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## **Economics and Economic Policy in the Fourth Quarter of 1925.**

By Eugen Varga.

### **II. General Section.\*)**

The last quarter of 1925 was rich in events. Developments were perhaps even more contradictory than usual.

For the United States a continued improvement of the economic situation is to be recorded, reaching a boom which has gone beyond the highest culmination hitherto attained in some branches of industry: iron and steel production, railway traffic, and building activity. Highly speculative elements participate: speculation in building land and buildings, with all shares at high rates. The subsequent crisis will be the acuter. The restriction on loan capital which is expressed by the increased rates of interest of the Federal banks is perhaps the first sign of the approaching end of the boom.

In England there has been improved business in heavy industry, but this is partially due to the artificial stimulation of the coal subsidies, and partially to the strike now lasting for six months among the anthracite coal miners in the United States. The cotton industry is again working short time. The number of registered unemployed is only a few tens of thousands fewer than last year at this time. The decrease is only apparent, the increased strictness and worsening of the conditions attached to the dole reducing the number of registered unemployed. The number of official paupers grows in proportion as the number of official unemployed sinks...

During the course of the last few months France has gone through another depreciation of the franc, and the financial crisis suffered by the state has led to an almost chronic government crisis. Economics continue to enjoy their inflationist pseudo-prosperity, and production has increased. The fresh depreciation has lent new impulse to French exports. The expropriation of the middle class continues. But already calculations are beginning to be made in "gold francs", which indicates the commencement of the turning point in the inflation boom. The prices are rising. Wages and salaries do not rise correspondingly, and workers and officials are beginning to rebel.

In Germany the worsening of economic conditions which had already begun in the third quarter has continued at ever increasing speed, resulting in a catastrophic economic crisis, in

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millions of unemployed and short time workers, in bankruptcies and collapses. The causes of the crisis are those stated above: the crisis is only a part of the general economic crisis in Western Europe, masked over in France and Italy by the inflation, and breaking out with special acuteness in Germany partly as result of the burdens imposed by the Dawes plan.

East and North of Germany the economic crisis has become more acute in almost every country. In Denmark, Sweden, Norway, Austria, and Hungary, everywhere unemployment grows. The situation is most acute of all in Poland, where more than one third of the industrial workers are out of work, business activity is at a standstill, and the whole capitalist state of society shows symptoms of dissolution.

In Asia the revolutionary fermentation continues. England's position as lord of the world is threatened more and more. France is deeply involved in its colonial wars in Morocco and Syria.

Except in the United States and in some districts overseas, the last quarter has brought no advance in the stabilisation of capitalism.

From the viewpoint of economic politics the most important event has been the consolidation of the Italian war debt to the United States. The United States have accorded extremely favourable terms to Italy; as soon as the agreement was concluded large quantities of American capital streamed into Italy. A point of particular interest is the unexpected development of the grain prices. Although the world's wheat harvest, according to the official returns, was seven million tons greater than last year

\*) See: Eugen Varga: *World Economics at the End of 1925 I.* "Inprekorr." Nr. 12 page 173.

(in round figures one quarter of the whole amount of wheat exported all over the world), the prices have not fallen, but have considerably risen. The attempts at forming international coal and iron cartels have not yet led to any result.

### Unemployment.

Unemployment has increased in almost every country of Europe, in accordance with the general economic conditions and with the season. England forms an exception; here the number of registered unemployed has sunk. France is another exception, as there is still no great degree of unemployment here.

The following table gives the percentage of unemployed, but can only be employed for ascertaining the advance of unemployment in each separate country, not for comparing the countries with one another. The figures do not give a fair idea of the situation at the end of the year, the greater part of these data being published exceedingly late:

### Percentage of unemployed among workers organised in trade unions.

	England	England, of all insured	Belgium <sup>1)</sup>	Holland	Denmark	Norway	Sweden	Germany	Germany short timers	United States degree of occupation (1923 = 100)
1923 November	10,5	11,5	2,7	13,9	11,4	9,5	9,1	23,4	47,3	—
1924 November	8,6	11,0	3,8	11,0	8,6	7,8	10,5	7,3	7,5	91,0
1925 July . . .	11,2	11,5	5,1	8,9	8,3	8,3	7,5	3,7	5,8	93,1
August . . .	11,4	12,5	3,8	8,8	9,2	10,1	7,1	4,3	6,9	93,9
September	11,4	12,4	2,7	7,7	9,9	12,8	8,5	4,5	8,5	95,1
October . . .	11,3	11,4	2,5	8,0	12,7	17,0	10,1	5,8	12,4	97,0
November	11,0	11,0	—	—	18,3	—	—	10,7	16,0	—
December	10,5	11,0	—	—	—	—	—	18,7	18,7	—

The actual total of unemployed in Europe at the turn of the year must have been, in round figures, five million, distributed as follows:

Germany . . . . .	2,500,000
England . . . . .	1,500,000
Poland . . . . .	400,000
Austria . . . . .	200,000
Hungary . . . . .	100,000
Czechoslovakia . . . . .	100,000

The remainder is distributed among the other countries: Belgium, Denmark, Sweden, Norway, Switzerland.

Agricultural labourers and short timers are not included in this estimate so that the real figure is probably far beyond five million.

### The Currencies.

The rates of exchange of the most currencies have remained unchanged in their relation to gold, and to the dollar, during the period covered by this report. The fears that the English currency would not stand the strain of the autumn, the season at which the main purchases of foodstuffs and raw materials are made, have proved unfounded. It is true that the Bank of England recorded an outflow of gold every week, but this has not been to an amount endangering the stability of the pound. The imports of the most important raw materials — wheat, cotton, wool — have however not been by any means as great during the last few months as they were a year ago. According to the official statement issued on the occasion of the last visit of the Governor of the Bank of England, **Montagu Norman**, to the United States, the Bank has so far made no use of the auxiliary credits placed at its disposal: 200 million dollars from the Federal Reserve Bank, 100 million from the Morgan group. The German, Dutch, Swiss, and Swedish currencies, as also the Czech, Hungarian, etc., have also maintained themselves upon their stable basis.

The following table shows the fluctuations of those currencies not established on a gold basis:

<sup>1)</sup> Short timers included.

### Rates of exchange of foreign bills in New York (monthly average).

(Cents per foreign unit.)

	Parität	Dec. 24	April 25	July 25	Oct. 25	Nov. 25	9. Jan 1926
Belgium . . . . .	19,30	4,94	5,02	4,62	4,52	4,53	4,53
Denmark . . . . .	26,80	17,62	18,78	21,40	24,57	24,85	24,90
Finland . . . . .	19,30	2,52	2,52	2,52	2,53	2,53	2,53
France . . . . .	19,30	5,40	5,16	4,70	4,43	3,96	3,90
Greece . . . . .	19,30	1,82	1,80	1,60	1,37	1,35	1,34
Italy . . . . .	19,30	4,30	4,06	3,67	3,99	4,00	4,08
India . . . . .	48,66	—	—	36,61	36,06	—	36,75
Japan . . . . .	49,85	—	—	41,00	41,00	—	43,38
Jugoslavia . . . . .	19,30	1,50	1,63	1,77	1,77	1,77	1,77
Norway . . . . .	26,80	15,05	16,79	18,01	20,20	20,31	20,2
Poland . . . . .	19,30	—	—	19,20	16,58	15,92	12,50
Roumania . . . . .	19,30	0,51	0,47	0,49	0,48	0,46	0,46
Spain . . . . .	19,30	13,95	14,53	14,51	14,35	14,25	14,20
Czechoslovakia . . . . .	—	3,62	2,96	2,96	2,96	2,96	2,96

During the period of this report the French currency lost, in round figures, 20% of its value. At times the rate of exchange fell even lower, below the lowest level of March 1924. During the last few weeks the franc seems to have stabilised to a certain extent at about the level of 125 to 130 francs to the pound. Whether this will prove the foundation of sound financial conditions, or whether a further depreciation will first take place, cannot yet be foreseen. The Italian currency has slightly improved in value as result of the successful agreement with the United States; it is however still a little lower than a year ago, although higher than the French franc. The Belgian franc has finally separated itself from the French, and has remained perfectly stable for the last four months. This separation symbolises the notice to the Latin coinage union on the part of Belgium. (The members of the Latin coinage union were France, Belgium, Italy, and Switzerland. The states thus affiliated had the same standard, that is, the money unit of these states contained the same weight of fine gold. The gold coins and certain categories of silver coins — 5 and 1 franc pieces — were accepted mutually in all the countries belonging to the union, as if they were inland money.) The present notice obviously signifies that Belgium is preparing for a new currency.

The Polish currency, after its violent depreciation in the autumn, has maintained its value during the last few months, though with considerable fluctuations. Severe restrictions on imports, only about 80 million zloty in the autumn months as compared with more than 180 million in the months of March, April, and May — and forcing of export trade, enabled a favourable foreign trade balance to be attained in the autumn, and this made it possible to stop the depreciation of the currency. It is however very questionable whether this will last: the surplus grain is sold out already, and the necessity of an export prohibition is being discussed, as preventive against possible shortage at home. Despite energetic exertions, Poland has not yet succeeded in obtaining foreign loans. English capitalists have declared themselves willing to take over Bank of Poland shares for 25 million dollars, but up to now Polish patriotism has been up in arms against this, and there is little inclination to abandon the French orientation.

Among non-European currencies, the yen is gradually rising in value; its rate of exchange is however still 13% under dollar parity.

### The Export of Capital as Imperialist Weapon.

It is a well known fact that under imperialism capital export invariably serves as a means towards the preparation of an extension of imperialist power. At the present moment this is again the case. The sharp division of the capitalist world into "poor" and "rich" territory after the war — into over-producing and under-producing countries — has not yet been fully overcome. The currents of capital export, which before the war radiated from Western Europe, as centre, in every direction, and even to America, have now taken quite another course. Today it is the United States which are the decisive centre of capital export! The smaller countries of Europe: Switzerland, Holland, Sweden, play very subordinate rôles. In England, once the leading country of export of capital, capital export came to a complete standstill since about July 1924. The "embargo" was imposed, a prohibition which, though not fixed by law, was

issued by the Bank of England (it need scarcely be said, on the orders of the English government), and most strictly observed. It prohibited foreign loans being placed for subscription on the English money market. This embargo, intended to aid the preparation and accomplishment of the return to the gold standard, naturally exercised an injurious influence upon England's exports. It prevented the placing of loans combined with an export of goods: for instance railway loans, which include the delivery of rolling stock, and the like. The Federation of British Industries proposed the cancelling of the embargo to the English government on several occasions. The last occasion was at the beginning of October. On 3. November the chancellor of the exchequer, Churchill, announced the abolition of the embargo in his speech held at Sheffield; a fact welcomed by the full agreement of the whole English business and financial world.

The "Times", in its issue of 5. November, reported that the raising of the embargo met with general approval in financial and business circles. The measure is welcomed as showing, in the first place, that the period of cautious experiment during the return to the gold standard is now over, and in the second place because it signifies a further step towards the restoration of free traffic in gold.

England's return to the free export of capital means the commencement of competition with the United States, both imperialist powers openly employing the export of capital as a political and economic weapon against one another and against the countries seeking credits. We bring forward the following facts in support of this statement. Churchill, in his speech, declared that he had full confidence in the common right feeling in the City, enabling it to carry on its business with all caution, and to take into account not only the capacity of the market, but the relations of the seekers of credit to England. He expressed the hope that, without the freedom of the market being hampered, preference will be given as far as possible, in the granting of credits, to those loans involving the highest possible proportion of orders for home produced goods.

On 25. September the president of the Federation of British Industries applied to the chancellor of the exchequer, and proposed — in consideration of the "unfair competition" of the countries with depreciated currencies — that a fresh embargo should be issued.

This attack is directed chiefly against a loan to France.

The granting of credits is to serve at the same time as a means of exercising pressure upon negligent debtors.

The raising of the embargo is the signal for the fight with the United States, whose bourgeoisie — after long hesitation, and under the compulsion of the powerful development of American capitalism — now finds itself definitely forced into the path of imperialist capital export.

The resolution passed at the annual meeting of the American Manufacturers Association<sup>2)</sup> states that the Association is fully convinced that the cautious employment of superfluous American capital abroad, in the form of loans for the stabilisation of currencies, for the restoration of devastated territories, and for the development of transport service and the revival of industry, can only be of use to America and to the whole world.

The policy of the foreign loan is in America equally completely at the service of imperialist policy. Four principles are proclaimed:

1. Loans are not to be granted to states which have not settled their debts to America.
2. Loans are not to be granted to states which carry on superfluous military armaments.
3. Loans are not to serve the purpose of strengthening the monopoly of any goods imported into America.
4. Loans are to serve the purpose of securing supplies of raw materials for American industry, and of gaining an influence upon the economics of the countries to which credits are granted.

Point 1 has been a fixed principle for a long time. It is an actual fact that the consolidation of the Belgian and Italian war debts was immediately followed by the granting of large loans — at high rates of interest, it is true not only to the

states, but to the municipalities and joint stock companies. And on the other hand the failure of the French negotiations in the consolidation question resulted in the disappearance of French loans from the American market.

The extent to which the loans are used for purposes of interference in the internal affairs of the debtor states, and the degree to which Europe is becoming dependent on the American bourgeoisie, may be best observed in the case of Belgium.

On 28. November a question was put by Jaspard, in the Belgian parliament, in which he inquired of his successor Vandervelde whether the press reports were correct in stating that the English and American banks had demanded considerable reductions in the budget, although the government, when issuing the budget, had declared any further reduction to be impossible.

To this Mr. Vandervelde replied:

"The report which has appeared in the newspapers is absolutely correct. The government had the choice between two lines of attitude: Either to obtain the necessary capital by means of loans, or to abandon the plan of stabilising the franc. The government has been unanimously of the opinion that despite the unpopularity of the proposed measures it is better to submit to the demands of the foreign capitalists, in order that the stability of our currency may be assured."

The English bourgeoisie hastens, through the agency of its "Times", at an attempt at justifying the action of the Anglo-American bankers. In its issue of 28. November 1925 it declares it to be unfortunate that Mr. Jaspard should regard the matter in this light. When creditors are being sought for, for the purpose of obtaining capital for a borrower, then these creditors have a right to set the conditions under which they are prepared to lend. These conditions relate solely to the security of their capital and interest. In inducing Belgium to balance its budget, the foreign creditors are not only protecting their own interests; at the same time they are helping Belgium to improve its credit by the adoption of a sound financial attitude. Mr. Vandervelde sees the matter in its right aspect.

We see that not only the defeated Germany, but also the "allied victorious country", is being placed under financial control, as Turkey or China was at one time.

The second principle, that the foreign loans are to be made to depend on the armaments of the countries seeking credits, was expressed programmatically in Coolidge's speech before the American Chamber of Commerce, in which he declared that if loans are employed for unproductive purposes, such as the maintenance of extensive military equipment, then they serve no useful purpose and should not be granted. The American bankers assume a great responsibility in testing applications for loans which will involve the investment of American savings abroad<sup>3)</sup>.

It is obvious that this principle can only be applied to states which possess no political confidence. The very extensive military armaments of Fascist Italy proved no obstacle to the granting of credits.

The third American principle is new and interesting: no loans serving the interests of goods monopolies directed against the United States. The following extreme cases may serve as examples:

a) The German potash syndicate desired to raise a loan of 70 million dollars, in two parts, through the English banking house of J. Henry Schröder. The first part, 50 million dollars, was to be put up for subscription as follows ("Frankfurter Zeitung", 3. December):

- 2 million pounds in England.
- 8 million dollars in Switzerland.
- 5 million dollars in Holland.
- 2 million dollars in Sweden.
- 26 million dollars (or one half) in the United States.

Just before the loan was placed for subscription in the United States, the American government refused its permission, on the grounds that the potash syndicate is a monopoly for the purpose of raising the price of the potash imported into America.

<sup>2)</sup> "Börsencourier". 3. November 1925.

<sup>3)</sup> See "Deutsche Allgemeine Zeitung", 20. Nov. 1925.

Anglo-American rivalry is shown in the fact that the greater part of the sum intended for America was placed for subscription in London, and was over-subscribed several times over within a quarter of an hour.

b) **The prohibition of the Brazilian coffee loan.** This prohibition was defended by Hoover on the grounds that the government was not of the opinion that the New York banking houses were desirous of raising loans for the support of the coffee speculation being carried on by the coffee speculators in Sao Paulo (Brazil) since last year. Support thus lent would simply mean a further increase of the extravagant prices paid by the American consumers. Hoover stated that several banking houses in New York have been applied to for this loan, but have declined to have anything to do with it, and declared that the government is anxious that the Brazilian coffee industry should suffer no wrong, his sources of information showing that whilst the combination (state aided cartel) maintains the price of coffee at about 22 cents a pound, many of the planters do not receive more than 14 cents a pound. Before this speculation, which increased the price of coffee up to 32 cents a pound, the average price was about 12 to 14 cents a pound. The total coffee import of the United States is about 1,400,000 pounds a year<sup>1)</sup>.

c) No **English rubber company** has been able to obtain a loan in America for a long time.

With regard to point 4 the following is of interest:

a) The fact that during the course of last year 500 million dollars were invested in **Canada**, which already belongs economically to the United States.

b) The fact that the zinc mines formerly belonging to Giesches Erben in **Polish and German Upper Silesia** are actually being run by foreign capital, having passed into Harriman's hands.

c) The great loan to the little African negro republic of **Liberia**, where America capital is preparing for a rubber planting enterprise on a large scale, etc.

The English bourgeoisie is equally anxious to place capital export in the service of industry. Thus the last few weeks witnessed the purchase of two German chemical works: the **Harburger Schön and the Coholyt**, by English capitalists. And on the other hand the loan to the German Textile Industry Bank was accompanied by the stipulation that the money was not to be passed on to firms actually competing with English textile industry. For instance, not to firms working with looms of certain dimensions, and thus producing cloth in English measurements.

A loan of political significance is that of 1 million pounds granted in London, during the last few weeks, to the **Hungarian big landowners**. If the Americans support the Italian Fascists, the hypocritical English bourgeoisie is not behindhand in lending money, at good interest and on good security (first mortgages up to 20% of the value of the big landowner's land), to the murderers and money forgers forming Horthy's court.

To sum up, we see that the export of capital is again being employed as a weapon for imperialism. And we see that the economics of the whole of Europe are becoming more and more dependent either on America, or on England, which still endeavours to compete with America.

#### The Comparative Amounts of Capital Possessed by the Rivals: England and America.

We shall attempt to make a comparison of the sums at the disposal of these two powers for the purpose of foreign investment, fully realising at the same time the difficulty of forming an estimate of future developments.

The following data are obtainable for

	England <sup>2)</sup>					
	1912	1913	1922	1923	1924	1925
Total Investments . . . . .	210,9	196,5	573,7	271,4	209,3	232,2
Distributed:						
Home . . . . .	45,3	36,0	443,5	133,9	84,6	155,0
Colonies . . . . .	72,6	76,1	74,9	92,7	72,3	60,9
Abroad . . . . .	92,9	84,4	55,2	44,8	52,4	16,3

<sup>1)</sup> See Financial Chronicle. 5. December 1925, p. 2099.

<sup>2)</sup> "Economist". 2. January.

We observe a considerable decrease, both in amounts and in the comparative sums invested abroad; before the war approximately 80% of all capital invested went abroad or to the colonies, since the war 33 to 60%<sup>3)</sup>. Does this signify a final state of affairs? It would be somewhat risky to assert this! It is true that it has been officially calculated (Board of Trade Journal) that as result of the extreme adversity of the foreign trade balance the sum left for foreign investment out of Great Britain's foreign revenues does not amount to more than 29 million pounds. To this, however must be added the amount of inland accumulation and possibly of inland capital transferred to abroad. Although the chronic crisis in English economics renders the accumulation less than before the war, the inclination to invest newly accumulated capital abroad, or to transfer capital to abroad, is all the greater precisely on this account. It is thus possible, and even probable, that the capital exported by Great Britain will soon reach, and even exceed, the pre-war level.

Before the war the **United States** exported no capital. During the last two years they have already exported 200 million pounds, or somewhat more than the amount exported by England before the war.

#### United States of America.

	In million dollars			
	1922	1923	1924	1925 (11 months)
Total new investments . . . . .	4313	4304	5570	5523
Home . . . . .	3630	3878	4560	4527
Canada . . . . .	139	56	233	121
Other foreign countries and colonies . . . . .	544	370	777	875
	683	426	1010	996

What will the next developments be? If we merely compare the economic power of the two countries, there can be no doubt that the **United States** are bound greatly to overtake England. And it must not be forgotten that the inner wealth of the **United States** has not by any means been fully exploited as yet, that there are many more opportunities for profitable investment in America than in England.

On the other hand it has been pointed out by **J. H. Stamp**, the famous English statistician and member of the Dawes commission, that if America continues from year to year to invest the interest on the war debts, and its export surplus, in foreign countries — as projected in the Dawes plan — and that if these two sums together are estimated only at **650 million dollars yearly** (at the present time the sum is much greater, and were the interests and amortisation of the war debts to be paid in full this would amount in itself to 650 million dollars yearly), then the American capital invested abroad, with interest and interest on interest, will have amounted<sup>4)</sup>:

In 20 years to 20 milliard dollars; fresh sum available yearly for foreign investment 1,5 milliards; in 30 years to 42 milliard dollars; fresh sum available yearly for foreign investment 2,6 milliards; in 50 years to 130 milliard dollars; fresh sum available for foreign loans 7 milliards.

By this **Stamp** intends to prove that the idea of the American economic politicians, according to which the present export surplus can be permanently maintained, and the proceeds again and again invested abroad, the war debt payments being collected at the same time, is bound to lead to absurd results; that the whole idea of investing capital abroad becomes nonsense if an American is never enabled to enjoy the fruits of this investment...

**Stamp's** standpoint is practically the transfer problem: the question of the form of commodity in which the interest on capital invested abroad can be absorbed by American capitalist economics. Our report of a year ago dealt with this question — in connection with Auld's ideas — and we then came to the conclusion that all these theories and suppositions are waste of time:

1. because America, as an industrial country in the midst of an economic boom, and with a great surplus of industrial goods beyond its home requirements, is bound to carry on an imperialist policy, that is, one of its methods of securing markets has to be the export of capital.

<sup>5)</sup> It should here be observed that these statistics naturally do not contain the short term money and goods credits, or the purchases of foreign securities by Englishmen abroad.

<sup>6)</sup> The Annualist, 30. Oct. 1925. p. 539.

- 2. because a transfer in the form of articles of luxury and personal service (tourists in Europe) is very well possible.
- 3. because the whole question will be solved by the further development of the world revolution.

All that we can ascertain at the present time is that the English bourgeoisie, in competition with the bourgeoisie of the United States, is attempting to regain its position as creditor and banker of the world. It is possible that the better organisation and greater experience of the English bourgeoisie, aided by the transference of capital from England to abroad, may enable England to gain the upper hand in this competition for a few years. But in no case can England maintain this position permanently, for England's economics are on the downward road, whilst the United States are still on the upward trend.

**International Partial Crises and Attempts at the Formation of Cartels.**

As result of the various degrees of economic prosperity in the different countries, the regular development of some kind of goods has again been disturbed. In this connection it may be stated that the attempts at the formation of international cartels among the heavy industrialists have made but little progress.

**Coal.**

For the last few months the following important facts are to be recorded for the world's coal trade, facts which have changed the whole aspect:

1. The strike among the American anthracite miners continues as before<sup>1)</sup>. This means that about two million tons of coal less are produced weekly, and is bound to have a favourable effect upon the situation of the European coal-producing countries.
2. The effect of the English coal subsidy has been to give fresh impetus to the English coal industry. As we foresaw, the peculiar structure of the subsidy has brought about a considerable increase of production, for this subsidy secures not only the minimum wage of the workers, but the profit of the capitalists, at the expense of the state. The greater the output the greater the share of the subsidy, and the greater the total profit. By December the amount of the subsidy had already reached 3.2 million pounds, or 64 million marks. This means a subsidy of approximately 60 marks per month and workman. It is perfectly obvious that such a subsidy is bound to enable the English coal trade to compete successfully in the world's markets once more. English coal is in general cheaper loco pit than German coal of like quality, and even in Berlin it is cheaper than German. The following data show the comparative prices in the last week of December<sup>2)</sup>:

English coal		German coal	
	sh Mark		Mark
Northumberland unscreened	14/- 14,25	Ruhr unscreened . . . .	14,02
Best black dry large . . . .	20/- 20,40	Ruhr best screened . . . .	19,00
Durham best gas unscreened	15/- 15,30	Ruhr gas unscreened . . . .	16,92
Durham furnace coke . . . .	21/6 21,90	Ruhr furnace coke . . . .	23,-
Lanarkshire best navigations screened . . . . .	13/9 14,-	Upper Silesian s reened	16,67

  

English coal Durham unscreened II. qual.		Ruhr unscreened	
	Mark		Mark
Hamburg . . . . .	18,30		21,12
Bremen . . . . .	18,30		20,32
Berlin . . . . .	24,40		27,72
Frankfort . . . . .	30,90		24,32
Cologne . . . . .	29,20		18,72
Hannover . . . . .	23,40		23,02
Stuttgart . . . . .	31,50		27,52

  

English coal Lanarkshire best steam screened		Upper Silesian screened	
	sh Mark		Mark
Stettin . . . . .	24/2 24,60		25,72
Berlin . . . . .	26/2 26,60		26,22

<sup>1)</sup> A settlement of the strike has just been arrived at.  
<sup>2)</sup> "Frankfurter Zeitung", 3. January 1926.

As a result of these advantageous prices, the output of the English coal mines has increased greatly, as follows:

Weekly production in million tons

	1925	1924
August . . . . .	4,03	4,81
September . . . . .	4,30	5,11
October . . . . .	4,74	5,11
November . . . . .	4,93	5,25
December . . . . .	5,04	4,94

The other states of Europe have suffered under the pressure of the English coal production and coal export thus fostered by the subsidy. In the German coal market in particular there has been no further sign of improvement. The following table gives a general survey of the world's coal output as distributed among the most important countries:

**The world's output in million tons:**

	England	Germany	France	Poland	Belgium	Czecho-slovakia	United States	Total
1913 Monthly average . .	24,3	11,7	4,5 <sup>10)</sup>	3,0 <sup>11)</sup>	1,9	1,2	43,1	90,7
1923 . . . . .	23,5	5,2	4,0	3,0	1,9	1,0	49,3	87,9
1924 . . . . .	22,6	9,9	4,9	2,7	1,9	1,2	42,3	85,5
1925 . . . . . <sup>12)</sup>	20,4	11,0	5,0	2,3	1,9	1,0	43,0	84,6
1925 January . . . . .	22,9	11,9	5,4	2,8	2,1	1,0	53,8	—
1925 July . . . . .	21,6	11,2	4,9	2,2	1,9	1,1	43,7	—
1925 September . . . . .	19,0	11,4	5,2	2,1	1,9	1,1	42,8	—
1925 October . . . . .	21,2	11,95	5,5	2,3	2,1	1,2	48,3	—
1925 November . . . . .	20,0	11,2	5,3	—	1,9	1,2	46,2	—
1925 December . . . . .	20,5	11,2	—	—	—	—	—	—

The developments in the reparation coal deliveries are of special interest. It will be recollected that the reparation coal was to be supplied at German inland prices. At the time when these terms were laid down, there was a shortage of coal all over the world, and Germany was in the midst of the inflation, so that the inland price of coal in Germany was extremely low. At the present time the reverse is the case: The German inland coal prices are higher than the export coal prices in free traffic, so that French capitalists can buy German coal more cheaply in free traffic than under the terms of reparations, imposing the inland price. The same applies to the Belgian coal deliveries. The result is that France and Belgium are not at all in a hurry to take over large quantities of reparation coal; and on the other hand France is attempting, by means of the prohibition of coal imports, to keep the cheap German export coal from the market, in order to ensure the sale of the reparation coal. A complete cessation of the deliveries of reparation coal and coke would of course render the transfer of the reparation payments more difficult than ever.

The attempts at forming an international coal cartel, that is, the endeavours towards an Anglo-German price agreement, have made no further progress. A point of interest is the visit paid by Frank Hodges, the international General Secretary of the miners, and former minister in Macdonald's cabinet, to the Ruhr area in November. This visit was obviously paid in agreement with, or on the orders, of the English coal capitalists, for the purpose of creating the possibility of cooperation with the German coal industry. In an interview published by the "Bergwerkszeitung" on 25. November 1925 he made the following declaration (translated from the "Bergwerkszeitung"):

"One of the most important tasks of my visit to the Ruhr area has been the investigation of the possibilities of forming an European coal syndicate, which I regard as an indispensable organisation for the regulation of European coal production, markets, and prices. The impressions which

<sup>10)</sup> With Saar area.  
<sup>11)</sup> With East Upper Silesia.  
<sup>12)</sup> Estimate.

I have received in the Ruhr area have enhanced the admiration which I have always felt for the Rhenish Westphalian Coal Syndicate. Without this coal syndicate, splendidly organised in every respect, the Ruhr coal mines would find themselves, under the conditions caused by the present lack of markets, in a state of chaos... The English mines require an organisation of this kind. The formation of such an organisation in England is the prerequisite for an Anglo-German and beyond this for an European coal agreement, to be followed by endeavours towards corresponding agreements with the American coal industry. Only a syndicate of this kind is in a position to regulate the price question of such eminent, if not decisive, importance for the whole coal industry. Sound coal prices, which can only be attained by an international syndicate excluding the possibility of the disastrous dumping policy pursued by some coal producing countries, are the first condition for the prosperity of the mining trade, and last not least, for adequate wages, securing for the miners a suitable compensation for their difficult and dangerous profession... After my return to London I shall report on my impressions in the Ruhr area at the next meetings of the Coal Commission, express my views on the subject of the German Coal Syndicate, and request the government to take steps towards the formation of an English coal syndicate, and thus to make a first advance towards the realisation of the idea of an international coal syndicate."

Hodgas idea is to solve the international crisis by means of an agreement between the German and English capitalists: he converts the demand for the nationalisation of the English coal mines into a demand for an amalgamation of the English coal capitalists after the model of the Ruhr coal syndicate. Both the English and the German capitalists will be grateful to him for his endeavours.

#### Iron and Steel Industry.

The development of heavy industry has varied in the different countries. In England a slight improvement was observable towards the end of the year, but on the whole the English iron industry is still far below the pre-war level. In Germany, and in almost all other countries, conditions have worsened; the output has decreased, the prices are low, and involving an alleged loss. An exception is formed by France, where the inflation has resulted in a price sinking tendency. The development of the French iron prices, expressed in francs and in gold marks, may be seen from the following table:

##### Foundry raw iron III

	Germany	France	England
July 1914 . . . . .	70,—	66,—	51,—
January 1925 . . . . .	89,—	70,—	79,—
September 1925 . . . . .	88,—	68,—	68,—
October 1925 . . . . .	86,—	64,—	67,—
November 1925 . . . . .	86,—	57,—	66,—

##### Girders

	Germany	France	England
July 1914 . . . . .	110,—	132,—	133,—
January 1925 . . . . .	132,—	111,—	188,—
September 1925 . . . . .	132,—	90,—	155,—
October 1925 . . . . .	131,—	92,—	151,—
November 1925 . . . . .	131,—	89,—	140,—

Under these circumstances there has naturally been a great progress in French iron and steel production and export within the last few months.

The American steel and iron industry too is enjoying a boom: in 1925 the output exceeded the record production of 1917. The requirements of the inland market are so extensive that foreign steel and iron have been able to penetrate into the American markets, despite the high tariffs.

The production of iron and steel in the most important countries is shown in the following table:

#### Crude iron:

Monthly average	England	Belgium	in 1000 tons				U. S. A.
			France	Germany	Luxemburg		
1913 . . . . .	869	207	434	1609	212	2601	
1918 . . . . .	768	—	109	989	106	3270	
1921 . . . . .	222	73	280	654	81	1401	
1922 . . . . .	415	134	427	783	140	2276	
1923 . . . . .	636	182	442	411	117	3392	
1924 . . . . .	620	234	638	651	181	2634	
1924 November . . . . .	593	217	634	803	185	2570	
1925 September . . . . .	456	170	717	735	196	2770	
1925 October . . . . .	481	174	739	742	205	3072	
1925 November . . . . .	494	169	740	760	200	3015	
1925 December . . . . .	503	—	—	717	—	3250	

#### Steel:

	England	Belgium	France	Germany	Luxemburg	U. S. A.
1913 . . . . .	649	205	396	1578	101	2564
1918 . . . . .	812	1	151	1248	73	3645
1921 . . . . .	314	66	259	833	64	1628
1922 . . . . .	494	130	373	976	117	2967
1923 . . . . .	719	191	415	525	100	3682
1924 . . . . .	696	238	576	—	157	3104
1924 November . . . . .	684	217	558	580	158	3171
1925 September . . . . .	650	165	632	880	180	3549
1925 October . . . . .	657	171	668	928	185	3655
1925 November . . . . .	654	156	647	876	174	3508
1925 December . . . . .	606	—	—	763	—	3976

The endeavours towards the formation of a European iron cartel have not led to any result as yet. This is greatly due to the standstill in the Franco-German trade agreement negotiations. Or rather, the reverse is the case: the fact that the German and French heavy industrialists have not yet been able to arrive at an understanding has been a hindrance to the trade agreement negotiations.

The situation has changed of late to a certain extent, for — as we already reported — steps are being taken in Germany towards the trustification of the largest Western heavy industrial undertakings. (The final accomplishment of the scheme appears to have been mainly hampered by the enormous taxes to which such a gigantic transaction would be liable.) It now transpires however, although still officially denied, that this German heavy industrialist trust in course of formation will be under American influence. It has already been admitted that as soon as the trust has been formed it will receive a large American loan, and that representatives of the American banking group have already arrived in Germany to make sure that the participators do not bring any worthless undertakings into the great trust.

It need not be emphasised that if this decisive section of German heavy industry places itself under American leadership, the European iron and steel market will show quite a new feature, and the relations of forces will undergo a considerable change.

#### The Crisis in Shipping and Ship Building.

has become less acute during the last three months. This is chiefly to be attributed to the seasonal grain transports and the increased coal transports. In the ship building industry matters have worsened, especially in England.

#### The Price Problems.

##### The wholesale trade index figures.

We append the table of wholesale trade index figures. We find as a rule a slight drop in the countries with stabilised currencies, mainly in industrial goods, whilst the prices of corn and food are inclined to rise.

The following may be observed with respect to price developments in the various countries:

In France and Poland the prices have not risen in accordance with the depreciation of the currency. In France itself the price level only rose by 9% between July and November, although the franc depreciated by approximately 20% in this time. By November the depreciation of the franc amounted to 80% or one fifth of par. The price index figure has risen to sixfold the pre-war figure.



The German price index figures do not correspond with the facts. They do not mirror the decline of prices which has certainly followed the catastrophic crisis. The cause of this is that the price index figures are calculated on the basis of the official cartel prices, whilst in actual fact these prices are already being widely undercut.

Index figures for wholesale trade prices. (1913/14 = 100.)

	United States Bureau of Lab.	England, Economist	Germany Reichs statistic office	France	Italy	Poland	Sweden	Switzerland	Soviet Union, Gosplan	Japan	British India	China
1924 Nov. . . . .	153	180	129	504	621	117	167	170	168	214	176	155
1925 April . . . . .	156	169	131	513	659	119	163	163	197	202	169	159
1925 July . . . . .	160	165	135	557	707	120	161	160	175	199	—	163
1925 Sept. . . . .	160	164	126	556	721	127	157	159	174	200	157	160
1925 Oct. . . . .	158	161	124	572	716	128	154	157	175	201	—	159
1925 Nov. . . . .	158	161	121	605	712	137	155	157	179	200	164	158
1925 Dec. . . . .	—	158	—	634	715	—	—	—	—	193	—	158

The Struggle for the Raw Material Prices.

The struggle waging round the prices of important raw materials, which has already been going on for a considerable time between the United States and England with respect to rubber, has greatly expanded of late. The spokesman of the Americans is the secretary of trade Hoover, who, in a number of speeches and newspaper articles, is fighting against the monopolist prices fixed for important raw materials. On 1. November he declared, in a speech before the Chamber of Commerce in Pennsylvania, that there are a large number of important raw materials which America is obliged to import at prices maintained at an artificial high level by monopolies: coffee, silk, rubber, saltpetre, potash, Sisal hemp, mercury, tin, and some dyes and tanning material.

The United States expend 800 million dollars yearly on these goods. The difference between the present high prices and the "reasonable prices" was stated by Hoover to be 300 million dollars yearly. All these high prices are maintained with the help of the governments. The United States could create monopolies in their turn, and maintain artificial high prices for important raw materials, such as cotton, petroleum and copper. But such action would only hinder the further restoration of Europe. The United States could restrict the consumption of the articles monopolised, could support the production of the goods in question for the purpose of creating competition abroad, demand monopoly prices, refuse American credits. But this would mean trade war and would be the last resort. Hoover hoped that the governments concerned would refrain in future from supporting the artificial raising of prices, which had only the effect of rousing bad feeling abroad<sup>13)</sup>.

Here Hoover not only threatens reprisals, but conceals them under a hypocritical phrase to the effect that the American government will only apply them as a last resort. But as a matter of fact America is already employing these weapons. The German potash loan and the Brazilian coffee loan have been frustrated. Tremendous exertions are being made to produce rubber in American colonial territory<sup>14)</sup>, etc. We will only make a brief investigation of the most important kinds of goods here coming in question:

1. Rubber. The price of raw caoutchouc, as the reader knows, is regulated by the Stevenson system. The essential point about this system is that the quantity of rubber exported from English territory producing caoutchouc is systematically restricted, in accordance with the requirements of the market. According to this system a 100% export is permitted from February 1926. This does not however mean that any quantity can be freely exported, but solely the maximum stated in the plan! The

consumption of rubber increases by leaps and bounds with the rapid progress of the motor car. It has increased tenfold since 1900, and has doubled in the last five years.

The consumption in 1000 tons<sup>15)</sup>, reduced to dried rubber, has been:

	1921	1922	1923	1924	1925 <sup>16)</sup>
Total consumption . . . . .	265	390	430	470	560 <sup>16)</sup>
Consumption in U. S. A. . . . .	180	296	300	320	375 <sup>16)</sup>
Consumption in Europe . . . . .	41	62	60	66	100 <sup>17)</sup>
Production . . . . .	294	380	413	421	500

Production, or rather the quantity allowed for export, has remained constantly behind consumption since 1922, when the Stevenson system was introduced, although the Dutch plantations have greatly increased their export. The output, in 1000 tons, has been as follows:

	Brit. Malaga	Dutch East Indies
1921 . . . . .	151	71
1922 . . . . .	251	91
1923 . . . . .	195	123
1924 . . . . .	180	152

Rubber prices have developed as follows: (Pence per English lb)

1914	1924	1925	17. July	Beg. Oct.	Beg. Dec.	1926 10. Jan.
28	14	20	53	42	54	43

We see from this that the sum of 300 millions overprice yearly, stated in many American articles, as the amount paid in excess to England for rubber, is approximately right. If we take the higher American statement of 900 millions lbs import as basis, and take 20d as the "reasonable price", then the excess sum paid annually actually approximates this amount. Considerable indignation has already been aroused in America by this fact, and the press does not fail to fan the flame<sup>18)</sup>.

The exceedingly conservative "Washington Post", practically a government organ, writes that the game being played by various foreign governments is a dangerous one; should American cotton be similarly manipulated, for instance, in the way in which British traders manipulate rubber, then the textile industry of Great Britain would be ruined in a very short time.

Another newspaper reminds us that during the war the English demanded very high prices for wool, jute, and tin from the United States, but reduced these prices immediately when being threatened with a rise in the price of copper. This meant an annual saving of 45 million dollars for wool, and 75 million for tin<sup>19)</sup>. This agitation falls on fruitful soil among the motor car owners who are being told that they are having to pay 30 to 70 dollars more per car for their tyres. We only need to glance at the American caricatures in the "Literary Digest"<sup>20)</sup>!

However, a few honest voices are heard, especially among the great newspapers. The "New York Times" observes that if the Americans had a monopoly of rubber, Congress would certainly forbid any foreign government to lay a finger upon it.

This is the line adopted in general by the English press. Any attempt to drag in a "moral" element is logically rejected. It is pointed out that, the United States have advised the American farmers to restrict the area under cultivation for wheat or cotton, in order to drive up the prices.

As a matter of fact it is not a question of morals, but of power. So far Congress has appointed a commission for inquiring into the prices of goods controlled by foreign governments, and a large company of motor car manufacturers has been founded for the purchase of rubber plantations abroad. Production is said to have greatly increased in Liberia, in the Philippines, and in the Panama Canal zone. The working up of old tyres is reported to save 25% of the consumption, etc. The English maintain that this will greatly worsen the quality of

<sup>13)</sup> "Times", 11. January 1926.

<sup>14)</sup> Estimate.

<sup>15)</sup> American sources give a higher import estimate: 450,000 tons, or 900 million pounds.

<sup>16)</sup> Two surveys published by the "Literary Digest" on 21 November 1925 and 9. January 1926 are characteristic of this.

<sup>17)</sup> See "Literary Digest", November 1921.

<sup>13)</sup> See "Times", 2. November 1925, as also other speeches and articles of Hoover's.

<sup>14)</sup> The American ministry of commerce announces that next year America will produce 200,000 tons of rubber on its own plantations. This statement is probably a manoeuvre to lower prices.

American tyres. We are however of the opinion that the Americans will succeed in reducing the price to a "reasonable" level.

It is further interesting to note that the high price of rubber has been exploited by the American tyre manufacturers as a pretext, for a disproportional rise in the price of tyres. Before the Stevenson plan tyres cost 23 dollars, and contained rubber worth 2 dollars. The rubber now costs 5 dollars, but the tyres cost 40 dollars. The greatest profit falls to the American tyre manufacturers, in whose interests the whole fuss is being made<sup>20)</sup>. The handful of extremely wealthy tyre manufacturers is one of the strongest supports of the Republican Party, one of the most generous sources of money for electoral campaigns — and Hoover aspires to the presidency in 1928<sup>21)</sup>.

On the other hand, it is an actual fact that during the last few years the English rubber companies have gained enormous profits. The rubber shares rise from day to day. In 1925 fresh rubber shares to the value of over 13 million pounds were issued in England.

The whole conflict throws new light upon the actual methods employed in earning colonial profits. Whilst the planters harvest enormous gains, the poor workers in Indo-China continue to receive starvation wages.

2. **Coffee.** The Brazilian state of Sao Paulo has founded a Mixed Economic Company possessing an actual monopoly of the import and export of coffee; this company maintains prices by means of the restriction of exports, with the result that the prices are about three times as high as before the war. Sao Paulo produces, in round figures, one half of the world's coffee. The greatest consumer is the United States where consumption has greatly increased since the prohibition of alcohol. The Americans are trying to press the prices down again by forced purchases in other markets, refusal of credits, etc.

3. **The other goods** which are the subject of monopolies are of little importance, and it is not worth while to deal with them in detail.

4. **Cotton.** Cotton takes the first place among those commodities whose monopolisation and price determination would be likely to bring great advantage to America. Although great and successful efforts have been made of late years to extend the cotton plantations in China, and in the English and French colonies of Africa and Asia, still the United States have a monopoly in so far that their cotton is indispensable in the world's markets. In recent years the United States have produced about 60% of the world's output, and, despite their own enormous consumption, they are still the greatest exporters. Besides this, other cottons are much shorter in fibre, so that from the point of view of quality the American cotton is not easily replaced. The American government has so far contented itself with issuing biased reports on the crops<sup>22)</sup>, and with recommending that the area under cultivation should be restricted, in order to drive the prices up. It would however be easy enough to drive the prices up much more efficiently by means of a state regulation of export.

5. **Copper, lead, zinc.** The United States produce about 60% of the world's output in these metals, and could certainly dictate high prices to Europe if the government regulated their export.

6. **Petroleum.** In the case of petroleum, on the other hand, a monopoly would not be possible. The United States are already compelled to import large quantities of crude oil from Mexico. The Standard Oil Co. is looking for fresh oil fields all over the world. The export of petroleum is exceedingly small in comparison with the consumption in the United States and the rest of the world, so that a monopolist dominance of the world's markets by America — as hinted at by Hoover — appears to us to be entirely impossible, the more so when we take into account the wealth of petroleum of the Soviet Union, which is only partially exploited.

#### The Grain Prices.

For the economist the development of grain prices during the last few months presents a difficult problem. Apart from the great fluctuations in price, and the varying prices demanded at different Exchanges, the following question is exceedingly difficult to answer:

<sup>20)</sup> "Times", 8. January 1926.

<sup>21)</sup> "The Statist", 9. January 1926, p. 50.

<sup>22)</sup> See Economic Service (Wirtschaftsdienst).

The world's crop of bread corn, according to the official estimates, which agree with the private estimates where these have not obviously been faked for exchange manoeuvres, amounts this year to 71 million double hundredweights of wheat, and 70 million double hundredweights of rye, more than last year, without taking into account the crops of the Soviet Union, which are also much greater this year. In spite of this, the price of wheat was rather slightly higher at the end of the year than lower, in comparison with the end of 1924. Thus the question arises: **Why do the prices for wheat not sink, since the crops are so much better?**

The latest official data on the world's crops as compared with other years, are as follows:

#### The world's crops.

	In million cwts (100 kgs)			
	1925	1924	1923	Average 1909/14
<b>Wheat:</b>				
Europe (24 countries) . . .	371,6	283,8	337,5	365,4
North America (3 countries) . . .	307,5	311,7	349,8	244,5
Argentina . . . . .	58,4	52,0	67,4	40,0
Asia (5 countries) . . . . .	101,8	110,6	113,2	106,0
Africa (5 countries) . . . . .	31,6	24,7	30,7	27,3
Australia . . . . .	27,2	43,9	34,0	24,6
Total . . . . .	898,1	826,7	932,6	807,8
<b>Rye:</b>				
Europe (22 countries) . . .	232,2	161,2	204,4	245,6
America (3 countries) . . .	18,0	20,0	22,9	9,9
Total . . . . .	250,2	181,2	227,3	255,5

We may at once observe that the present rye prices correspond with the better crop. Rye is cheaper in all markets than it was a year ago, in Germany and France it is even cheaper than before the war. This at least permits the conclusion to be drawn that the difference in the price developments of wheat and rye, and the cheapness of rye, has not led to any notable extension of the consumption of rye at the expense of the consumption of wheat. The different peoples appear to be very conservative with regard to the kind of bread corn consumed, and there is besides a tendency to diminish the consumption of rye and rice, and to increase that of wheat. With regard to wheat, we append a table showing the development of the wheat prices per double cwt., in gold francs, as calculated by the Roman Agrarian Institute from test days selected at the beginnings of the months. The January figures, which are not yet available, will likely show a further rise all along the line, although not a very great one:

#### The development of wheat prices.

	Winnipeg	Chicago	Liverpool
	Nr. 1 Manitoba	Nr. 2 Winter	Nr. 1 Manitoba
1922 March . . . . .	27,29	26,66	34,27
1922 July . . . . .	25,62	22,14	30,32
1922 September . . . . .	19,42	19,68	25,21
1922 December . . . . .	20,95	23,23	26,47
1923 March . . . . .	20,82	22,80	25,77
1923 July . . . . .	20,88	19,85	24,66
1923 September . . . . .	21,65	20,04	25,15
1923 December . . . . .	17,84	20,37	22,86
1924 March . . . . .	18,67	21,33	24,19
1924 July . . . . .	23,09	22,37	26,30
1924 September . . . . .	25,80	23,92	30,26
1924 December . . . . .	31,17	29,71	35,43
1925 March . . . . .	36,01	34,97	42,58
1925 July . . . . .	29,73	28,18	33,85
1925 September . . . . .	29,90	29,94	32,15
1925 December . . . . .	31,57	34,23	36,93

From this table we see that the difference between the prices at the end of 1923 and end of 1925 at the leading Exchanges is a very great one, exceeding as a rule 50%, and even amounting to 80% in the case of Canada.

We must compare the following facts: The world's crop, without counting the Soviet Union, is larger by 70 million double cwts than last year's, and only 35 million double cwts less than



in 1923, the year of the catastrophically low crisis prices. Expressed more graphically, in percentages: The world's crop is this year larger by 8% than in 1924, and in round figures 4% smaller than in 1923. If we keep this fact before us, and observe at the same time that the present price for wheat is at least as high as last year's and 50 to 80% higher than the prices paid at the end of 1923, although the crop is only 4% less than in that year, then we are faced by the following possibilities: **Either the figures stated for the world's crops are incorrect, or the consumption of wheat has greatly increased within the last few years, or the present wheat prices are being artificially maintained by monopolist organisations.**

If we consider the export and import possibilities, we find the following:

The amount of wheat available for export in the five great export countries was estimated by the Roman Institute for the 1. August, 1925, that is, after the crops had been harvested in the Northern Hemisphere, but before the harvests of the Southern hemisphere:

#### Quantities of wheat available for export on 1. August:

	1924	1925
Canada . . . . .	55.4	70.2
United States . . . . .	60.7	18.4
British India . . . . .	10.6	0.6
Argentina . . . . .	11.4	12.1
Australia . . . . .	3.1	3.5
Total . . . . .	147.2	113.8

The reason of the lack of agreement between the good crops and the high prices is thus to be explained for Europe as follows: Either the crop in Europe has been over-estimated, or the consumption of wheat in Europe has greatly increased. The following fact may be ascertained: In spite of the great crops reported for the so-called Danube countries, stated to have produced a large surplus this year (the surplus is stated at 20 million double cwts for Yugoslavia, Hungary, Roumania, and Bulgaria together), these countries have so far placed only very small quantities on the export market. This is certainly one of the sources of the error in the calculation. Either the consumption of these agrarian countries has risen greatly, or the crops have been over-estimated.

Which of these causes: the unreliability of the official estimates, the increased consumption in Europe, or the artificial maintenance of prices by the country leading the export in this year, is the cause of the disagreement between crops and grain prices, cannot yet be ascertained. It is very well possible that the next few months will see a complete collapse of the wheat prices, just as the rye prices, as already mentioned, are now lower than even before the war.

#### Interallied Debts and the Reparation Question.

During the last few months a number of war debts to the United States have again been consolidated: the **Roumanian, Czechoslovakian and Estonian** debts. These taken all together amount to only a very small sum. Agreements have also been concluded with **Belgium and Italy**. The small debts are one and all settled on the basis of the British debt consolidation agreement. In the case of **Belgium and Italy** the United States were however obliged to make great concessions from their original demands.

Belgium's debts have been settled in such manner that the war debts themselves are released from the necessity of paying interest, and only the post-war debts are liable to interest. The whole agreement means an average rate of interest of 1%.

The Americans have been even more obliging with regard to the Italian debts. The external impression given is that the Italian commission was much more successful in representing its standpoint than was Caillaux as representative of the French. Whilst the French referred constantly to their sacrifices during the war, and attempted besides to make the amount of their payments dependent on the reparation payments obtained from Germany, the Italians laid their chief emphasis upon demonstrating that their country is poor, and simply incapable of paying any higher sum. They claimed that they should only be obliged to pay amounts in proportion to their resources as compared with those of England and Belgium. By means of these arguments they succeeded in obtaining an agreement which is extremely advantageous for Italy. In the first five years Italy

pays five million dollars, in the next ten years 14 to 18 million dollars, the sum rising from decade to decade up to a maximum of 80 million dollars. Thus for an original debt of 1648 million dollars Italy has only to pay not more than 2407 million dollars during the whole period of 62 years, that is, the actual sum paid will not exceed 2% yearly at most.

This obliging attitude towards Belgium and Italy shows that the comparatively shabby treatment with regard to France is not due to economic causes, but to political ones. It has obviously been the different attitudes adopted by France and Italy to the foreign political aims of the United States which has caused the difference of treatment. That it was not Italy's economic arguments which turned the scale may be gathered from the following figures, published by the Bankers Trust Comp. at the beginning of the negotiations.

#### The comparative taxation of Italy, France, the United States and Great Britain.

	Total taxation 1913/14 1924/25 (in Mill. Dollar)		Per head 1913/14 1924/25	
	Italy . . . . .	437	497	12.85
France . . . . .	1,005	1,141	25.56	29.06
United States . . . . .	1,987	4,753	20.91	41.91
Great Britain . . . . .	1,245	2,521	27.06	57.03

  

	National income 1913/14 1924/25 (in Mill. Dollar)		Amount of tax in percentages of national income 1913/14 1924/25	
	Italy . . . . .	3,900	3,400	11.21
France . . . . .	7,300	7,000	13.77	16.30
United States . . . . .	34,400	34,625	5.78	13.73
Great Britain . . . . .	10,900	11,008	11.42	22.71

This table shows that the taxation per head of the population in France is more than double that of Italy<sup>24)</sup>, and constitutes a higher proportion of the national income. It need not be said that all the figures do not prove much, but they show at least that purely economic questions have only served as a pretext.

Senator Borah, writing on his standpoint with respect to France's solvency, expressed it as his opinion that no country in Europe is so well off as France. Since the war France has maintained an active army about a million men, and a reserve army of 4.5 million. It has built more aeroplanes than Great Britain, the United States, and Japan together. At the present time it is combatting the Riff people with 200,000 men, and the press reports show us daily that the Syrians, even under the humane rule of the mandate, are being made to feel the frightful force of French militarism. Besides this, France has lent other countries large sums for military purposes<sup>25)</sup>.

Here Senator Borah refers to French militarism only, and draws the conclusion that to alleviate France's financial distress would mean to help the further development of French militarism. It is however obvious that Italy's militarism is by no means less than France's. Still the fact remains that the United States maintain the financial boycott against France, but on the other hand show every anxiety to meet Italy's wishes with regard to credits. In this connection it may be mentioned that the report issued by Mellon, the American minister of finance, admits for the first time, officially, the existence of a credit boycott against those nations whose war debts are not yet settled, that is, against France.

Bankers who have asked the government for advice have been told that the government refuses to permit financial transactions of this kind. This is a powerful weapon in the hands of the United States, and it will enable America to force France to submit to its demands.

No essential change has taken place in the reparation question during the last few months. The reparation payments have been made regularly by Germany, and it has been possible to transfer the payment to the Entente states except for a current amount of 83 million gold marks. The disastrous effects of the carrying out of the Dawes plan will be really felt for the first time this year, and to their full extent in two years, for this year's payments 1220 million goldmarks, have been

<sup>24)</sup> The Commercial and Financial Chronicle, 14. November 1925, p. 2353.

<sup>25)</sup> Quoted in the „Bergwerkszeitung“, 20. November 1925.

covered to a great extent by the sale of Reichs railway preference shares to the value of 500 million marks, and not out of the current revenues of the state.

There has been much comment in the press on the visit paid to the United States by the reparation agent Gilbert at the end of the year, Schacht, and later the governor of the Bank of England, visited America at the same time. Gilbert held various conferences with the directors of the Federal Reserve Board, with Mellon, etc. All kinds of suppositions and combinations have been mooted about these conferences. The most probable assumption is that what has been discussed is a mobilisation of the reparation debt in such manner that one part of the 11 million marks of debentures of the Reichs railway company are put on the market in America, France being given the opportunity of settling its most urgent financial obligations with the proceeds.

This would however require that the amount of the reparation payments be finally settled, which is not done in the Dawes plan.

In the question of the settlement of the interallied debts great progress has been made during the last few months, thanks to the compliance of the United States. The reparation payments are going on steadily. But so far no real solution of the problem has been discovered. The burdens imposed by the Dawes agreement will weigh heavier from year to year, further weakening the shaken economics of Germany, and further aggravating the crisis.

#### The Fairy Tale of the Workers who become Capitalists.

A new ideology is arising in the struggle against the revolutionary movement of the working class: the fairy tale of the transformation of the workers into capitalists. The necessity of this new ideology has mainly arisen out of the fact that the rapidly advancing economic progress of the Soviet Union is offering actual proof to the workers that the productive forces, developed under capitalism, can be dominated and further developed by the workers themselves. In order to create a counterweight, the capitalists and social democrats now announce that the economic developments of post-war capitalism are leading to the disappearance of the difference between capitalists and workers.

This new theory takes its origin in America, and is expounded in quite a number of books<sup>26)</sup>.

We shall try to give a brief outline of this teaching. As basis we may take the most representative of these books, that by Carver, professor of political economy at the Harvard university. The leading idea is the following:

Capitalism is an eternal category, identical with private ownership. The latest development of capitalism creates the possibility of prosperity for all. Up to now there have been no revolutions, for all the revolutions which have hitherto taken place have not caused any essential changes in the conditions of ownership. There have only been political revolutions. Thus the class war of the working class against the capitalists is complete nonsense, as also the fight against capitalism, since the working class is on the way to the direct appropriation of capital.

The social revolution is being accomplished by the American capitalist class itself, since it gives a like income for work of like quality. The difference lies solely in the degree of risk involved in the different occupations. "Like wages for like work". This economic revolution has already begun with the cessation of the mass immigration of unskilled workers (p. 47), and the sole danger threatening further development in this direction is the smuggling in of emigrants over the Canadian and Mexican frontiers.

#### The statistical bases for the new theory.

The following facts are brought forward as proof of the gradual appropriation of capital by the workers:

1. The increased savings in the savings banks,
2. The increased life insurances,
3. Purchase of shares by the workers,
4. The growing prosperity of the workers' banks in America.

<sup>26)</sup> Thomas Nixon Carver. "The present economic revolution in the United States", Boston 1925. — Richard Böckel, "Labors Money", New York 1923. — Robert S. Brookings, "Industrial ownership", New York 1925.

The following table shows the comparative increase of deposits with the American banks: savings banks, state banks, trust companies, private banks, and national banks.

	Deposits.		
	Sum total	Per head	Total number of depositors
1914	8,729	89	11,38
1924	20,874	186	38,87

Carver observes<sup>27)</sup> that all these savings do not of course belong to wage workers, but the phenomenal increase in the number of depositors shows that during the last ten years a very large number of small savers have been added.

#### Life insurances:

	Sum total	15,5 milliard dollars
1912		
1925 January	" "	60 " "

The number of life insurance policies is estimated at 83 millions at the present time<sup>28)</sup>. To this Carver comments that since the possessors of these life insurance policies are actually the owners of those values invested in the insurance funds, there are about 45 million owners owning property in this form.

#### Building societies.

	Total membership (mill.)	Sum total (mill. dollars)
1914	3,1	1358
1923	7,2	3941

With regard to the shares owned by workers no comprehensive compilation has been made. A great many individual statements are however available on the rapid increase of the number of share holders in the large companies. We append a few examples.

**United States Steel Corporation.** The number of workers and employees is something over 200,000. In the course of the last few years tens of thousands of employees have subscribed the shares of the undertaking. (Maximum 1921: 81,722.) The number of shares bought by the employees and workers in 1921 was 255,325.

**American Telephone and Telegraph Co.** 94,000 workers have subscribed the shares of the undertaking.

**General Motor Corporation.** 6000 workers out of 72,000 possess 270,000 shares to a value of 4 million dollars.

**International Harvester Co.** 70% of the workers employed by this undertaking possess its shares, to a total value of 5 million dollars.

**Firestone Rubber Co.** 90% of the workers are shareholders in the undertaking.

**Bethlehem Steel Co.** 14,000 workers own shares in the undertaking, etc.

Not only are the workers shareholders in the undertaking in which they work, but they possess shares in other enterprises. The redistribution of capital in the United States is shown by the rapid increase in the number of shareholders, as follows:

	1911	1924
Standard Oil Co. . . . .	6078	300,000
Armour & Co. . . . .	—	77,000

In 1890 thirty three railways were owned by 81,252 shareholders possessing shares to the average value of 17,087. In 1923 these same undertakings had 602,000 shareholders, the average having dropped by 40%. The various undertakings classified under "public utility", such as gas works, electric works, water works, tramways, etc., have sold their shares in hundreds of thousands to their own customers. The best known example is the distribution of the Bell Telephone System shares: 560,022 shares are owned by 97,835 shareholders belonging to 90 different professions. A list of these different occupations, and the number of those following the various professions, with the proportion of shares owned, is given in the appendix to the above mentioned book by

<sup>27)</sup> See Carver, page 92.

<sup>28)</sup> Estimated by D. F. Houston, former chancellor of the exchequer to the Union, quoted by Carver, page 93.

**Brooking.** The list contains every description of worker: chauffeurs, tailors, building workers, railwaymen, hotel employees, etc.

Of the income from dividends liable to taxation the following proportions were owned by persons whose yearly income varied between 100 and 5000 dollars<sup>29)</sup>:

1916 . . .	36 millions	=	1,8%	of total dividends
1917 . . .	190 "	=	9,5%	" " "
1918 . . .	335 "	=	14,1%	" " "
1919 . . .	325 "	=	13,3%	" " "
1920 . . .	372 "	=	?	" " "
1921 . . .	562 "	=	22,7%	" " "
1922 . . .	491 "	=	?	" " "

The worker's banks have developed rapidly in America in recent years. They have been established by the various trade unions. Their total capital force was estimated at 150 million dollars in 1924.

In England it was calculated at the beginning of 1925, by Walter Runciman, former chancellor of the exchequer, that there were 15 million capitalists in England, possessing a total of 778 million pounds in savings deposits alone, apart from the deposits with the co-operative societies, building societies, and life insurance companies.

This figure is impressive in itself, but its significance can only be understood when we compare it with the total income, or with the growth of the total capital, of the nation. The sum of 788 million pounds quoted by Runciman, is not more than 5% of the total national capital, so that the amount falling to the 15 million worker capitalists is very small. In the United States the total capital of the nation is estimated at the present time at so many milliards of dollars, and however much the apostles of the teaching of the disappearance of the difference between capitalists and workers may endeavour to show a high percentage of this capital to be in the hands of the workers, in actual fact the workers' share is insignificant compared with that of the capitalists, and it is very much the question whether the workers' share will really grow more rapidly than the capitalists'.

Of course the fact cannot be denied that a certain section of the American working class has the possibility of saving, and of investing these savings in shares. This is mainly to be attributed to the circumstance that the great natural wealth of the United States is just at the commencement of being really tapped. And it must not be forgotten that the population of the United States at the present time just about equals the total populations of Germany, France, and Belgium, whilst the territory of the United States is eight times larger, and much richer in natural resources than any one of the three above named countries.

The great prosperity of capitalism in the United States during the last two decades, accompanied by the usual capitalist symptoms of the concentration of wealth in a few hands and as a result of it the isolation of the capitalist class from the other classes, makes it desirable at the moment to the capitalist class to create a workers' aristocracy to be fobbed off in some way by crumbs from the table of capitalist profit. It is the same historical process through which Germany and England passed through last century. The theory of the disappearance of the difference between capitalists and workers is in its essence nothing else than a fresh edition of Bernstein's revisionism.

Here special attention should be given to the fact that the object of making employees and workers shareholders in the capitalist undertaking in which they are employed is simply to bind the workers to the undertaking.

**The disposition of capital remains in the hands of the capitalists.**

A further point of supreme importance is that, despite the great number of shareholders, the right of disposing of the capital is entirely retained in the hands of a small group of these shareholders. This is accomplished by the system of dividing the capital into preference shares and shares A and B, whereby the only few number of the B shares is endowed with a right to vote. (In Germany the system usually employed is that of the plural vote, up to the hundredfold vote, and serves the same purpose.) This fact has been particularly emphasised by Prof. Ripley of Harvard University<sup>30)</sup> He very rightly points out the well known fact that even were the distribution of the votes to be equal, the small

shareholders have not the inclination, the knowledge, nor the possibility of exercising any influence upon the business management. The system of preference shares completely destroys this possibility also legally.

It need not be said that when a joint stock company is ruled by a small group of capitalists, these will find ways and means of putting the greater part of the profits into their own pockets. Present developments have obviously called forth a change of tactics among the American capitalists. Formerly a group of capitalists possessed a large number of shares in a small number of undertakings. At the present time the same group of capitalists rather strives to possess a proportionately small number of shares in an increased number of undertakings, thus gaining the possibility of earning greater profits on their own capital than before. The shareholders are deliberately allotted the function of loan capital. They receive a more or less low fixed rate of interest in the form of dividends, whilst the actual capitalist profit (profit minus interest on the loan capital) falls to the big capitalists.

**The influence of the new teaching on the working class.**

There can be no doubt that this new teaching has already exercised a considerable influence over the workers. Especially in the United States, where, as mentioned above, the material basis actually exists for an increased degree of prosperity for the working class within the capitalist regime, though the extent of this basis is being deliberately exaggerated.

Mr. Stone, the Director of the Engine Drivers Bank in America, states<sup>31)</sup> that whilst the ordinary savings banks make it their endeavour to persuade their depositors to leave their money in the banks, this bank is anxious for the depositors to withdraw their money. As soon as anyone has saved 500 dollars, he is induced to buy debentures. When a man has once cut off a coupon he wants to cut off another one, and he begins to save for another paper. The working people have often enough invested their savings in bad securities up to now. They have been deceived. This bank is endeavouring to work in a contrary direction, and to educate the working people to make safe investments.

Mr. Stone further observes that when the Cleveland Bank entered for the first time into an agreement with the largest Wall Street Bank for the common purchase of debentures, this signified an epoch in the history of American finance. Here a Wall Street Bank extended a hand to a workers' bank in a financial transaction involving the mutual purchase of debentures, to the value of 3,5 million dollars, in the great Northern Railway Co. The Cleveland Bank is now selling these debentures, and gives the first opportunity of purchase to the railwaymen. Every engine driver, every stoker, every guard or mechanic, who buys one of these bonds, has an additional interest in the railway. He is a creditor. The first interest of the creditor is the solvency of the debtor. When the great Northern Railway prospers, the owners of its debentures are secure of a good investment. The workers possessing these papers will do their best to render efficient service to the railway, since this is the way to prosperity.

Community of interest between the workers possessing securities and the capitalists is here openly proclaimed.

With respect to the possibilities of absorption of capital by the workers, the workers' leaders find these possibilities unlimited. Mr. Stone maintains that the saving powers of the American working class are so great that if they would save, and invest their savings carefully, they could become one of the dominating financial powers of the world within ten years<sup>32)</sup>.

Various bourgeois heralds of the new slogan of salvation are already calculating that within a few years the American workers could buy up the whole railway system of the United States, etc.

The most remarkable thing about the whole matter is that this ideology of the buying up of the capitalists by the savings of the workers has found adherents in Germany, although the economic conditions are radically different here. Out of many expressions of opinion we shall only quote that of the "Left" Aufhäuser, who calls upon the trade unions to follow the

<sup>29)</sup> "Financial Chronicle". 14. November 1925. p. 2357.

<sup>31)</sup> See Carver pages 116/117.

<sup>32)</sup> Carver especially emphasises this passage.

<sup>30)</sup> Carver. pp. 108/109.

example of the building trade union association, to collect extra subscriptions, create an economic fund, and place this at the disposal of the workers' bank, in order to gain a financial foothold in the capitalist world.

That which is impossible of execution in America, even though the rapid capitalist progress there furnishes a certain economic basis for it, is nothing but a thoughtless and senseless imitation under German conditions.

#### The standpoint of the capitalists.

Whilst on the one hand the American capitalists attempt to give the appearance of community of interests between capital and labour by means of permitting their workers to buy debentures and shares, this pretence dissolves at once as soon as real struggles come in question. In the strike of the anthracite miners, which has now been going on for more than half a year, the leading capitalists proceed on the most ruthless capitalist methods. The "Financial Chronicle", the leading organ of the American bourgeoisie devotes a special leader to the strike on 17. October, in which it is plainly stated that all compliance towards the workers must be put an end to.

Even more interesting than this is the attitude adopted on principle by this leading organ to the resolution of the Trade

Union Congress on the desired line of development for working wages. The resolution states that social inequality, and instability in industry, and injustice, are bound to grow until such time as the real wages of the working class — the purchasing power of their wages — combined with a continuous reduction of working hours, advances in proportion to the increased productive powers of the workers<sup>33</sup>).

The big capitalist paper naturally employs the strongest possible expressions against this idea, and expounds that the profit won through the use of the machinery belongs to the capitalists, and that it is a flat impossibility to adapt working wages to the increased productive powers of the machinery.

From all this we can see that as soon as the capitalists feel their interests threatened in reality, they act very differently in actual practice than we might expect from the phraseology employed by both ideologists and capitalists so long as it is only a question of trapping the workers.

We have dealt in detail with this new ideology, for we are of the opinion that it will spread far within the next few years, both among the capitalists and especially among the social democrats.

<sup>33</sup>) "Financial Chronicle", 24. October 1925, p. 1965.

(To be continued.)