the Business Position.

In spite of the great optimism of the United States capitalists, it is obvious that there are a number of weak points in the American business position.

One weak point lies in the automobile industry. For the past three years the sales of the automobile industry have been much on the same level, figuring at rather more than four million cars per annum. Now that Ford has recommenced producing to full capacity, while a number of other producers have also greatly extended their capacity of output for competitive purposes, there is the imminent danger of an over-

production of automobiles. The industry, it is true, is making the utmost endeavours to get rid of part of the surplus output by a penetration of foreign markets. In the year 1928, 368,000 passenger automobiles and 139,000 lorries were exported, to a total value (with spare parts) of 522 million dollars. In January 1929 the export figure was 25,000 for passenger cars and 13,000 for lorries, representing, together with parts, a value of 48 million dollars. But, substantial as these figures are and seriously as they affect the European automobile industry, they are yet not adequate to banish the danger of an over-production on the United States market.

Another weak point in the realm of production is the regression of the building activity, which in January fell short of the extent of January 1928 by as much as 11 per cent. Nor is the proportion likely to have improved since then. If we consider that in 1928 the value of newly constructed buildings amounted to 8,000 million dollars, the significance of such a recession for the entire economy is apparent.

The third weak point lies in the over-production of crude oil. At the beginning of March the daily output figured at 2.7 million barrels, or 350,000 more than a year ago. The stocks of oil amount to 373 million barrels, wellnigh equalling the output of half a year. By reason of an agreement among the big oil concerns, it is true, a restriction of output has been attained not only in the United States but also in Venezuela, but it is doubtful whether this agreement will be maintained.

²³⁾ Seasonal Differences Considered.

²⁴⁾ Provisional figure.

Finally, the critical position of agriculture continues unchanged. True, in his address to the Senate Hoover promised that the extraordinary session of the Senate should be devoted, *inter alia*, to working out a Bill in favour of agriculture, but it is economically inconceivable that the ruling financial capital which Hoover represents should afford any serious assistance to the unorganised small agricultural capitalists, whose exploitation constitutes one of the foundations for the profits of monopolised capital. The envisaged increase in the duties on agricultural products can merely have the effect of enhancing the prices of certain goods in certain limited regions. For all such goods as are primarily dependent on exportation, such as wheat, cotton, tobacco, and cattle products, an increase in the tariffs can be of no advantage.

The Difficulties on the Money Market.

The most serious difficulties are those which have been brought about on the money market by the tremendous speculation on the stock exchange. The situation may be summed up by saying that the Federal Reserve system has lost control of the money market. As a matter of fact, it has not been found possible, in spite of the higher bank-rate, to curb stock-exchange speculation and the rise of the loans invested in this direction. Things have gone so far that various economists are speaking of a new inflation of quite a special nature in the United States.

Added to this we have the increase in the bank-shares and in the shares of the investment trusts. The significance of this tremendous apparent increase in fortunes and incomes becomes apparent when it is borne in mind that the value of the wheat, maize, and cotton crops together is roughly 4,000 million dollars a year. In the opinion of numerous economists in the United States, an artificial inflation of incomes has been brought about. This leads to an enormous increase of luxury consumption, in all directions.

All warnings issued in regard to speculation have hitherto proved useless. On March 20th, the loans employed in stock-exchange speculation reached the record height of 5,793 million dollars. Owing to the policy of restriction and to the pressure of the Federal Reserve Banks there was wellnigh a panic on the stock exchange on March 27th. The rate of interest for call money rose to 20 per cent. and a serious fall of the rates set in.

Meanwhile the leading banks refused to accede to the credit policy of the Federal Reserve Board. The National City Bank placed big sums at the disposal of the stock exchange so as to prevent a collapse. Mitchel, the chairman of the said bank, declared it to be the duty of the banks to avert a serious crisis on the stock exchange. This duty must take precedence of attention to the warnings of the Federal Reserve Board. For this reason, he said, the National City Bank had placed big sums at the disposal of the stock exchange as soon as the danger of a collapse of the rates became acute.

This incident also shows that the Federal Reserve Bank system has lost control of the money market and the stock exchange. Inevitably, sooner or later, as soon as the leading banks are prepared and disposed to take the risk, there is bound to be a great stock-exchange crash, which may well become the starting point of a serious crisis.

Foreign Trade.

As we already pointed out in the first section of our report, the exports of the United States increased in the course of last year, though the increase was no greater than that of the entire volume of output. A point of particular importance for international trade was the increase in the exportation of

finished products by the United States. The increase in this connection over 1927 amounted to more than 50 million pounds. If we bear in mind that the entire foreign trade of the world in regard to finished goods represented a value of from 2,000 to 2,500 million pounds, the significance of this increase will be apparent. The increase, moreover, appears to be continuing in the current year.

Foreign Trade (In Millions of Dollars)

| | Imports | Exports | Finished-Goods Exports |
|--------------------------------|---------|---------|------------------------|
| Monthly Average 1927 | 349 | 397 | 165 |
| Monthly Average 1928 | 341 | 419 | 188 |
| November 1928 | 326 | 538 | 206 |
| December 1928 | 339 | 466 | 183 |
| January 1929 | 369 | 487 | — |
| February 1929 | 371 | 444 | — |

The exports of the first two months of the current year were almost 150 million dollars greater than those of the corresponding period of 1928. The surplus of the balance of payments in the said two months was almost 200 million dollars. Such substantial export figures have not been recorded since 1921. It must be remembered, however, that some very important American export goods, such as cotton and in particular copper, are priced much higher now than they were a year ago.

In keeping with the very favourable commercial balance with the tension on the money market, and with the decreased capital exportation, the importation of gold to the United States has set in earnest, amounting in the first two months of 1929 to 23 million dollars. It is probable that the current year will see a further increase of the export surplus and of the importation of gold.

The Position of the Working Class.

In view of the altogether insufficient social statistics in the United States, it is difficult to make any definite statement as to the position of the American working class. Now that the elections are over, very little is heard in the bourgeois press in respect of unemployment. That in spite of the improved business position there is still a very considerable degree of unemployment, cannot be doubted. This matter we have dealt with in the General Section.

As regards wages, or rather earnings, there are likewise no comprehensive statistics. In certain industries, such as coal-mining and the textile trade, wages have been reduced, while in other cases, e. g. in the copper industry and on several railroads, they have been slightly raised.

The index figures of the Federal Reserve Board, which are based on the returns of the Bureau of Labour and comprise more than three million factory workers, afford the following survey, on the basis of 100 to represent the level of 1919:

| | Year 1925 | Year 1926 | Year 1927 | Year 1928 | Jan. 1929 | Febr. 1929 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|------------|
| Number of Operatives | 95 | 96 | 92 | 90 | 91 | 93 |
| Wage Amount | 107 | 109 | 105 | 104 | 103 | 110. |

These figures show the well-known tendency of a diminution in the number of operatives and of the amount paid out as wages, the earnings per worker having remained more or less the same or, if anything, having slightly receded.