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Economics and Economic Policy in the II. Quarter of 1926.

(Concluded up to 18. July 1926.)

By E. V a r g a.

I. General Section.

During the last quarter economic conditions have again varied greatly in the different capitalist countries.

In the United States the spring depression now repeated for the fourth time has been less intense than in previous years. The signs of a coming crisis are increasing, but there has been no acute outbreak as yet. Economic conditions appeared to improve at the turn of the half year.

In England the miners' strike has done great damage to economic life, and has brought whole branches of industry — especially heavy industry — practically to a standstill. Many months will pass before England's economic condition can become by any means normal again.

The falling off of coal and iron production in England has revived heavy industry in all the countries of Europe. It is precisely in the coal and iron industry that chronic depression has been most severe, and thus the English lockout has had a favourable effect upon economic conditions on the continent. The pit heaps have been greatly reduced in Germany, Belgium, and Poland. The collieries are once more working with full shift, and more miners are being engaged for the first time for years. It need not be said that this improvement is only temporary. As soon as English coal and English iron reappear on the markets of the world, this improvement will be swept away again.

Apart from the effect of the coal strike, there is no improvement to be recorded in economic conditions in Europe. On the contrary, if we deduct the seasonal improvement incident to agricultural occupations and building activity, the actual situation may be said to be worse.

In Germany in particular the anticipated or pretended results of rationalisation in productive methods have not been realised. The number of unemployed in actual industry continues to increase¹⁾. The position of those undertakings which have

¹⁾ It is characteristic that in Berlin, where seasonal employment does not play so great a part in the labour market, unemployment is increasing from week to week.

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withstood the crisis, and are combining to an ever greater extent in monopolist concerns, has somewhat improved; the position of the working class has worsened.

In countries where there is an inflation at the present time — France, Belgium, Italy — the currency has passed through many fluctuations. In Italy the currency stabilised again with comparative rapidity, if on a somewhat low level; the French and Belgian currency, on the other hand, sank once more to the lowest level at the turn of the half year, despite considerable support. Economic conditions in these countries have been affected in the manner invariably attendant on these fluctuations.

During the next few months we may expect increased prosperity in the heavy industrial countries of the continent of Europe, until England's production gets under way again. On the other hand, the probably poor crops in many of the countries of Europe will have an unfavourable effect on economic prosperity. These two opposing tendencies will probably balance one another, so that we must not calculate on a definite turn towards greater prosperity.

In political economy the increased tariffs in Germany are of great importance. The joint exploitation of the home markets by

large agrarians and big industrialists, protected by a wall of tariffs: the pre-war system is coming into full force again. Various international economic conferences have been held without tangible result. Thus the International Interparliamentary Commercial Conference in London at the end of May; a conference of the leading French and German big industrialists in Luxembourg, intended to represent a "Committee of Information and Documentation". Nothing is stated of the actual aims of this committee. We only learn from the "Times" of 1. June that the question of a revision of the Dawes Plan is to be dealt with shortly. We deal with this question further on, as also with the problem of stabilising the still unstable currencies by means of co-operation among the American, English, and German central banks of issue.

a) Unemployment.

Unemployment in Europe has been affected by many cross currents. The summer season has lessened unemployment, the rationalisation in Germany and the generally downward tendency of the world's economic conditions have increased it. This latter tendency has again been counterbalanced in the heavy industrial countries by the results of the English strike, through which there has been an improvement in the continental coal and iron industry.

In England, on the other hand, unemployment has increased by leaps and bounds since the beginning of the strike, from 1 million to 1,6 millions (without the one million miners, and obviously without the cotton industry, in which weeks of work are now alternating with weeks of enforced holiday). These figures have remained practically unaltered for four weeks. It would almost seem as if these English figures are being kept down artificially. The unaltered number of unemployed is a flat contradiction of the bourgeois reports on the conditions obtaining in the various branches of industry, reports stating that industry is being paralysed more and more — especially heavy industry — on account of the shortage of coal. And it is a strange thing that eight weeks after the beginning of the coal strike in 1921 the number of unemployed rose to 2,6 millions, an increase of 900,000, whilst at present the number of unemployed is 1,6 millions and the increase only 600,000²⁾.

The following table shows developments in the unemployment figures:

Percentage of Unemployed among the Workers Organised in Trade Unions

	En land	England of all insured	Belgium ¹⁾	Holland	Denmark	Norway	Sweden	Germany	Germany part timers	Unit States degree of employment (1919 = 100)
1923 May .	11,3	11,2	3,6	9,6	8,9	9,3	10,7	5,9	21,7	103,0
1924 May .	7,0	9,5	3,2	6,1	5,8	7,9	7,6	9,4	8,2	93,0
1925 May .	10,1	11,2	6,2	6,9	12,0	9,5	7,8	3,6	5,0	94,9
1926 Jan. .	10,6	11,1	8,1	17,7	31,1	21,5	15,7	22,6	22,6	96,3
1926 Feb. .	10,4	10,5	4,7	10,5	28,3	22,9	14,8	22,0	21,6	97,0
1926 March	10,1	9,8	4,2	7,7	23,2	24,1	14,7	21,4	21,7	97,2
1926 April .	—	9,2	—	6,5	17,7	—	12,2	18,6	19,1	96,4
1926 May .	—	14,5 ²⁾	—	—	—	—	0,7	18,1	—	—
1926 June .	—	14,2)	—	—	—	—	—	5,0	—	—

¹⁾ Unemployment Funds Report.

²⁾ Without the coal trade.

b) Currency Problems.

The rate of exchange of European currencies has fluctuated greatly during the last few months. In Europe there are nine countries with unstable currencies; of these six have a currency falling in value: France, Belgium, Italy, Poland, Roumania, and Greece, and three a rising currency: Denmark, Norway, and Spain. The currencies of the other countries have altered but little in value, measured by the dollar standard.

²⁾ "Economist". Monthly Supplement. 26. June 1926.

Rate of Exchange for Foreign Bills in New York (Monthly Average).

Cents-per foreign unit.

	Parity	June 1925	March 1926	April 1926	May 1926	15. June 1926	15. July 1926
France . .	19,3	4,70	3,6	3,4	3,2	2,8	2,5
Belgium . .	19,3	4,62	4,2	3,7	3,1	2,8	2,3
Italy . . .	19,3	3,67	4,0	4,0	3,9	3,6	3,4
Poland . . .	19,3	19,20	12,7	12,6	9,6	9,2	—
Roumania . .	19,3	0,49	0,42	0,42	0,37	0,43	—
Greece . . .	19,3	1,60	1,4	1,3	1,3	1,2	—
Denmark . .	26,8	21,40	26,1	26,2	26,2	26,5	26,5
Norway . . .	26,8	18,01	21,5	21,9	21,7	22,2	21,9
Spain	19,3	14,51	14,1	14,51	14,5	15,7	15,9
India	48,7	36,61	36,6	36,2	36,3	36,3	—
Japan	49,8	41,00	45,4	46,6	46,9	46,9	—

The table does not express the extent of the fluctuations. The French franc has fluctuated between 140 and 182 francs to the £, and two distinct trends of fluctuation have been observable: by the end of May the franc had fallen to 180 to the £, in company with the Belgian franc and the Italian lira; which last dropped to its lowest value of 145 to the £. This was followed by an abrupt improvement at the beginning of June — the franc 150 to the £ in Paris — and then again by another severe drop, so that by the beginning of July the record lowest level had been exceeded. The lira, on the other hand, has been to attain occasional stabilisation on the new level.

Three of the countries with violently fluctuating currencies. France, Belgium, and Italy, are expressly industrial export countries. The other great industrial export countries, with currencies already stabilised — the United States, England, Germany — are naturally anxious to put an end to the inflation in these countries, in order to prevent the further unburdening of industrial capital through depreciation of the interest. As a matter of fact, Mr. Strong, the director of the New York central bank of issue, has been in Europe for almost two months, in consultation with the governor of the Bank of England and the director of the Reichsbank, Herr Schacht. He travels back and forward between London and Paris, going to Berlin in July. The subject of consultation — apart from the revision of the Dawes Plan — is the stabilisation of the French and Belgian francs. The following interesting information on these consultations may be read in the "Bergwerks-Zeitung":

"These consultations have been supplemented at times by conferences with leading American bankers now in London, with leading London and Paris bankers, and with representatives of the French government. The participants in these conference have been unanimously of the opinion that the crisis in French currency is one of the key factors to which the continuous unsteadiness of European currencies and the difficulties in the uplift of the world's economics are to be ascribed, but that only the French government and the parliament can really assist towards overcoming the crisis. Outside help can only be efficient when supplementing serious and determined measures for the stabilisation of the franc from the French themselves."

According to this same source, the result of the consultations has been a memorandum sent to the French government, containing the following most important points:

Balance of the budget by means of restriction of expenditure and increase of revenues. The ratification of the American debt agreement and the concluding of the Franco-English agreement. The formation of a financial committee (strictly speaking, of a bank consortium) for the substitution of banknotes in place of the treasury bonds and debt bonds of the floating debt, thus relieving the French budget of the interest on the floating debt.

³⁾ "Bergwerks-Zeitung". London corresp. 26. June 1926.

(The payment of the interallied debts is here to serve as substitute for the Dawes burdens which have enabled Anglo-American capital to enjoy an advantage over German industry in the struggle for the world's markets!)

"The French government was informed from both English and American sources that the actualisation of this programme would clear the way not only for a large French currency loan, but for French private loans in foreign money markets. Until this programme has been accepted by the authoritative French corporate bodies, the further depreciation of the franc can be arrested by the utilisation of the still available portion of the 'masse de manoeuvre' and the gold reserves of the Bank of France. As it appeared that the prime minister Briand and the other members of the cabinet were systematically opposed to these plans, the London consultations on the stabilisation of the French currency were postponed for the present, and the director of the New York Federal Reserve Bank, Strong, left for Rome¹⁾."

We give this report in detail for the reason that this American programme has been taken over, sentence for sentence, in the Caillaux programme and that of the French Experts' Commission. The fall of Pétet, the removal of the director of the central bank of issue of France, Robineau, who refused to utilise the gold of the bank for the support action, if necessary, shows how faithfully the American instructions are followed by those who are really anxious to stabilise the French currency.

There can be no doubt that a stabilisation of the French franc is possible with the aid of the American, English, and German banks of issue. But it is equally clear that an influential section of the French bourgeoisie is not only disinclined to support the stabilisation by the means suggested by the lower middle class (capital levy) — as we have frequently stated in this place — but does not even support a method advantageous to the big bourgeoisie, like that suggested by the Americans. There is one section of the big bourgeoisie which is still hoping to pocket further inflation gains. It is true that sides are taken but seldom openly against the stabilisation. But the facts that the ratification of the debt agreement is still being declined for "national" reasons, and the threatened loss of France's independence in foreign political questions, especially in the disarmament question, is being continually pointed out, whilst at the same time the possibility of a "national stabilisation" without foreign assistance is being maintained, all combine to form an actual sabotage of the endeavours towards stabilisation. It is thus very uncertain at the present time whether the French franc will be stabilised in the near future.

Events in Belgium are especially characteristic for the worthlessness of parliamentary diplomacy. Although the Social Democratic-Catholic government had a certain majority in parliament, it was forced to retreat before the attack made so successfully on the Belgian franc by the bankers, who were evidently supported by their foreign colleagues. The representative of the big bourgeoisie, the Liberal Party, entered the government coalition, and the actual government went over to the confidential agent of financial capital, the bank director, Franqui. The Belgian socialists remained rooted to their seats, without retaining the slightest influence.

Mr. Franqui now negotiated with Strong and Montagu for a stabilisation loan, or, as expressed by the inflationist "Information" (1. July 1926):

"...they discuss the Turkification of Belgium by means of the transfer of the state railways to a private company, the railways to serve as the chief security for the loan... The railways are to issue preference shares to the value of 6 milliard francs, 6 per cent fixed plus a 2.5 per cent share of proceeds, in exchange for state bonds or annuities... The interest on this capital will force the Belgian railways to increase their receipts and restrict their expenditure. The railways will thus be obliged to raise their tariffs, thus throwing fresh burdens on the production and export of Belgium. On the other hand, 4000 railwaymen will be discharged, others pensioned off before their right time, etc."

¹⁾ "Bergwerks-Zeitung". London corresp. 26. June 1926.

The essential character of American stabilisation is here plainly evidenced: stabilisation at the expense of the proletariat, the bourgeoisie being at the same time deprived of its gains, by means of foreign burdens, until competitive equilibrium has been restored. The same system will be advised for Italy. In Poland the currency has retained its stability better of late, thanks chiefly to the favourable trade balance, attained, however by a pretty sharp strangulation of imports. All the same, Mr. Kemmerer will presently by returning to Poland with a mighty staff of experts in bookkeeping, customs administration, industrial organisation, and banking²⁾, to restore financial order in the country on the social basis furnished by Pilsudski's coup d'état. In Roumania too a stabilisation of the currency is planned. But since the severe internal crises and external difficulties in this country afford little hope of a foreign loan in the approximate future, it is proposed to concentrate the proceeds of the export of this year's crops with the bank of issue, and to stabilise the lei at 1000 to the £ by means of corresponding forfeiture of foreign bills and purchases³⁾. These are however more hopes than real plans.

The deflation policy in Denmark and Norway has led — as it did in England — to great economic difficulties and severe struggles. Neither inflation nor deflation afford any real loophole for the bourgeoisie.

c) The Interallied Debts.

The Americano-French Debt Agreement and American Imperialism.

After long and tedious negotiations, the debt funding agreement was concluded at the end of April, considerable material concessions having been made by America. Briefly, the agreement is as follows:

The "commercial" debt of France, owing for the goods left in France by the American army, and paid interest on by France up to the present at the rate of 20 million dollars a year, has been transferred to the "political" debt, bringing this up to a total of 4221 million dollars. This sum has been reduced to 4025 million dollars. It is to be paid, principal and interest, within 62 years, in the following annual instalments:

First 5 years	30—35 million dollars
6.—10. year	40—80 million dollars
11.—16. year	90—120 million dollars
Further 46 years, per year	125 million dollars

The present value of these 62 annual payments, at a rate of interest of 4.5 per cent, would amount in round numbers to 2008 million dollars, so that about 53% of France's original debt has been abated. If we further remember that the first annual instalments are only 10 to 15 million dollars greater than the amount which France has been paying in any case for its commercial debt, then we must consider the agreement as extremely advantageous, though somewhat harder than the Italian agreement.

And yet there is much opposition against the ratification of the agreement, for the reason, as already stated, that it flatly refuses all France's political demands. Neither dependence upon the receipt of the reparation payments, nor a transfer clause, have been admitted. The organ of the Comité des Forges criticises the political nature of the agreement severely in a leading article⁴⁾:

"The problem of the interallied debts neither is nor can be a financial problem for America: It is exclusively a political question. We must not deceive ourselves: The United States are pursuing a policy of expansion in Europe and in France, a policy indeed of economic and financial hegemony. The interallied debts form an excellent lever for them in this direction. The help to be given by American capital will prove an even greater subject of bargaining than the debt regulation, and will demand serious guarantees."

²⁾ See "Journal of Commerce". 3. June 1926.

³⁾ "Frankfurter Zeitung". 24. June 1926.

⁴⁾ "Bulletin Quotidien". 28. April 1926.

This periodical is thus in favour of a stabilisation out of France's own means, without American "help".

As a matter of fact the Americans do not regard the inter-allied debts as a financial question.

"Our total claim of 10 milliard dollars against foreign states is worth less to the American people in dollars and cents than a prosperous Europe, able to buy from America again."

Thus Mellon wrote recently).

To this the "New York Times" observes:

"The debt settlements hitherto arrived at are only temporary, as all the world knows. The question will arise again presently of whether we should not utilise the war debts for the complete and direct attainment of those great aims for which these debts themselves were made.

These aims are: peace, international friendship, the uplift of foreign trade and the opening up of fresh markets for American production. If we want to attain these great ends... we must make use of our great strategic reserves, the claims which we hold against the European peoples").

Here the Imperialist standpoint held by the United States against Europe is expressed with brutal candour.

This Imperialism is not often expressed with such open brutality as it is here, but it is never relinquished.

It would go too far, were we to try to follow here all the ramifications of American Imperialism. We need only point out two of its main lines:

1. The United States are doing their utmost to stir up dissension among the European powers, and are especially anxious to prevent any alliance among the debtor states (including Germany) against the United States. The United States were in favour of the Dawes Agreement, for they wanted to protect their capital invested in Germany against a possible attack on the part of France, but in reality they are opposed to any real understanding between Germany and France. "In general", they are in favour of the League of Nations, but they stand aside from it, and take care that it gains no influence where they are concerned.

2. The United States are trying to bring the whole American continent under their control. In Canada and Central America they have practically succeeded, and the present bone of contention is South America. The Pan-American Union is being set up against the League of Nations.

The programme of expansion in South America, stated by the "Financial and Commercial Chronicle", the leading big bourgeois newspaper, (24. 4. 1926) in the course of a commentary on Kellogg's speech at the Pan-American Journalists' Conference, considers the presence of Central and South American states in the League of Nations, with the right to vote and even to give a casting vote, to be an anachronism. The action lately taken by Brazil with reference to Germany's joining the League of Nations is adduced as example of this. The newspaper goes on to say that if the principle of international leagues is regarded as desirable, then it would be better if the Central and South American states, whose geographical position, like that of the United States, removes them from direct contact with Europe, and which are protected (!) by the Monroe Doctrine from becoming involved in European alliances, were to form their own league of nations, and would leave the Geneva organisation before the security of Spanish America is endangered.

Those who read between the lines of this expression of opinion on the part of the "Financial and Commercial Chronicle" will understand the threat both against Europe and against South America. The two continents are to consider themselves as separated by the Monroe Doctrine, and are not to attempt any joint rising against the hegemony of the United States.

We read further in this same commentary that the Americans have made great progress of late in the direction of opening up connections with South America: better traffic possibilities, the erection of factories especially adapted to the needs of the South American market, facilitated credits, study of the

b) "Bulletin Quotidien", 22. June 1926.

c) Quoted in "Bulletin Quotidien", 22. June 1926, and re-translated.

Portuguese and Spanish languages, etc. At the same time we are assured that the United States do not dream of forcing their civilisation upon South America.

We have here a complete programme for the conquest of South America. But England's resistance has not yet been broken. English capitalists were recently successful in obtaining a mighty concession in Panama, an area of two million acres, reaching from the Atlantic to the Pacific. Great excitement in Washington of course. Borah demands an inquiry, finds this concession a violation of the Monroe Doctrine, and so forth. The indignation is the greater that this territory is said to be especially adapted for the planting of caoutchouc. This incident shows, like many others, that despite the co-operation between American and English capital in the question of the stabilisation of European currencies and in many other questions, still the Imperialist antagonisms are not overcome, as is so frequently maintained.

The Final Anglo-French Debt Agreement.

On 12. July the Anglo-French Debt Agreement was finally concluded between Churchill and Caillaux. It remains within the confines of the former provisional agreement. France pays 62 annual instalments at 12.5 million £. The payment begins with 6, 8, 10 millions. The less-amount is to be repaid later with interest.

There is no "safeguard" clause, that is, no cessation of payments if Germany's Dawes payments should fail¹⁰⁾. But it has been agreed by letter that, in the case of a complete breakdown or serious diminution of the Dawes payments, France would have the right to ask for a revision of the agreement. Both sides reserve however the right of defending their case, and the result of the discussion is left open. The possibility of the postponement of payments for reasons arising out of the rate of exchange (transfer clause) is also provided for. Should England receive more in reparation and interallied debt payments than it has to pay to the United States, it repays the excess to the Allies. A transfer of debentures serving for the commercial mobilisation of the debt, as demanded by the United States, is not demanded¹¹⁾.

Finally, the gold depot transferred during the war, to the amount of 53 million £, is left floating, that is, it is treated as if France owed 53 million £ to England, free of interest, and as if England on the other hand also owed 53 million £ to France (for the gold deposited). This means that the Bank of France can still state the 53 million pounds in its accounts as its gold reserve, although the gold is not actually at its disposal. The manoeuvre is a pseudo gold cover for the French banknotes.

We see that the agreement contains nothing new; nothing but a pseudo concession to France. It is however interesting to note the anti-American undercurrent contained in Churchill's speech, and even more openly expressed in the English and French press. Even the "Vorwärts" departs from its customary rule, and takes France's part energetically against America in its issue of July 15.

d) The International Effects of the English Coal Strike.

As observed above, the English coal strike has been the means of slightly improving the coal and iron industry of the continent. Except in the Soviet Union, the international solidarity of the workers has broken down. It is useless to deny this. Coal is transported without any difficulty from Germany, Poland, Belgium, and the United States. It is not only the miners and foreign transport workers who fail in their solidarity; the English seamen and transport workers transport the scab coal in England itself without raising any objection.

The quantities of coal reaching England itself are not very great. The improved situation in the continental coal trade is to be chiefly attributed to the fact that countries hitherto obtaining their coal from England are now being supplied from the continent; the import of English coal on the continent has ceased. This has however sufficed to call forth a considerable revival in various coal districts.

¹⁰⁾ We follow the statements made by Churchill in his speech in the House of Commons on 13. July. "Times", 14. July.

¹¹⁾ The United States have meanwhile informed the French government that no intention exists of mobilising the French debt debentures by means of sale to private persons.

The improvement is shown less in increased production than in the sale of reserves and the successive reduction of the pit heaps. Thus we see that the coal output of the Ruhr valley, England's chief competitor, rose from approximately 325,000 tons per working day in April to 368,000 tons in the last week of June. This is an increase of about 15 per cent. It should here be observed that the highest output per working day this year, before the strike period, was 346,000 tons in the last week of January. The increase in production was made possible chiefly by the cessation of enforced holidays. It is only very recently that a few thousand new miners have been given employment. The Rhenish Westphalian Coal Syndicate sold in May 2,59 millions tons to the districts being competed for, as compared with 1,67 million in April.

The coal output has also increased in Upper Silesia, especially in Polish Upper Silesia. Here, however, the transport difficulties are a hindrance, since this coal has to travel a long way by rail before reaching the Baltic. Instead of going to Danzig, a part of this coal has to be transported to Stettin and Hamburg.

The German railways not being prepared for transporting such large quantities of coal, this has accumulated until the railways have been obliged to reduce by half the consignments of fuel to the stations port of Ruhrort and port of Duisburg.

The coal strike in England has much affected France. The pit heaps have been used up, and large quantities of German coal have had to be bought in place of English. In May Germany's coal export was as follows:

Export of coal to the most important countries:

	May 26	April 26	May versus April
	t	t	%
Holland . . .	717,456	543,160	132,09
Italy	216,460	143,336	151,09
France	155,789	54,469	268,01
Algiers	108,650	20,530	529,23
Belgium	113,634	60,500	187,82
Sweden	82,236	65,897	124,79
Czechoslovakia	61,492	54,480	112,87
Spain	58,568	9,997	585,86
Argentina . . .	53,703	40,708	131,92
Denmark	39,952	28,397	140,69
	1,607,940	1,021,474	157,41

The data for June are not yet available.

The quantities imported into England are but small. According to a statement issued by Lane Fox, the Secretary of State for Mines, the following quantities have been imported per week:

Week ending 8. May	50 t
Week ending 15. May	550 t
Week ending 22. May	1,000 t
Week ending 29. May	31,000 t
Week ending 5. June	58,000 t
Week ending 12. June	120,000 t
Week ending 19. June	181,000 t
From 3. 5. till 1. 7. total	1,000,000 t

According to the official figures stated in the House of Commons a few days ago, the amount of coal imported during the first two months of the strike totalled 585,000 t. This was obtained in the following proportions from the various export countries (in tons):

Germany	221,000	Sweden	1,000
Belgium	154,000	Canada	8,000
U. S. A.	81,000	France	43,000
Holland	61,000	Poland	16,000

The coal coming into England cannot in the least cover the shortage induced by the cessation of English production, for

England produces in round figures one half of the coal output of Europe, as shown by the following data:

The world's output of coal, in tons

	England	Germany	France	Poland	Belgium	Czechoslovakia	United States
Monthly average 1913	24,3	11,7	4,5	3,0	1,9	1,2	43,1
Monthly average 1923	23,5	5,2	4,0	3,0	1,9	1,0	49,3
Monthly average 1924	22,6	9,9	4,9	2,7	1,9	1,2	42,3
Monthly average 1925	20,6	11,1	5,1	2,4	1,9	1,1	44,2
Jan. 1926	21,9	11,2	5,3	2,5	2,0	1,2	48,8
Feb. 1926	21,7	10,6	5,2	2,1	1,9	1,0	44,1
March 1926	24,2	11,4	5,8	2,3	2,1	1,1	49,8
April 1926	21,9	10,1	4,2	2,2	2,0	0,9	43,8
May 1926	—	10,7	3,9	—	1,8	—	42,7
June 1926	—	11,8	—	—	2,3	—	—

Imports on a large scale, really capable of covering England's requirements, would only be possible from the United States. Import from America is however too dear if carried out by private undertakings, and the English government has therefore resolved to import at the expense of the state 3 million £ have been granted by Parliament for his purpose. One million tons are to be imported monthly.

The lengthy strike will have very damaging consequences to the English coal trade, apart from the present loss, for the former buyers of English coal are now forced to make long term contracts for German or American coal, the shortage of coal enabling sellers to refuse immediate delivery unless lengthy contracts are agreed to. Even after the lockout is ended, the English coal trade will thus have to engage in a fresh struggle for the reconquest of the lost markets, or will have to try and come to a price agreement with Germany, its sole real competitor in the coal markets of the world. Conferences have long since been held on this subject. Even before the strike in April the German collieries sent representatives to England, and conferred with the English big industrialist Mond. In any case the German coal trade has gained a great advantage in the world's markets through the English lockout.

The Effect upon the Iron and Steel trade.

The effect of the strike upon the iron and steel markets of the world has been similar to that upon the coal markets, but up to now it has not been felt to the same extent. The English iron and steel trade has practically come to a standstill, so that English iron has practically vanished from the world's markets. The improvement in the iron and steel market thus brought about is not very great, and is the less noticeable that here there are comparatively more reserves on hand. An increased output in the other countries as result of the strike has not yet been observable, as will be seen from the following data:

Crude iron¹⁾

Monthly average	England	Belgium	France	Germany	Luxemburg	U. S. A.
	in 1000 tons					
1913	869	267	434	1690	212	2601
1923	630	182	442	411	117	3392
1924	620	234	638	651	181	2634
1925	528	212	706	848	195	3082
May 1925	584	275	706	961	190	2978
Jan. 1926	542	138	763	689	204	3369
Feb. 1926	510	202	707	631	185	2970
March 1926	578	281	772	717	213	3497
April 1926	548	288	767	668	197	3505
May 1926	89	300	783	736	—	3537
June 1926	42	295	—	720	—	3287

¹⁾ Data taken from the Monthly Bulletin of the "Economist".

Monthly average	Steel ¹²⁾					
	England	Belgium	France	Germany	Luxemburg	U. S. A.
1913	649	205	396	1578	101	2564
1923	719	190	415	525	100	3682
1924	696	238	576	820	157	3103
1925	626	201	18	1016	174	3741
May 1925 . . .	662	253	596	1115	167	3510
Jan. 1926 . . .	651	116	661	791	174	4220
Feb. 1926 . . .	715	167	630	816	170	3856
March 1926 . .	797	261	726	950	196	4560
April 1926 . .	671	268	683	869	181	4190
May 1926 . . .	46	272	667	901	170	4019
June 1926 . . .	33	298	—	977	—	3824

In the iron and steel trade the consequences of the English strike will probably be less far-reaching than in the coal trade.

II. Special Section.

a) Germany.

The most striking characteristic of Germany's present economic development is the trend towards concentration. This process of concentration is strengthening the economic power of big capital; prices are maintained artificially at a high level, and profits increase.

In the sphere of circulation there is an undoubted tendency towards a return to "normal" conditions. The bank and private discount rates have fallen to a level but slightly exceeding the pre-war rates. The home market has again become capable of taking up loans. This lessens dependence on foreign capital¹³⁾. The last great loan of the United Steel Works was raised by the co-operation of German and American bankers, one half in Germany and one half in America. The increased amounts deposited in savings, and the return to normal conditions, are regaining for banking capital its leading rôle towards industry.

The extent to which bank capital suffered through the inflation, and the extent to which industrial profits have increased, may be seen from the following table, compiled by the Discount Co. This table includes all companies existing in the year 1913, and publishing their balance for 1925 during the first half of 1926¹⁴⁾.

	No. of companies tabulated	Original capital (Mill. R. M.)		Dividends paid (Mill. R. M.)			Average interest in %		
		Peace	Today	1913/14	Div. before last	Last divid.	1913/14	1924	1925
Banks									
1913/14 = 100 . . .	63	2720	939	233	79	84	8,57	8,41	8,95
— 100	—	100	34,5	100	—	36,1	—	100	106,4
Industrial companies									
1913/14 = 100 . . .	578	4667	6157	483	215	297	10,46	3,49	4,82
— 100	—	100	132	100	—	61,5	—	100	138,4
Total	641	7387	7096	716	294	381	9,76	4,14	5,37

We see that whilst the capital and dividends of the banks have sunk to one third, the stock capital of the industrial companies has increased by one quarter; the sum distributed in dividends is nearly two thirds of the pre-war figure. It need not be said that these figures are incomplete, as they contain no reference to those undertakings which have disappeared altogether. But still the fact that the dividends have increased from 3,49 to 4,82 per cent annually is of great significance.

¹²⁾ Data taken from the Monthly Bulletin of the "Economist".

¹³⁾ Parker Willis, the correspondent of the "Journal of Commerce", writes on 17. May 1926 that the Germans are withdrawing to a certain extent from the American capital market. Everywhere in Germany the wish to dispense with American capital is being openly admitted.

¹⁴⁾ "Wirtschaftsdienst", 2. 7. 1926.

An important factor in the sphere of production is the formation of gigantic concerns. Of these the most important is the United Steel Works and the Chemical Trust. This latter is a monopoly; the former is proceeding rapidly towards obtaining control over the German iron and steel industry, and is buying up further works with a view to obtaining the majority in the Iron Cartel, which will place the whole trade in its hands.

The United Steel Works (Vereinigte Stahlwerke) are a trust composed of works already combined; a trust of vertical trusts, including everything from coal to the finished iron article. Within this trust of trusts the process of "rationalisation" is proceeding; superfluous plant is being closed down, parallel manufacturing combined, labour saved by the concentration of production in the best works, workers discharged, etc.

Increased profits at the expense of the working class, production remaining unaltered and small. This sentence comprises the fundamental tendency of German capitalism.

For in the sphere of production there is no alteration whatever in the crisis, in the inconsistency between the possibilities of production and of utilisation. A slight improvement has been observable during the last few weeks, owing to the English coal strike. The following are the data of heavy industrial production:

Coal, iron, and steel output.

	Coal Million tons	Lignite Million tons	Coke 1000 tons	Iron	Steel
1925 monthly average . . .	11,1	11,6	2168	858	1016
1925 1. quarter					
monthly average	11,3	11,6	2370	925	1182
1926 1. quarter					
monthly average	11,1	11,7	2079	679	852
1926 April	10,1	10,1	1963	668	809
1926 May	10,7	9,9	1074	736	901
1926 June	11,8	11,2	1063	720	977

An even more graphic idea of the general development of economic life is given by a calculation of consumption issued by the Reichs Credit Co:

Inland sales per head of the population have been as follows. 1913 being taken at 100:

	Coal	Crude iron	Crude steel
January	92,4	72,4	77,2
February	79,0	66,4	79,6
March	85,5	75,4	92,7
April	76,3	70,3	84,6
May	75,5	77,4	87,9

It is only when the calculation refers to a long period that the inland sale becomes synonymous with the inland consumption, but still this calculation gives an idea of developments.

There was a slight improvement in the consumption of iron in May, but iron and steel production is still 25 per cent behind that of last year. June probably shows continued improvement, but data are not yet available.

Among the other branches of industry there is still great depression in the machine trade, carriage building, and locomotive construction. There is little doing in the building trade. The textile, clothing, and leather industry is suffering from lack of markets. Conditions are somewhat better in the electric and chemical industries, as these have considerable markets abroad.

Under these circumstances unemployment is naturally extensive. The number of unemployed in receipt of the dole has been as follows:

	In 1000	% of unemployed in the Trade Unions	Part Timers
January	2031	22,6	22,6
February	2057	22,0	21,6
March	1943	21,4	21,7
April	1782	18,6	19,1
May	1744	18,2	18,2
June	1743	—	—

When we recollect that in spring the labour market is always relieved by seasonal occupation in the agricultural and building trades, then this table does not signify any lessing of unemployment among the industrial workers; on the contrary, there was a net increase of industrial unemployment in June.

The unemployment and short working hours of the last eight months are a heavy burden upon the German working class. Meanwhile wages have been gradually lowered. And even though the official returns show the weekly wages per tariff to have remained unaltered for months: 46 M. for skilled workers and 34 M. for unskilled, still everyone knows perfectly well that piecework wages have been lowered, the work speeded up, and the exploitation systematically increased. The costs of subsistence — according to these same official returns — have remained unchanged for four months (the cost of food has risen by 1,2 points), but the effects of the new food taxes will soon be felt.

The official index figures for the costs of subsistence (collective index figures issued by the State Statistics Office) are as follows:

February	138,0
March	138,7
April	139,6
May	139,9
June	140,5

This gives a plus of 1,8 points in the last four months (March to June).

It is characteristic that despite more than two million unemployed, the agrarians continue to bring in increasing numbers of Polish agricultural labourers, as follows:

1924	115,000
1926	130,000 ¹⁵⁾

The main cause of this is stated to be the lack of housing. The Polish workers are packed together in "reapers' barracks", and M. 50 is calculated to cover the cost per head for this accommodation. The German workers requires somewhat better accommodation, and 200 M. must be expended yearly on housing him. "The Pole comes cheaper, even when receiving the same cash wages"¹⁶⁾.

Although there is so much talk of providing emergency occupation for the unemployed, still 130,000 Polish workers are brought into the country because they cost 150 marks less yearly.

To summarise: It may be said that the big bourgeoisie is deliberately shifting the burdens of the crisis onto the shoulders of the workers and lower middle class. The independent lower class is still in the midst of the process of dying out, though the speed of the process has somewhat diminished. The bankruptcies and government controls have numbered as follows:

	Whole year 1925	I. quarter 1926	Jan. 1926	Feb. 1926	March 1926	April 1926	May 1926	June 1926
Bankruptcies	10813	2210	2013	1920	1710	1261	1007	885
Government controls	5462	731	1428	1465	1426	855	644	438
Undertakings in which the government control has been removed	2324	535	400	427	760	836	928	972

The cases in which no bankruptcy was declared because there were no assets, are not included in these figures.

The lower middle class citizen is being crushed to the wall, the workers seek in vain for employment. But shares rise in value as if we were in the midst of economic prosperity.

¹⁵⁾ Hürsing states (in "Vorwärts") the number of foreign agricultural labourers (including the children which they bring with them and the workers who are not registered) to be 728,000.

¹⁶⁾ "Magazin der Wirtschaft". 26. May 1926.

Foreign Trade.

The main aim of the rationalisation of industry is the conquest of foreign market by prices cheapened by reduced cost of production, to the end that a favourable foreign trade balance may be attained. If German economics are to avoid being run by foreign capital, then the only way to pay the reparations and the interest on foreign capital is to bring about an increased exports of goods. But the year 1925 records an adverse foreign trade balance to the amount of over 3 milliard marks.

This mirrors the foreign capital invested in Germany, and signifies at bottom an excess of goods imports. However, in the course of 1925 foreign trade improved, and by December the balance had become favourable:

In Million Marks:

	Import	Export		Difference
1925 December	758	794	+	36
1926 January	707	795	+	83
1926 February	662	783	+	121
1926 March	645	923	+	278
1926 April	723	779	+	56
1926 May	703	730	+	27
1926 June	796	761	-	35

The greatest export surplus was reached in March. Since then export has shrunk again, and import increased. This it to be chiefly attributed to the increased import of grain. By June the balance was adverse again to the amount of 35 million marks. It is very doubtful if the export surplus required by the reparation payments will be achieved. Its achievement is indeed a matter of indifference to the German bourgeoisie until the Dawes Plan is revised in Germany's favour.

Developments in imports and exports have been as follows:

The main groups forming the balance

	1924 Whole year	1925 Whole year	May 1925	Jan. 1926	Feb. 1926	March 1926	April 1926	May 1926
Import								
Foods and beverages	2677	4035	293	224	227	220	268	282
Raw materials and semi-manufactures	4584	6288	521	378	333	332	357	324
Finished goods	1781	2005	167	100	97	86	90	86
Export								
Foods and beverages	419	510	40	66	50	45	28	25
Raw materials and semi-manufactures	907	1641	138	159	167	190	153	155
Finished goods	5191	6626	549	568	564	686	597	547

We see that imports, especially of raw materials and semi-manufactured articles, have retrograded greatly since the previous year; the export of finished manufactures scarcely attained last year's level. Up to the present there is nothing to be seen of a conquest of the world's markets.

Economic and Financial Policy.

The actual economic policy of Germany amounts to a united front between the big agrarians and heavy industrialists, as it was before the war. These elements hold the state power, and they wield it for their economics. Thus the taxes paid by capitalists were reduced during the last few months, and duties augmented. A campaign is being carried on for curtailing social policy. Besides this, the big industrialists and agrarians are constantly being given direct grants from state moneys.

The list submitted to the Budget Committee of subsidies already granted or in preparation, in the form of guarantees and credits to private undertakings, shows the amount thus expended to be three quarters of a milliard marks, or about 37 million

pounds (without the Russian credit guarantee or the state railways¹⁷).

The ruling class exploits state power for the purpose of obtaining capital for itself by means of excessive taxation imposed on the broad masses of the people. The taxation of the masses increases from year to year. The "Vorwärts" publishes the following compilation¹⁸):

	Receipts in million marks		
	May 1924	May 1925	May 1926
Wages tax	88	137	83
Turnover tax	135	116	62
Transport tax	19	26	22
Duties and consumption taxes	93	144	161
Taxation of the people	335	423	326
Taxation of the possessing class	184	188	109
Total receipts	519	611	435
Share borne by the masses	64%	70%	75%

The economic policy being carried on is not based on any consistent economic political plan. The agrarians operate with the good old catchwords of: Feed the German people from our own land; protect national labour: impose just duties, etc. The industrialists insist upon the imperative necessity of reducing the costs of production, this to enable sales abroad to be increased and the crisis thus overcome.

The attitude taken by the Social Democrats is the most remarkable of all. Their remedy for the crisis is to raise wages — on the American pattern — to the end that the purchasing power of the workers may be increased and the home markets strengthened. Expressed in Marxist terms, this means that a great part of the value produced yearly is to be granted to the workers in the form of higher wages, so that the workers may be enabled to buy more. Although the capitalists understand as little of Marxist economics as do the Social Democrats, still their sound class instinct tells them that this suggestion is not to their advantage, and they prefer to stick to the tried method of wages reduction. It is only the small section of capitalists who are producing such industrial articles for the working class as are not absolutely indispensable: clothing, shoes, furniture, etc., who are in favour of having other capitalists pay higher wages. The attempt being made by the leaders of the trade unions to achieve rises in wages without fighting, by means of an appeal to the capitalists in their own interest, is a mere battle with shadows.

b) Poland.

Economic conditions in Poland are still in a state of crisis, but during the last few weeks there has been a certain tendency towards improvement.

The rate of exchange of the currency has emerged safely from the confusion attending the Pilsudski upheaval. After a brief rise in the value of foreign bills (13 zloty to the dollar), the rate of exchange stabilised again at 10 zloty to the dollar, and even fell to nine at the beginning of July.

This stabilisation at half gold par has been chiefly attained by the extremely favourable foreign trade balance, as follows:

	Import	Export	Export surplus
	Million zloty		
January	68,5	159,3	90,8
February	68,9	131,3	62,4
March	110,6	132,9	22,3
April	118,8	163,1	44,3
May	106,4	181,8	75,4
Total	473,2	768,4	295,2

Although a great part of the proceeds of this export surplus is left abroad for fear of a fresh drop in the rate of exchange,

¹⁷) Data from the semi-governmental "Wirtschaftsdienst", 28. May 1926.

¹⁸) 10. June 1926.

still it has tended to stabilise the currency. The central bank of issue has been in receipt of sufficient foreign bills to enable it to meet its obligations abroad.

This favourable foreign trade balance cannot however be regarded as necessarily permanent. Various inconstant factors have contributed to the increased exports: extensive export of grain from last year's good harvest, export of textile machinery now superfluous, from Lodz to Roumania, Italy, and even France. Again, in May and June the export of coal increased greatly to Northern Europe, as substitute for the lacking English coal. Despite the stabilisation, economic life is thoroughly unsound. This may best be judged from the number of unemployed. At the end of May 304,113 unemployed were registered as compared with the maximum number of 362,000 in February. A drop of 60,000, but due solely to seasonal work. The actual number of unemployed is much greater; one half of the industrial workers are out of work. Emigration to Germany, France, and Belgium, continues.

Of the various most important branches of economics, the situation in agriculture is not so unfavourable; a good middling crop is anticipated. The coal mines have profited greatly by the English lockout. The pit heaps in Upper Silesia have been cleared away, the coal is being sold straight from the pick. The iron industry has improved somewhat. On the other hand, the crisis in the textile industry, and in other branches of the finished manufactures trade, continues almost unchanged.

A large foreign loan is required for the stabilisation of the currency. But up to the present all negotiations have been unsuccessful. The American bankers Dillon-Read, who had granted a loan of 35 million dollars, with an option of 15 further millions, have withdrawn this 15 million offer. Conferences held in Paris with Strong have led to no result; Strong's projected journey to Poland has not been made. An article published in the "Times"¹⁹) shows very plainly that Anglo-American capital will only guarantee a loan if permitted a very strict control of Polish finances.

The organ of London City states the case clearly when it writes that there is no doubt whatever as to Poland's being in urgent need of money, and then goes on to observe that at bottom a state follows the same principles as a business house. That is, if a business concern requires a loan from a banking house, it is called upon to give guarantees as to the way in which it intends spending the money, and with regard to the payment of principle and interest. Under certain circumstances the bank will demand to be represented in the management of the concern. Such a proceeding is by no means inconsistent with the dignity of great undertakings. The "Times" follows up this expression of opinion by stating that Austria has greatly profited by the success of the League of Nations loan and by Zimmermann's activities.

Poland's position is extremely difficult. France will certainly not be able to grant a loan for several years to come. Germany is cut off by tariff contentions and constant political tension. And yet the Anglo-Saxon markets demand a control. Control over finance, control over the army, abandonment of the French trend of foreign politics.

c) France.

Public opinion in France has been dominated during the past months by the fluctuations of the franc. The stabilisation problem has intruded further and further into the foreground. In order to avoid repetition of what has already been said, we shall here touch solely upon the most salient points arising out of the chaos of plans, opinions, and manoeuvres of political concealment.

Can the French currency be stabilised? Undoubtedly it can, if the French bourgeoisie wants it to be.

Does the French bourgeoisie want to stabilise? It is not so easy to decide upon an affirmative or negative answer to this question. The most correct reply is that one section of the bourgeoisie wants to stabilise, the other not.

The opinion that the French franc is undoubtedly capable of stabilisation does not however appear to be shared by all

¹⁹) "Times". 23. June 1926.

our comrades. We must therefore enter into this subject somewhat more in detail.

However peculiar and contradictory it may appear, it is actually the inflation itself which creates the prerequisites for the stabilisation — though on a low gold level. Indeed, it is solely by means of an inflation, and in no other way, that a fresh stabilisation is made possible in a country so impoverished as France has been by the war.

At the present time France's national debt is as follows²⁰⁾:

	Milliards
Permanent and long term annuities	156,2
Short term debts	36,5
Floating debts	93,7
Total	286,4

To this must be added the foreign debts in gold francs	35,4
Total	321,8

Had there been no inflation, or were the attempt to be made — as it was done in England — to return to the original gold standard through the agency of a deflation, France's economic life would be completely ruined.

Why?

Before the war France's national capital was estimated at 300 milliards of gold francs. At the time the national debt amounted to 34 milliard francs. A return to nominal gold parity would mean that the national debt alone would equal the national assets, an unbearable state of affairs. The franc having fallen to one seventh of its value, the inner debt is however only about 40 milliards. And since the external debts are to be reduced by one half by the funding process, the gold franc debt remaining is approximately 60 milliards, a bearable sum²¹⁾.

The same applies to the budget. France is paying 22 milliards in interest on state debts and in pensions. The inflation has reduced this sum to one seventh. Without the inflation this expenditure alone, without any other expenses, would amount to more than the whole English budget and to almost triple the German budget.

Again, there is the question of the gold cover for the banknotes. The Bank of France possesses gold to the amount of 5,5 milliards (including the 1,8 milliards in the English bank). On 1. July the value of the notes in circulation was 54 milliards, corresponding to a ten per cent gold cover. But when the nominal value of the notes in circulation is reduced to one seventh, to 8 milliard francs, then we have a 70 per cent gold cover, which is even more favourable than the state of affairs before the war, when a banknote circulation of 5,8 milliards was covered by a gold reserve of 3,7 milliards. (May 1914.)

In this manner the inflation has created the conditions required for stabilisation, at the expense of the pensioners, of the lower middle class, of the officials, and of the workers. This is the economic import of the inflation: it discounts the impoverishment resultant on the war. And since the big bourgeoisie is the ruling class, the process is carried on at the cost of the other classes.

Stabilisation is thus possible; but it signifies final death to the hopes cherished vaguely by the French lower middle class citizen, that his paper franc pension or interest might once more regain its gold franc level. The establishment of the "new franc" means the final annihilation of this hope. It may be observed that the French lower middle class has learnt but little from the inflation in other countries, for the savings banks record an increase in deposits.

The savings and deposits for current accounts placed with the Crédit Lyonnais have increased as follows:

	Million francs
31. December 1913	2235
31. December 1924	5148
31. December 1925	6674

Despite the continued depreciation, more than 1,5 milliards were thus deposited with the Crédit Lyonnais in 1925 alone.

²⁰⁾ Position on 31. December 1925, as reported by the Finance commission of the Senate, "Economist", 26. June 1926.

²¹⁾ See the interesting study by B. M. Anderson: "Chase Economic Bulletin", 6 annual vol., No. 2., 2. June 1926.

Neither the deficit in state finances, nor the developments in foreign trade, nor the question of gold cover, is an obstacle to stabilisation.

The budget is balanced on paper, it is true. But in reality it is far from being balanced. Cleona Lewis, who is thoroughly well informed of French finances²²⁾, calculates ("New Republic", 9. June) that the expenditure is estimated at 7 milliards less than the actual sum, whilst the estimate of the revenues is somewhat too high. It would not however be difficult to equilibrate this in a stabilisation. It may also be observed that since the French budget is based to a very great extent on the receipts from indirect taxation, it suffers much less from a depreciation in currency than a budget based on direct taxation, the receipts of which lose in value when payment is delayed.

Caillaux built on this circumstance, even before he was minister for the second time. He wrote as follows in an article in the "Secolo"²³⁾:

"Above all: The depreciation of the franc will not shake the budget building. Out of 37 milliards of annual expenditure, 22 are destined for paying the interest on state debts and the pensions. This figure is practically unalterable. No doubt the pensioners might demand a rise, but it is not long since pensions were raised, and the state could proportion a fresh rise to the possibilities. The depreciation of the franc would thus only influence the other 15 milliards. And since receipts would meanwhile increase in consequence of the increased customs dues, turnover tax, income tax, etc. . . . the state would regain on one side what it loses on the other."

Meanwhile, the bourgeoisie is not slow to take advantage of the possibilities afforded by the inflation for the avoidance of tax paying. In May and June the amount paid in direct taxation each month amounted to 74,7 million francs as compared with 230 in May 1925. This makes about 10 million gold francs, a ridiculous sum²⁴⁾.

On the other hand the receipts from indirect taxation amounted to 1979 millions in May and 2217 millions in June, 357 millions more than in May 1925 (but still 50 millions less than anticipated by the budget).

Thus although the budget for 1926 will close with a deficit of 7 to 10 milliards, there is nothing here to prevent a stabilisation. The necessary revenue can easily be raised by higher tariffs and higher indirect taxes. France imposes duties on quantities, not on values, and even today in paper francs, without a sliding scale. This is shown by the following data²⁵⁾, submitted to the parliament in the report of the Duties Commission:

	Import milliard frs.	Customs receipts million frs.	Percentage of import value
1913	8,421	742	8,1
1922	23,930	1938	8,1
1925	43,981	1468	3,9

²²⁾ In collaboration with Moulton of the Carnegie Institute, she wrote one of the best books on this question: "The French debt question".

²³⁾ Quoted in translation in the "Bulletin Quotidien", 16. June 1926.

²⁴⁾ And yet the capitalist organs continue to lament on the excessive taxation, especially that imposed on the proceeds from securities. An address given by A. Pottiller before the Economic Society, dealing with the taxation of securities, gives the following figures ("Le Temps", 6. June 1926): "Ground debentures . . . the last half year's coupon, nominal value 6,50 frs., was paid with 3,84. tax deduction 2,66 = 41 per cent. Half year's coupon for the City of Paris loan of 1865, 500 frs. nominal, 4 per cent. The semi-annual coupon was redeemed with 4,31 frs. instead of the nominal 10, tax 5,69 = 56 per cent. Suez Canal, gross dividends 140 frs., paid 89,60 frs. French Gas Cie., the shareholders received 6,70 frs. net for a coupon value 30 frs., the tax being 23,30 or 79 per cent of the dividend, etc." How these figures are to be made compatible with the small taxation receipts stated above does not appear. An extensive study of the mysteries of French taxation would be required to clear up this contradiction.

²⁵⁾ "Le Temps", 4. April 1925.

At the moment of stabilisation, when the depreciation of the currency ceases to act as a protecting rampart against import, and the new gold prices accommodate themselves rapidly to the world's market prices, the duties will be rapidly pressed upwards again to pre-war level — we have seen the process in Germany.

The necessary gold for the maintenance of the stability of the new franc lies in readiness.

The developments in foreign trade form no obstacle to stabilisation, although there has been a certain deficit during the past year, as will be seen from the following figures:

	First five months 1926	First five months 1925	Difference for 1926
Import			
Food	4,317	3,014	+ 1303
Industrial raw materials	16,757	10,697	+ 6060
Finished goods	3,159	2,175	+ 984
Total	24,233	15,886	+ 8347
Export			
Food	1,809	1,429	+ 380
Industrial raw materials	6,236	4,962	+ 1275
Finished goods	14,006	11,706	+ 2300
Total	22,051	18,093	+ 3955

The extreme fluctuations in the value of the currency have at the same time caused considerable shrinkage in foreign trade, as follows:

	Import	Export
	Million frcs.	
January	4483	3868
February	5244	4409
March	5095	4960
April	5020	4353
May	4390	4460

But all this does not offer any great hindrance to stabilisation.

Does the Bourgeoisie Want to Stabilise?

A large section certainly does not want to do so! This section is composed of the heavy industrialists, the export industrialists working up inland material, and the great banks behind these: the Banque d'affaires, as it is styled, the Banque de Paris et de Pays-Bas, Union Parisienne. These hope to pocket still further profits between the prices at home and abroad. Prices have developed as follows in wholesale trade during the last few months:

Description and quantity of goods	End of June	End of May	End of April	End of March
General index figure (45)	754	702	664	645
Food:				
Collectively (20)	646	597	561	537
Vegetable foods (8)	731	637	583	539
Animal foods (8)	533	525	514	516
Sugar, coffee, cocoa (4)	717	673	624	580
Industrials materials:				
Collectively (25)	848	794	753	740
Minerals and metals (7)	837	757	726	718
Textiles (6)	971	933	976	862
Miscellaneous (12)	781	734	696	680

We observe a great discrepancy between the prices of industrial and agricultural products: an exploitation of the peasantry. We see that in general the inland prices are extremely low. The world's market prices in dollars or pounds having risen to 150 as compared with pre-war prices, and the franc

having sunk to one seventh of dollar par by the end of May, the index figure should be over 1000. The home markets are thus being exploited by export industry²⁶⁾.

The bourgeoisie is being urged forward to stabilisation from two sides.

1. The peasantry and the lower middle class are beginning to lose patience. The Paris correspondent of the "Times" writes on 3. June 1926 that the peasant has grasped at last that his small savings are rapidly swallowed up, and is buying land wherever he can. The "Times" correspondent states further that the public is beginning to see that the franc is suffering from the maltreatment of French finances. "Ces bandits là" (these bandits) is the designation accorded by the man in the street to the elected representatives of the people.

2. English, American, and German capital press for stabilisation, in order that they may be relieved from the inflation competition of French industry. It is due to the pressure exercised by the English banks that the Briand government appointed the Experts Commission.

"Messrs Montagu Norman, MacKenna, Kindersley, and Lamont, in the course of their latest negotiations with R. Pétet and his collaborators, urged above all that an Experts Committee should be formed²⁷⁾".

It is obvious the English and American banks naturally refused to grant any credit until a man like Caillaux, a man of the big bourgeoisie, was called upon to stabilise the currency²⁸⁾.

The New York correspondent of the "Economist" wrote on 17. June that fresh French loans could not be offered to the public without sacrificing French credit, and that new French bonds would not be popular in America.

On 26. May the Experts' Committee was appointed, after Strong had visited Paris in May, and conferred with Montagu Norman, Schacht, and Robineau (governor of the Bank of France²⁹⁾). This Committee is composed exclusively of representatives of the big bourgeoisie: many bank directors, three representatives of unions representing big industrial interests, two professors. With this the stabilisation has been guided into the right path. All nonsensical plans, such as an amortisation fund to be filled up by voluntary contributions, have been coldly set aside³⁰⁾. The Experts, as becomes serious capitalists, have worked out a programme of stabilisation to be actualised at the expense of the proletariat.

The Programme of the Experts' Commission.

The main outlines of the stabilisation programme of the Experts' Committee are fully in accordance with the instructions given the French government by the American bankers³¹⁾. It is a big bourgeois plan of stabilisation, to be carried out with

²⁶⁾ The retail prices for foodstuffs are still lower. The Paris index figures for bread, meat, bacon, butter, eggs, flour, cheese, potatoes, beans, sugar, petroleum, and methylated spirit, had only risen to 522 by the end May, or one half of the world's market index. The Paris index figures rise extremely slowly:

	January	February	March	April	May	June
	480	495	497	503	522	544

It may be that much is falsified here, but it is none the less a fact that even the badly paid working class are not living on too bad a scale. The same was observable in Germany at the time when the dollar cost 30 marks. It is the peasant and the lower middle class who pay.

²⁷⁾ "Bulletin Quotidien". 26. May 1926.

²⁸⁾ "The French government had hoped that the settlement of the American war debt would enable it to raise a stabilisation loan in America. But the offers of the American banks have contained such hard conditions that up to now the French government has not been able to resolve upon accepting them. Paris corresp. of "Frankf. Ztg.", 16. May 1926.

²⁹⁾ "L'Information". 5. 5. 26.

³⁰⁾ The collection of voluntary contributions, although the great ones of the nation signed the appeal for it, ended the most miserable fiasco.

³¹⁾ See above, in general section.

foreign aid, at the expense of the proletariat. It does not differ in the least from all other well known stabilisation plans, with the exception of the special method of settling the short term debts by means of the establishment of a special institute for the settlement of the payment of principal and interest. The most important points of the plan are the following³²⁾:

The cause of the depreciation of the franc is to be sought in the damage and loss of the war. There is no longer any reason to hope that these losses will be compensated by Germany. Thus the return to the pre-war value of the franc is impossible. Stabilisation is the only possibility, and imperatively necessary. It can only be secured by an exchangeability of banknotes for gold. The prerequisites for this are:

1. Equilibrium of the payment balance.
2. Properly balanced state finances.
3. Equilibrium of the state treasury.
4. Definite settlement of the interallied debts.
5. Adaptation of the whole political economy of the country to the new currency conditions.
6. Cover in gold and foreign bills, at the bank of issue, for the notes in circulation.

The equilibrium of the payment balance can be restored if confidence is restored, and the French capital which has fled abroad streams back into the country again.

The budget is to be equilibrated by strict economy and fresh taxes. But the increased economy is not to be actuated by a reduction of the rate interest on the state debts, or by alterations in the amortisation obligations. "Were the state to fail to meet its obligations in this manner, the result would be the ruin of public credit³³⁾". Administration is to be simplified, local expenditure covered by severer taxation of the local population, etc.

Fresh taxes will be necessary, 2,5 milliards for 1926, 5 milliards for 1927. "The taxes must be consumption taxes, yielding immediate receipts rising regularly with the rise in prices." Direct taxation leads to the flight of capital, and yields but little, being paid later in depreciated money, and causing higher prices for goods in the same degree as consumption taxes.

The state treasury is in constant danger of becoming insolvent should the short term bonds not be renewed when due, and redemption in cash demanded. The next term is in February 1927, the sum then due being 3 milliards. In order to release the exchequer from this threat, whilst at the same time pacifying the owners of the bonds and staving off a mass demand for redemption, a special institute is to be established for the payment of the principal and interest of the 49 milliards of Bons de Défense. This fund is to flow from the following sources:

1. A hump sum of 4 milliards, to be obtained by the bank of issue by discounting foreign bills received by the state as a foreign loan.
2. The amount of the interest, and 500 millions for amortisation, to be paid annually out of the budget.
3. The receipts of the tobacco regie as additional guarantee. At the same time the bank of issue is to discount the bonds as before. All these measures are to safeguard against a mass demand for redemption of the bonds on the part of their holders.

The stabilisation. By these means the three prerequisites for the stabilisation would be created. Equilibration of the payment balance, of the budget, and of the state treasury.

The stabilisation is to be accomplished as quickly as possible. The new rate of exchange is to be kept secret until the stabilisation is an established fact, and is to lie somewhere between the rate of exchange of the currency and the price index figure.

The following method is to be pursued:

a) **Preliminary stabilisation:** a period in which the rate of exchange of the franc will fluctuate, adapting itself to the level selected. During this period no further advances will be made

to the state, but the value of the banknotes in circulation may be increased, for the purpose of purchasing gold and foreign bills.

b) **Actual stabilisation:** the bank of issue buys and sells gold coins and foreign bills at a fixed price.

c) **Legal fixation of the new money unit:** It is the work of the bank of issue to carry out the stabilisation. The bank receives the whole of the foreign bills brought in by the foreign loan to be taken up. A foreign loan to the amount of 200 million dollars is required. A loan is however only possible when the foreign debts are settled.

"For these reasons it is indispensable, in the unanimous opinion of the Committee, and despite the contrary opinions whose importance the Committee fully realises, for the Washington agreement to be ratified, and a final agreement with Great Britain to be arrived at as soon as possible."

Besides this, current accounts are to be opened in foreign currencies, and the law against the flight of capital cancelled, so that it will be possible for capital which has left the country to return.

These measures, in combination with loans raised abroad by the bank of issue and the influx of private foreign credits, would enable the bank of issue, during the period of actual stabilisation, to maintain the rate of exchange to be fixed, by means of the purchase and sale of gold and foreign bills, within the limits of the export and import of gold.

The general economic situation in France has changed but little during the last few months. Prosperity in trade continues; there is no unemployment. The crops will probably be inferior to last year's, and large quantities of bread corn will have to be imported. At the same time there is a great disparity between the prices of agricultural and industrial products, as will be seen from the above price data. The output of heavy industry has been as follows:

	Coal	Iron	Steel
	Thousand tons.		
February	4088	707	630
March	4566	772	726
April	4200	768	683
May	3942	783	667

French heavy industry has profited somewhat from the English miners' strike. Coal production has not increased since last year.

The foreign trade balance tends to become adverse.

	Import	Export
	Million francs	
	5245	4409
	5095	4960
	5020	4353
	4390	4461

The fresh depreciation has undoubtedly dealt a fresh blow to export, but data are not yet available. Should the stabilisation be carried out this year, it will bring about an abrupt change in the trade prosperity.

d) Italy.

In the middle of May the lira sank rapidly in value; after maintaining the rate of 121 to the £ for months, it dropped abruptly to 145 to the £. Thanks to an intervention for its support, it has since improved somewhat, and at the beginning of July the rate was 140. It is interesting to note that the drop commenced shortly after the congress held by the Italian joint stock companies at Milan in May, on which occasion the Minister of Finance, Volpi, boasted of the stability of the lira. As early as the 13. May the "Information" reported that though the lira was still stable at the moment, supplies for one month later were being negotiated at 7 points lower, and that the Italian Morgan loan had dropped from 94 to 80 since being put on for subscription. As in France, the depreciation in the currency is attributed in Italy to foreign speculation.

³²⁾ "Le Temps." 5. July, gives the full wording, but without the annexes.

³³⁾ The whole report keeps up the hypocritical fiction that the state intends to fulfil its obligations, in face of the fact that the depreciation of the franc has depressed the real value of the interest to one tenth of its pre-war value!

This fresh depreciation came however just in the nick of time for the Italian big industrialists. The wave of trade prosperity due to the inflation was already showing distinct signs of the ebbtide: lack of markets, shortage of capital, unemployment.

"Volpi's financial policy has had the effect that considerable amounts of foreign capital temporarily invested in Italy have not been able to throw off a margin of profit, and have therefore been withdrawn. To this must be added the credit restrictions emanating from the bank of issue, and the fact that the investments made by America in Italian industries, after the debt settlement, have remained limited to a few cases which we can count on our fingers, and scarcely exceeding in value the amount of 35 million dollars. Italian industry, bitterly in need of capital as it is today, has to borrow from the banks at a rate amounting, with commission, etc. to not less than 12 per cent³⁴⁾.

This is in part due to the circumstance that the banknotes (and state bonds) in circulation have a tendency to decrease. In milliards of lire:

End of December	21,45
" " January	20,75
" " February	20,30
" " March	20,40
" " April	20,00

The Italy of today is practically ruled by the great banks — despite Mussolini's sounding words.

"The great banks: Italia, Commerciale, Roma, Credito Italiano . . . have hitherto made their own laws. They are still almighty — mighty enough to resist successfully any attempt at reform likely to be detrimental to their interests or influence. No minister of finance would have the courage or the possibility of creating laws against the individual or joint interests of the great money institutions..."

It is not a communist newspaper which thus characterises Mussolini's dictatorship, but a special correspondent of the highly capitalist American "Journal of Commerce"³⁵⁾.

Under these circumstances the renewed depreciation of the lira, weakening the power of the great banks and raising the profits of the big industrialists, is welcomed by the latter. The unfavourable local conditions to be combated by Italian industry, the necessity of importing coal, iron, wood, cotton, etc., forces it to meet the competition of the world's markets by means of exceedingly low and constantly diminishing wages. The following data are of interest³⁶⁾:

"According to Professor Mortara's calculations, the index figure for the costs of subsistence was 498 in 1922, reckoned on the basis of 1914, whilst the wages index figure was considerably higher, 595. By the second half of 1925 the costs of subsistence has risen to 623, but the wages index figure had sunk to 555. When this calculation was contested by other statisticians, Mortara replied with the following data: In Milan, the leading industrial city of the country, the number of available rooms increased by 30,000 between 1914 to 1923, the number of inhabitants by 90,000. During this same period the consumption of meat per head sank from 68 to 60 kgs per head, the consumption of wine from 152 to 138 litres, and the consumption of beer from 9 to 8 litres."

In order to continue this reduction in real wages without the aid of inflation, the Mussolini government has had recourse to desperate means: high grain duties, raising the price of bread, the main food of the Italian workers, from 2,20 to 2,40 lire at the beginning of 1926, and then to 3 lire in June. (The index

³⁴⁾ "Frankfurter Zeitung", 29. April 1926. With regard to the worsening of economic conditions see also: Bulletin Quotidien, 22. May.

³⁵⁾ Milan correspondent of the "Frankfurter Zeitung", 8. May.

³⁶⁾ "Frankfurter Zeitung", 29. May.

figures for the costs of living show a rise from 150,5 in January to 151,5 in May only.) Other measures are the deprivation of trade union rights by the new trade union law, the extension of working time to 9 hours³⁷⁾, the granting of large state subsidies. In June, for instance, one heavy industrial undertaking was lent 15 millions by the state, another 35 millions, for 15 years, at 5 1/4 per cent³⁸⁾. But a nice moderate inflation serves to increase industrial profits better than these forced measures.

This does not however apply to quite every industry. The textile industry has been obliged to resort to the organised restriction of production.

"The meeting of cotton spinners, convoked to inquire into the situation in the industry, recognises the precarious position in the yarn market, and, being convinced that a temporary reduction in production is necessary for the restoration of the balance between demand and supply, the meeting resolves that the output of yarn is to be restricted in the proportion of one day per week: either one sixth of the total spinning machines must be laid idle, or there must be 4 working days fewer worked during the next 4 weeks³⁹⁾."

At the beginning of July various textile factories had to be closed down. The crisis is mainly attributed to the retrogression of sales abroad. Some of the newly erected factories for the manufacture of artificial silk have never started work, owing to the unfavourable conditions. ("Frankfurter Zeitung", 10. June 1926.)

Under such circumstances it is comprehensible that the proposal made by Borletti, a big industrialist, in the "Secolo" of 10. June, to return to the gold standard, has aroused a storm of protest. The return to the gold standard was also rejected by Volpi, on behalf of the government, in his financial exposé on 14. June.

It is not yet possible to say in what degree the latest drop in the value of the lira is due to the adverse foreign trade balance, for the figures for the first three months of the year only are available, as follows:

	In milliard lire		
	1926	1926	1925
	Official	Statistics of Indust. Union	
Import	5,26	6,62	6,50
Export	3,10	3,93	4,02
Import surplus	2,16	2,69	2,48

As the non-commercial receipts show an equally retrogressive tendency: tourist traffic (on account of the Fascist regime), money remittances from emigrants (on account of the prohibition of immigration to America), the extremely adverse trade balance is a constant source of danger to the stability of the currency.

Despite these difficulties, Mussolini continues his policy of Imperialism. An agreement was recently made with England on the division of the various spheres of influence in Abyssinia. Italy builds a railway; England lays claim to the water "only", in order to be able to cut off the Nile water from Egypt if needs be. Another great financial transaction is the agreement with Roumania, as follows:

1. Roumania's old debts have been fixed at 157 millions, term of runding 50 years.

2. The State Petroleum Monopoly⁴⁰⁾ Organisation gives a credit of 200 millions for 10 years at 7 per cent; one

³⁷⁾ This does not mean that only 8 hours have been worked up to now; but whilst hitherto 20 per cent advance for overtime has been paid on the ninth hour, and 50 per cent for the tenth hour, the ninth hour now no longer counts as overtime, and only 20 per cent is paid for the tenth hour.

³⁸⁾ "Deutsche Allgemeine Zeitung", 7. June 1926.

³⁹⁾ Decision of the Textile Industries Union.

⁴⁰⁾ This institution was established in May with a capital of 100 million lire; the state 60 per cent, the social insurance fund 20 per cent, the insurance institute 20 per cent. Object: Petroleum production and trade, and all operations connected with this. "Bulletin Quotidien", 27. May 1926.

half in cash, one half in the form of war ships; 2 old torpedo boat destroyers were to be handed over on 15. July.

To sum up, it may be said that Italian economics stand upon but a weak foundation; the fresh drop in the value of the lira has postponed the approaching crisis once more.

e) England.

During the last few months England's economics have been completely under the influence of the miners' conflict. The events themselves are sufficiently known from the daily press: the continued treachery of the labour leaders in England; the sabotage of all solidarity action in the other capitalist countries. We need not refer to this, but shall devote our attention to pointing out some important factors in the purely economic question.

The coal crisis is only the most conspicuous point in the general crisis overtaking England's economics, and has been pressed thus into the foreground because here the English crisis has coincided with an international special crisis in the coal trade.

The cause of the English coal crisis is the drop in the price of coal. The statement issued by the English Mining (Department⁴¹) shows the average prices per ton ex works to have been as follows:

	s.	d.
First quarter 1924	20	8
First quarter 1925	18	6
First quarter 1926	15	9

In two years the price has fallen by a quarter⁴²). The main cause of the drop is the international coal crisis⁴³). The English coal crisis, occurring simultaneously with the international coal crisis, is exceedingly difficult of solution within the confines of the capitalist system. This is the reason why neither the capitalists nor the workers can find a "satisfactory" solution. A solution which would give work to all the British miners at their customary wages, and at the same time bring the colliery owners an average profit. Either there is no profit left, or working conditions must be greatly worsened, or one half of the miners must be thrown definitely out of work, or all these drawbacks occur together.

What Suggestions have the Coal Capitalists to offer?

Their proposals were summed up as follows by Samuel, Chairman of the Coal Commission, during the negotiations:

One hour more work.

A reduction in wages of 6 d to 15 s per week.

A 25 per cent reduction in railway freights.

The capitalists reduce their "other expenses" by 10 per cent.

But even if all these measures were carried out, there would remain a loss of 3 d. per ton, and 100,000 miners would have to be discharged immediately.

We see that these proposals bring no solution, either for the capitalists or for the workers from whom longer working hours, reduced wages, and 100,000 unemployed are demanded.

The workers' proposals were summarised in a letter from Cook to the "Times", 11. June. The most essential points are the following:

The establishment of a selling agency for all coal mines, the workers and the consumers to take part in the management.

The selling agency is to come to an understanding with the German syndicate with respect to the quantity to be exported, and to the selling price in the world's markets.

Production is to be adapted to consumption.

⁴¹) "Economist". 26. June 1926.

⁴²) The general price level, according to the Econom. Index, has only fallen by 10 to 12 per cent during the same time.

⁴³) The unsound system of the subsidy, by which the grant is greater the more coal is sold, at whatever price, and the profit increased, has contributed greatly to the price reduction, but has not been the decisive factor.

Technical improvements are to be introduced in the mines⁴⁴), in transport service, and in the selling agency, so that a living wage may be paid without higher prices being forced on the consumer.

Until these reforms have been reduced, the government is to continue to pay the subsidy.

The main idea of this plan is: higher prices for coal by means of an agreement with Germany. As a matter of fact the world's coal prices are determined by the competition between English and German coal. The world's coal output for 1925⁴⁵) was as follows (coal and lignite taken together):

	Million tons
World's output	1368
Of this:	
United States, soft coal and anthracite	531
Germany, coal and lignite	272
England	251
France	48
Czechoslovakia, coal and lignite	31
Poland	29
Belgium	23

Of these leading countries France is a coal importing country, whilst the United States export to other parts of America only. The coal exported by Czechoslovakia, Poland, and Belgium plays no part in comparison with the mighty export of Germany and England. Thus an Anglo-German coal cartel would solve the price problem in the world's coal markets.

For this reason the formation of a coal syndicate in England, and an understanding with the German coal syndicate, have long since been advocated by Hodges, and especially by A. Mond, the well known liberal big industrialist. As early as April Mond invited representatives of the German coal syndicate to confer with him on the subject⁴⁶). And this is the reason why Mond at once lent his support to Cook's proposals, only with the difference that he wants to restore the miner's working hours and wages to their old level after these reforms have been accomplished.

There is little reason to doubt that an agreement between English and German coal capital is possible. Sooner or later it will be tried. But the present object of the English capitalists is to defeat the miners, to bring the working conditions down to a worse level, to the end that their way may be cleared for the worsening of working conditions of all workers⁴⁷), since it is a tradition that the miners may claim the highest wages. The German coal capitalists, on the other hand, are pleased to take the opportunity of seizing a large portion of England's share of the world's markets.

An increase in the price of coal could be accomplished by an Anglo-German coal cartel, and the profits of the English coal capitalists thus ensured, but this would only aggravate the crisis in English industry, fuel being so much dearer! The result would be that less English coal would be sold. But if the English coal industry is to be put on a sound basis, it must sell more coal, and this does not seem to be possible even at a low price.

The "Economist" of 3. July 1926 writes that a lowering in prices would effect important results in the iron industry, but that the price reduction which appears to be possible in the

⁴⁴) The English collieries are technically much behind the times. Whilst in the United States 75% of the coal is mined by machinery, in Belgium about 50%, in England machinery is only used to the extent of 17%.

⁴⁵) Data issued by the United States Mining Department: "Frankfurter Zeitung". 25. Mai 1926.

⁴⁶) "Deutsche Allgemeine Zeitung". 20. April 1926.

⁴⁷) Even before the strike the real wages of the miners were lower than in 1914. They were however higher than those of any other category of workers, reckoned by the hour. Should the demands of the capitalists be met, the miners' wages would fall considerably under the wage level of the workers occupying the best positions in the sheltered industries (engine drivers, building workers).

present mining situation would not have any noteworthy effect upon the shipbuilding, textile, and other industries; it would result in a certain increase in the sale of coal, but this would not suffice to restore the coal trade.

The home consumption of coal has been as follows^{*)}:

	1913	1924
Household	18,2	18,7
Gas works	9,2	9,2
Electric works	2,7	4,3
Railways	7,2	7,5
Coal mines	9,8	9,2
Miners' coal	3,2	3,7
Iron and steel industry	11,5	7,8
Other industries	38,3	39,6
	100%	100%

The last two items are the only ones under which consumption could be increased, and this would only possible were prices considerably decreased. Thus a decrease in prices, as the "Economist" rightly states, does not solve the problem of the coal trade — the necessity of increased sales. An increase in prices would solve it even less, for this would lead to an aggravation of the crisis in other branches of industry, and to mass unemployment.

Unemployment in the mines took the following course:

	Thousands
1924 July	59,8
1924 September	103,0
1925 January	100,2
1925 June	314,7
1925 September	292,7
1925 October	245,0
1925 November	189,5
1925 December	140,5
1926 January	125,7
1926 April	97,9

Unemployment sank rapidly with the grant of the subsidy, since this gave the colliery owners the opportunity of exporting at cheap rates. Should a cartel with Germany come about, the profit of the capitalist will be secured, but there will be a mighty spread of unemployment among the coal miners.

We thus see that there is no satisfactory way out of the crisis to be found, either for the English coal or for English capitalism in its totality.

The struggle has already cost enormous sums. English economic life is coming more and more to a standstill owing to lack of coal. The amount of coal imported is extremely small. During the first two months of the lockout the amount imported (according to a statement made in Parliament by the Minister of Trade) was not more than one million tons, as compared with a normal home consumption of approximately 35 million tons in two months. The iron and steel industry has been brought to a practical standstill; only 75,000 tons were produced in June instead of 1,200,000. Of the 147 blast furnaces working at the end of April, only 23 were working at the end of May, and since then even this number has diminished. By July the standstill was complete. The iron industry seeks to struggle on by importing semi-products. The crisis overtaking this industry, documented by reductions in capital on the part of such world renowned firms as Vickers and Armstrong, is being rendered more and more acute by the coal crisis.

The "Times", in a leading article published on 21. May 1926, states that taken on a whole the balances of the heavy industrial companies — coal, iron, and steel — are the worst, which have been submitted to the shareholders since the collapse of the

post-war uplift, in many cases perhaps the worst in the ups and downs of a long history

The "Manchester Guardian Commercial", commenting on 1. July 1926 on the prospects of the second greatest industry, the cotton industry, observes that the end of the half year finds the cotton trade in a position which could scarcely be worse, for not only is the shortage of coal being severely felt, but there are many other difficulties which cannot be controlled in the large markets of the world: The financial conditions in Europe, the political uncertainty in China, the small consumption in India, all this tends to lessen demand.

A number of other industries consuming large quantities of coal, the ceramic and metal industries for instance, have been laid more or less idle. The railways have greatly reduced their traffic; they and many factories have taken to oil fuel to a certain extent.

Unemployment, to judge by the official statements, is not so great as the reports on the standstill of industry would lead us to suppose. The figures are probably inaccurate. The number of unemployed in receipt of the dole has been as follows:

(the million being exceeded for the first time in many years)

	In thousands:
5. April	1049,8
19. April	996,6
3. May	1105,9
10. May	1575,9
17. May	1612,7
21. June	1634,7

According to this it would appear that unemployment has increased by approximately 600,000 only in consequence of the General Strike, and has remained almost unchanged since 10. May. This is highly improbable. At the same time the number of persons in receipt of poor relief has greatly increased, as follows:

April 1924	1,228,640
June 1926	2,338,100

Foreign trade has diminished in consequence of the strike, but not to the degree anticipated.

	In million £	
	Import (without re-export)	Export
March	94,8	66,4
April	91,2	52,7
May	73,7	45,8
June	86,6	50,1

The Investment of Capital.

The following compilation, derived from the "Economist" of 3. July 1926, shows the change which has taken place in the whole character of English investments, and the considerable reduction in the export of capital:

	First half year, million £				
	1913	1923	1924	1925	1926
Total fresh capital invested	120,3	181,3	105,6	112,0	120,7
At home	20,3	92,4	44,4	78,7	60,5
For English possessions	43,0	52,2	38,0	28,1	32,7
Abroad	57,0	36,7	23,2	5,1	21,5

Nominally the total capital invested in 1913 and in 1926 reaches the same figure, but in reality the higher price level makes it fully one third less in 1926. In 1913 5% went abroad, in 1926 less than half of this! A further reduction of capital investment may be anticipated with certainty for the second half of the year.

The strike has also been extremely detrimental in its effect on the state finances.

^{*)} "Economist", 3. July 1926.

1925	169,2
1926	146,8

Between 1. April and 30. June the state revenues were as follows, in million £⁴⁹⁾

Expenditure, on the other hand, had increased by 4 million £. The quarter's deficit was 78 millions as compared with 51 last year.

The costs incurred by the conflict are estimated variously, P. J. Hammon, a Conservative Member of Parliament, estimates them at 8 million £ daily in the middle of June, and at 10 millions at the end of July⁵⁰⁾. This estimate appears to us exaggerated. It would mean that the national income of the country had sunk from 4000 £ yearly (an estimate made by the "Economist" in 1924) to 1000. That is, a reduction of production to one fourth. Since agriculture is not affected by the strike, and the "invisible imports" but little; and since a great number of industrial undertakings are keeping going on their old stock of coal, with oil fuel, and with imported coal, it would be safer to estimate the damage at about one half of the national income. This would be approximately 5 million £ daily⁵¹⁾. In 100 days — and the strike will obviously last that long⁵²⁾ — 500 million £.

In July the government stated the damage to public economics at 160 millions up to that time. This estimate is certainly much too low. A subsidy of 30 million £ would have kept the whole coal industry going for a year. 500 millions would have sufficed for 18 years. This shows that the conflict is not merely an economic duel in the mining trade, but a class struggle of unexampled fierceness between the bourgeoisie and the proletariat. When the Labour M. P. Jones shouts across to the ministers, in the sacred halls of the English Parliament, that they are all murderers⁵³⁾; when Lord Hunsdon and other Conservatives call upon the public not to feed the wives and children of the miners with their charity⁵⁴⁾; when Baldwin declares, after a struggle lasting eight weeks, that the state finances permit no further subsidy to the coal trade, then we see that even in England the days of "class harmony" are over.

f) United States.

Economic conditions are extremely uncertain in the United States at the present period. As has been the case for some years, this spring and early summer again brought a slackening in economic prosperity. Opinions differ greatly as to the character of this falling off. Many are of the opinion that it is a mere seasonal slackening, and that there will be a renewal of favourable conditions in the autumn. Others are preparing for a crisis. The report of the National City Bank for the month of May admits, for instance, that some industries show definite signs that their production exceeds consumption, but does not however consider this any reason for pessimism. The report states that the number of workers employed in industrial undertakings is larger than ever before, that the demand for labour is probably greater than it has been since 1923, and that the workers are better paid than has ever been the case.

According to the newspapers, economic conditions rather

⁴⁹⁾ Statistics of 3. July 1926.

⁵⁰⁾ "Daily Herald". 19. June 1926.

⁵¹⁾ The strike means the immediate loss of the value produced by 1,7 million workers; 1,1 million coal miners; 0,6 million of fresh unemployed. Further 2 million workers are permitted to retain their places, but are actually doing nothing. 3,7 millions at 10 shillings wages means a loss of wages of 1,8 million £ daily. To this we must add the surplus value! The total loss is approximately 5 million pounds daily.

⁵²⁾ As we write these lines, on 18. July, the reports published in the capitalist press of England show that the miners are not returning to the pits, in spite of the coalowners' offer to pay the same wages for 8 hours work as they have hitherto paid for 7.

⁵³⁾ "Times". 4. July 1926.

⁵⁴⁾ "Daily Herald". 24. June.

improved than worsened in June. Taken on the whole, conditions may be called good, though with a certain falling off. Expressed in figures, the situation is as follows:

Survey of the Economic Situation.

	Index of industrial products Fed. Reserve Board (basic industr.)	Index of degree of occupation of workers	Loaded waggons last week of month in 1000 t.	New building orders mill. dollars
1925 May . . .	111	95	986	496
1926 January . . .	120	96,3	925	457
1926 February . . .	120	97	913	389 ⁵⁵⁾
1926 March . . .	123	97,2	968	597 ⁵⁶⁾
1926 April . . .	122	96,4	968	571
1926 May . . .	—	—	1081	550

Some American authorities maintain that in the latest data the rise and fall in the number of loaded waggons has proved the best criterion of economic conditions. In this case conditions would be better now than in 1925.

Production figures of the most important industries:

	Soft coal milli. tons	Iron 1000 tons	Steel 1000 tons	Motor cars thousands	Cotton consumption 1000 bales
1925 May . . .	35,9	2931	3454	383	531
1926 January . . .	53,7	3316	4157	316	583
1926 February . . .	46,8	2923	3795	376	567
1926 March . . .	46,1	3430	4488	450	—
1926 April . . .	40,1	3450	4123	456	576
1926 May . . .	39,0	3481	3945	446	517
1926 June . . .	—	3235	3700	—	519

	Steel Trust orders in 1000 tons at end of month	Blast furnaces working
1925 May	4050	220
1926 January	4883	224
1926 February	4617	226
1926 March	4380	236
1926 April	3868	237
1926 May	3649	228

The retrogression in the value of the Steel Trust orders has not much significance; the iron works prefer to keep production on a high level, and then to restrict it abruptly if needs be.

Great importance is attached to the fact that the prices do not sink, despite slack business, as this is taken as criterion for judging the economic situation. The index figures issued by the Labour Office even show a slight rise in May for the first time.

Foreign Trade and the Payment Balance.

In May the foreign trade balance was favourable once more, as result of considerable decrease in imports accompanying the falling off of export. This can be taken as a sign of a falling off in economic prosperity, but one month is not long enough to

⁵⁵⁾ 22 days.

⁵⁶⁾ 27 days.

draw any definite conclusions. In general it may be said that the foreign trade balance tends to become adverse in proportion to the increase of receipts on the part of the United States from the capital invested abroad and from the war debts. Whether the foreign trade balance really does become adverse depends upon whether the fresh investments of capital abroad exceed the sum total of interest and principal received from abroad.

Foreign trade has been as follows:
(in million dollars)

1926			1. July till 31. May		
Import	Export	Balance*	Import	Export	Balance*
Jan. 416,7	397,2	-19,5	1922 2348	3436	+1089
Febr. 338,1	352,9	-35,5	1923 3462	3637	+ 175
March 443,1	374,4	-68,7	1924 3280	4005	+ 725
April 398,0	387,9	-10,1	1925 3499	4541	+1042
May 318,0	356,0	+38,0	1926 4127	4415	+ 288
June 337,0	338,0	+ 1,0			

The first eleven months of the American economic year show extensive increase of imports accompanied by a slight falling off in exports. But whilst last year there was a net export of 100 million dollars in gold, up to the present the import of gold this year has exceeded the export by 86 million dollars.

Farmers and Workers.

The enrichment of the bourgeoisie in the United States has again been hampered of late by the dissatisfaction of the farmers.

The position of the farmers has improved considerably since the great crisis, but during the last few months conditions have worsened again, and this has found expression in the election of oppositional Senators (Brookhardt).

The Department of Agriculture recently published its forecast for the coming economic year: The Agricultural Outlook for 1926. This states that the discrepancy between the prices of agricultural and industrial products has diminished of late years. When the price ratio of the pre-war years is taken at 100, the price index figures for farm products, in percentages of the total index figures, has been as follows:

1921	60
1925	80

During the last few months this figure has sunk to 87 again. Maize, the main agricultural product, is especially low in price. Various plans for raising its price have been mooted of late. The report recommends the restriction of production fairly candidly, and observes that just as certain of the key industries are re-arranging their plan of production to correspond with a probable decreased demand in 1926, in the same manner agriculture should be so organised in 1926 that the home market, which will be quiet at best and doubtless less favourable than at present, is accurately supplied. The report opposes the organised regulation of prices, and is in favour of "industrial self help".

This does not however in the least correspond with the wishes of the farmers, especially after the growing success of the Canadian pool. The McNary-Haugen Bill would have best met their wishes. The fundamental idea of this bill was that the state should buy up the export surplus at a fixed price, by which — the import of farm products being cut off by high tariffs — the home prices would automatically adapt themselves to this fixed price, independent of the world's market price. The surplus beyond home consumption is to be sold in the world's markets, at the world's market price. The loss is to be borne by the farmers in the proportion to which they have produced the goods sold at a loss. The maize farmers do not want to bear the losses of the wheat farmers.

The problem is the same as that which has always existed for rye in Germany. How is it possible to exploit a protective tariff for goods produced in quantities exceeding home consumption, and for which the formation of a cartel is impossible?

* Minus: import surplus; plus: export surplus.

In Germany the problem is solved by the export licence system. The economic import of the McNary-Haugen Bill is the same, only with the difference that here the farmers themselves are to bear the difference between the prices at home and abroad, whilst in Germany the state covers the difference by forfeiting the corresponding tariff receipts.

The farmers' bill was rejected. It was contended that its acceptance would increase the price of fodder in America, and thus hamper the feeding of pigs and cattle, and endanger American competitiveness in the world's markets (the interests of the mighty meat canning companies!), etc. A government bill in support of agricultural co-operatives, after having been passed in the House of Representatives, was rejected in its whole extent by the Senate, after the farmers' representatives had successfully urged the most important points of the McNary-Haugen Bill as modifications of the various points. Thus there is a strong opposition among the farmers, Coolidge's popularity has greatly diminished, and the possibility of his defeat at the next election is mooted.

The position of the workers is invariably represented as the most favourable imaginable.

In our Report on the Fourth Quarter of 1925, we discussed ("The Fairy Tale of the Workers who become Capitalists") that new ideology which is being spread abroad from the United States, according to which the American workers are alleged to be becoming share holders on a large scale, and participating thus in the profits of the undertakings. We exposed this invention of the American capitalist ideologists, started in America and spread further by the Social Democrats of Europe.

In America itself there has been a fairly extensive critical discussion on the subject. We shall devote special attention to one of these critical studies, as it appears to go to the root of the matter. The author is Lewis Corvey. He bases his criticism on the material supplied by the Bureau for Inland Revenues²⁷⁾.

According to Corvey's statements, the total dividends of the American joint stock companies amounted to 4160 million dollars in 1923. These dividends were distributed as follows:

Annual income of recipients.	Sum total of dividends distributed.
Dollars	Dollars
1000 to 3000	262,5
3000 to 5000	421,3
Over 5000	2442,6
Joint stock companies	870,1
Foreigners and individual American stockholders not filling income tax reports ²⁸⁾	172,5

Corvey assumes that the distribution of dividend income runs parallel with the ownership of shares. He calculates the following table on this basis:

Approximate Distribution of Stock Ownership (1923):

Income group in dollars	No. of stockholders in this group in thousands	Value of shares owned in million dollars	Per cent	Average ownership of stock value in dollars
Over 5000	600	46,875	75,0	78,125
3000—5000	1,400	8,065	12,9	5,760
Under 3000	5,000	5,060	8,1	1,010
No tax declaration	8,000	2,500	4,0	310
	15,000	62,500	100,0	4,165

²⁷⁾ "How Is Ownership Distributed?," "New Republic", 5. V. 26.

²⁸⁾ From this wording it is not quite clear whether these are shareholders whose income is below the tax level, or whether their income tax declarations are lacking. The first supposition is however most consistent with the context.

We see from this table that the equalisation of income from the ownership of shares is a fallacy. 4 per cent of the stockholders own 75 per cent of the shares, whilst 8000 stockholders, or 53,3 per cent, own only 4 per cent of the shares.

It is important to note that the tendency of equal distribution of the profits of joint stock companies, upon which the capitalist ideologists lay so much emphasis, only lasted till 1921, from which time onwards concentration again set in. This is shown by Corvey in the following table:

Distribution of Dividends among the Income Groups (1917—1924).

Year	1000—3000	3000—5000	5000—20,000	20,000 and upwards
1917	—	—	25,3	64,7
1918	5,6	8,5	28,6	57,3
1919	5,2	8,1	29,2	57,5
1920	5,5	8,1	31,5	54,9
1921	13,5	9,2	30,5	46,8
1922	9,9	8,5	29,1	52,5
1923	8,4	13,5	26,7	51,4
1924	7,7	12,2	23,3	56,8

We thus see that the share received by the income group 1000 to 3000, which reached 13,5 per cent in 1921, had sunk again to 7,7 per cent by 1924, whilst the share received by the group with an income of 20,000 dollars and upwards rose in the same period from 46,8 to 56,8 per cent.

The deceptive factor of the majority of such calculations is that they deal solely with developments between 1917 and 1921, that is, with the dividends paid during the chief war and post-war boom of 1916 to 1920, whilst developments since then are ignored. Our author emphasises that precisely during this period a great deal of capital has been invested in foreign securities, a line of business chiefly participated in by the large capitalists.

As to the share of profit falling to the working class in its capacity as stockholder, this is entirely insignificant. The income class 1000 to 3000 dollars yearly does not represent wageworkers for the most part, but dealers, craftsmen, small industrialists, etc. If we take all incomes over 3000 dollars as non-wageworkers' incomes, we arrive at the following result:

Share of Dividends paid by to Non-Wage-workers.

1918	94,4	1921	86,5
1919	94,8	1922	90,1
1920	94,5	1923	91,6
1924			92,3

These percentual shares throw a perfectly clear light on the subject. There is no visible development, in the direction of an actual or possible participation of wageworkers in the ownership of shares. There has been a redistribution of shares and of dividend income, but within the possessing class. The losses suffered by the upper strata of this class have been almost exclusively absorbed by its lower strata.

The drop of 2,1 per cent (between 1918 and 1924) is comparatively insignificant, and appears besides to be merely temporary.

If we assume that all incomes under 3000 dollars are wage-worker incomes, then the working class appears to share profits to the extent of 7,7 per cent. But this income group includes at the same time farmers and small business men.

Corvey goes on to state that the overwhelming majority of wageworkers and farmers have an income under 2000 dollars. We can add the dividends of the group 2000 to 3000 dollars, amounting to 4,1 per cent in 1924, to the non-wageworkers' share, whilst at the same time we ascribe the dividends in the income class under 2000 dollars = 3,3 per cent in the proportion of 2 per cent to the wageworkers and 1,3 per cent to the farmers

(although this group also comprises non-wageworkers and non-farmers). The 4 per cent dividends of those shareholders who have sent in no tax declaration can be distributed as follows: 1 per cent farmers, 1 per cent workers, and 2 per cent others. The percentages arrived at by this calculation are the following: Wageworkers 2,5 per cent, farmers 2,3 per cent, non-wageworkers with an income up to 5000 dollars 18,3 per cent, with an income of 5000 to 20,000 dollars 22,4 per cent, with an income of 20,000 and upwards 54,5 per cent.

Assuming once more that the ownership of shares runs parallel with the dividend, the wageworkers own stock to the value of 1650 million dollars out of a total value of 66,000 millions. Our author draws the conclusion that the ownership of stock is a monopoly of the non-wageworker class to an extent of at least 95 per cent, and 76,9 per cent is concentrated in the hands of people whose income is over 5000 dollars yearly.

Further interesting details are given on the trifling value of the share held by workers and officials. The Steel Trust is one of those undertakings which have always been anxious for their employees to own their shares. And yet the number of employee stockholders had sunk to 30 per cent by December 1925, as compared with 65 per cent in 1903. In 1921 42 per cent of all the employees of the Steel Trust were stockholders in this company, at the present time only 19 per cent. For 22 years the employees have subscribed shares whose present value would be 200 million dollars. But the shares at present owned by the employees are only worth 80 million dollars.

Corvey points out that there are many occurrences which force the employee stockholders to miss payments or to sell the shares already purchased: unemployment, strikes, illness, and death. This accumulation of shares by the wageworkers is a Sisyphus task.

The facts thus laid before us show that the whole idea of the wageworker as stockholder is a fraud at bottom, and is in reality nothing more nor less than a fresh attempt at weakening the class consciousness of the working class.

III. Mexico.

There are but few countries today which are so interesting to us as Mexico, as regards both social and foreign politics. It is the only country, except South China, where there is in a certain sense a regime of workers and peasants. It is a country which is howled down by the capitalist press all over the world as a Bolshevik land. One example out of thousands:

"... despite this, Mexico is today one of the most widely Bolshevised countries. President Obregon in his time caused thousands of guns to be distributed among the Indians and agricultural labourers, and paid agitators to fan the flame of hate against possession, or rather of greed for possession: robbery of land, pillage, and theft were left unpunished, and even praised⁵⁹⁾.

This "Bolshevism", which we shall deal with further on in detail, is the natural reaction against a system of land robbery which has been carried on for centuries, and has led to the soil of Mexico gradually concentrating in the hands of a very small group of exploiters, whilst those who actually till the ground, have been left literally without a vestige of land owned by themselves. The history of Mexico is the history of robbery of land from the natives, and it was not until the agrarian revolution of 1910—1923 that a certain change began to make itself felt. The solution of the problem is however still far distant. The agrarian history of Mexico may serve as example of the whole agrarian history of South America, and of all the suppressed which have been drawn into European civilisation.

Besides the agrarian question, Mexico has another problem of special importance, its struggle against the Imperialism of the United States. American capital presses forward unceasingly into Mexico, and the predatory corruption of whatever group of the ruling class holds government power facilitates in every possible way this advance. The struggle against American Imperialism is thus closely bound up with the struggle of the workers and

⁵⁹⁾ "Der Tag". 20. V. 26.

peasants against the large landowners and the church. A struggle against American Imperialism signifies — so far as we can judge by the scanty material at our disposal — a simultaneous struggle against the large landowning class and the bourgeoisie of Mexico itself. It seems as if Mexico is either to be finally transformed into an American colony by the United States, or the close connection between American capital and native exploitation will lead to an anti-capitalist upheaval in the country. In a certain sense the situation is analogue to that in China.

The Agrarian Question in Mexico.

Mexico is a thinly populated country. In 1910 its population counted 15 million souls inhabiting an area of approximately 2 million square kilometers, or 7,2 persons per square km. Mexico is about as large as Germany, France, Spain, England, and Italy all together. And yet there is a land famine here such as is known scarcely anywhere else in the world. Here there are two points to be taken into consideration. In the first place, the density of the population varies greatly. In the central districts, for instance in the state of Mexico, the density is 41 per square km, whilst in the dry regions of the north west the number of inhabitants sinks under 1 per square km. This is to be accounted for by the great differences in the fertility of the soil. Only 8 per cent is suitable for tillage. A report issued for 1910 shows the soil to vary in the following proportions⁶⁰⁾:

	in million acres ⁶¹⁾
Total area	491
Sterile land	300
Pasture	120
Forest	40
Arable land	30

Although the technics of tillage are still very backward in many parts of Mexico, the area capable of cultivation would fully suffice to cover the needs of the population, were the land not completely in the hands of a small number of large landowners. The landownership statistics compiled for the individual states in 1910 show that even where the conditions are most favourable, in California (Mexican California), only 11,8 per cent of the families engaged in agricultural labour own land of their own, 88 per cent owning no land at all, whilst in the province worst off in this respect, Oaxaca, only 0,2 of these families owned land, and 99,8 per cent owned none. The average has unfortunately not been calculated, but must lie between 2 and 3 per cent. The statistics refer to 30 states; the figures for the most densely populated of these are as follows⁶²⁾:

State	Agric Itural population	Percentage of total population	Families engaged in agriculture	Landowners	Percentage of families owning land	Percentage of families owning no land
Jalisco	932,235	77,1	186,447	7,296	3,8	96,2
Oaxaca	901,442	86,7	180,288	499	0,2	99,8
Puebla	896,618	81,4	179,324	1,259	0,7	99,3
Veracruz	887,369	78,3	177,474	1,954	1,1	98,9
Mexico	831,347	84,0	166,269	856	0,5	99,5
Michoacan	928,947	83,6	165,789	4,518	2,7	97,3
Guanajuato	776,443	71,7	155,289	4,533	2,9	97,1
Hidalgo	590,796	91,4	118,159	1,645	1,3	98,7

These figures suffice to show that the soil is obviously concentrated in the hands of a few mighty landowners. As a matter of fact, there are landowners in Mexico possessing areas widely exceeding any European conception of landownership. The following table gives an idea of this:

Number of landed properties in some states in 1910⁶³⁾

State	over 1000 ha	over 5000 ha	over 10,000 ha	over 25,000 ha	over 50,000 ha	over 100,000 ha	over 200,000 ha	over 400,000 ha
Aguascalientes	31	8	19	3	—	—	—	—
Morales	22	10	9	3	—	—	—	—
Mexico	64	17	10	2	2	—	—	—
Oaxaca	89	31	18	8	2	—	—	—
Sinaloa	293	86	37	7	1	1	—	—
Jalisco	453	120	46	10	1	—	—	—
Colima	29	18	13	6	1	—	—	—
Durango ⁶⁴⁾	135	110	90	47	25	7	2	1
Michoacan	102	53	29	17	12	2	—	—
Veracruz	393	136	65	13	7	1	—	—
Total	1611	589	336	116	51	11	2	1

In Mexico there are areas of landed property, belonging one owner, as large as Belgium and Holland together, estates which it takes a railway train a full day to cross.

It is obvious that in a country like this, where one great tract of privately owned land adjoins another, and 99 per cent of the rural population possesses no land of its own, the great landowners must be absolute lords of the country. Up to 1915 the population of Mexico were the complete slaves of the large landowners. The situation has been somewhat alleviated by the agrarian revolution, but it does not appear to be fundamentally changed. We say does not appear, for the lack of original material makes it difficult to judge of the situation from a distance.

The Position of the Agricultural Labourers.

The natives deprived of their land became, and are still for the most part, the actual serfs of the large landowners. Each great estate has its serf population (the "peons") averaging 2000 to 5000 persons. Although serfdom has been formally abolished, it still continues in a form of enforced dependence. The landowner gives the peon a cash advance, which can never possibly be repaid out of the frightfully low wages paid, and the law of the country forbids the peon to leave an employer to whom he is in debt. The statistics for 1910 show 3,183,402 peons, employed on 834 estates, to be in this state of slavery indebtedness. When the families of these peons are counted, we have a total of 10 million human beings, or two thirds of the total population. Besides these there were only 410,000 persons engaged in agriculture, the independent middle owners (ranchos) and farmers, and these existed for the most part in the utmost poverty and misery, their land being entirely insufficient.

No statistic data are available on the position of the agricultural labourers. This is due to the feudal character of the exploitation of agricultural labour. The position of the workers varies, as is usually the case under feudal conditions, in accordance with the character of the individual lord of the land.

Inman, in his "Problems of Pan-Americanism", gives an excellent idea of the conditions. He states that before the revolution the lords of the land paid about 25 centavos (six-pence) daily as wages to the peons. The workers got into debt to the landowner, and the landowner was actually anxious for him to do so. The debts bound the man to the farm. They were inherited by the sons and grandsons of the debtor. When the price of a large farm was asked in Mexico before the revolution, and 100,000 dollars were demanded, this sum included not only the price of the land, but also the price of the peons on

⁶⁰⁾ "The land systems of Mexico", George McCutchen McBride, American Geographical Society, New York 1923, p. 21 (quoted below as "Land systems"). A serious and excellent book.

⁶¹⁾ O. 4 ha.

⁶²⁾ "Land systems", p. 154.

⁶³⁾ "Land systems", p. 79.

⁶⁴⁾ In some cases the Durango figures must be exaggerated, for the total area of landed property stated exceeds the total area of the state.

the farm. The buyer bought the debts of the peons, and in actual practice the peons themselves.

In the "New Republic" of the 28th March 1923 there is given a descriptive picture of a range of low hills rising out of a gigantic maize plantation. The farm building, the house of the administrator, stands on a height; the owner himself is doubtless living in the city of Mexico, or in Paris. Further off, about half a mile away, the bush covered hillside is dotted with 200 Lilliputian huts, hewn out of the rock. A man can scarcely stand upright in these. One room, with a dirty floor, no windows, roofed with cane, grass, or tiles; no bed, merely a straw mat, no covering, merely a piece of matting. These dwellings are narrower, darker, and more unhealthy than the stables which the landowner provides for his mules.

There are no data available on the position of the industrial workers during this period, but where the position of the rural population was so utterly wretched, it is inevitable that the industrial working class must have suffered in an equal degree.

Mexico -- a Spoil of American Imperialism.

The bourgeoisie of the United States have always regarded the whole region around the Caribbean Sea as their special "sphere of influence⁶⁵⁾". Mexico itself is limited on the North and North East by the United States; on the East lie Cuba and Haiti; on the South the districts occupied by the United States in protection of the Panama Canal. Politically it is surrounded by the forces of the United States, economically it is dependent on this same country. Any attempt at putting the revolutionary solution of the agrarian question into actual practice encounters the resistance of the superior power of American interests, which are here safeguarding an especially precious booty: petroleum. Mexico's wealth of petroleum is its misfortune, has made it the bone of contention between American and English petroleum capital, a mere petroleum colony.

Petroleum was first bored in Mexico in 1901, by Dohenny, the notorious American petroleum capitalist⁶⁶⁾. But it was not until after 1910 that the petroleum resources were really opened up, and began to develop as follows:

	Million tons	Percent. of world's output
1910	0.5	1.1
1915	4.9	7.7
1920	24.5	23.5
1921	29.0	25.3
1922	27.3	21.7
1923	21.8	15.1
1924	21.0	14.3
1925	18.0 (press report)	—

The output was lowered by salt water breaking into the bores in some places. It has however been ascertained that up to now only a fraction of the deposits has been opened up.

There are two points characteristic of Mexico as colonial country:

1. The whole of this wealth is entirely in the hands of foreigners.
2. The petroleum is exported as crude oil; it is scarcely worked up at all in the country itself.

⁶⁵⁾ As early as 80 years ago the United States made a raid on Mexico, and robbed it of half its territory: Texas, New Mexico, Arizona, and California. The land distribution and agrarian constitution of the "democratic South" still show traces of Spanish land robbery. The imperialist raid being made by the bourgeoisie of the United States on the South is well described, though in rather too literary a style, in the works of the champion of the independence of Latin America, the Argentine writer Manuel Ugarte, for instance in: "The destiny of a continent". New York 1925.

⁶⁶⁾ We here take our facts from an excellent book which has recently been published: „Die Erdölwirtschaft der Welt", by K. Krüger and G. Ponhardt. Stuttgart 1926. pp. 185—200.

The English "Mexican Eagle" has been the first to establish refining works; the output produced by American capital is exported almost entirely as crude oil. There are 20 refining works, producing fuel oil for the most part. "The other products of the refineries are imported for the most part from the United States". (p. 196).

There has been a violent struggle between American and English capital for the exploitation of Mexican crude oil, fought with all possible weapons: revolutions and counter-revolutions, diplomacy, stock exchange tactics ending finally with the victory of the United States. The various concerns participate in the following proportions in the output (percentages):

	1923	1924
Standard Oil	15	35
Dohenny	24	23
Mexican Gulf	8	7
American share	57	74
Royal Dutch Shell	26	13
International capital	10	11
	100	100

The crude oil obtained is almost entirely exported; 75 per cent as crude oil, 5 per cent as distillates, the remainder as semi-products. Only 10 per cent is consumed in the country itself, principally for running the producing and refining plants of the oil exported, 78 per cent goes to the United States, 6 per cent to England, the rest to South America, Cuba, and Canada.

The revolutionary governments of Mexico have attempted to prevent the unscrupulous exploitation of the natural wealth of the country by the Americans, or at least to restrict it and to obtain a financial advantage from it. The constitution established by Carranza in 1917, article 27, enacts that land concessions — these including the right to exploit underground deposits — were to be granted to Mexicans or Mexican companies only, whilst those already granted to foreigners were to be subjected to a revision.

This attempt led to a lengthy conflict with England and the United States, whose diplomatists defended the "acquired rights" of the petroleum capitalists with the utmost energy⁶⁷⁾. The Obregon government was positively forced to beat a retreat in 1920, and to recognise the concessions granted before 1917 as legal.

The Mexican government then introduced a high export duty on crude oil. The Standard Oil Co. ceased to export. Fresh conflicts with the United States. The Mexican government changed the export duty into a tax on stored petroleum. The Standard Oil threatened to stop production altogether. The conflict was decided in favour of the Americans by the verdict of the Supreme Court of Mexico (!); the retroactive force of § 27 of the constitution was annulled, the "acquired rights" declared to be sacred, and the Obregon government recognised by the United States. Petroleum capital has however agreed to a certain amount of taxation: Mexico's receipts from petroleum taxes were 81 mill. pesos in 1922; 62 million in 1923; 55 million in 1924⁶⁸⁾; and 41 million in 1925. The amount has diminished by one half within four years!

England has proved even more sensitive on the subject of the violation of the sacred rights of petroleum capital than even the United States. For eight years, until the autumn of 1925, England refused to recognise the Mexican government; this as protest against paragraph 27 of the constitution of 1917. Not even the MacDonald government would recognise the government. The "Times" of 8. 4. 1924 writes with obvious satisfaction that the President of Mexico and his ministers have probably never supposed that a Labour Government would demand protection for British rights and British property as a necessary basis for recognition, or would ask for proofs of the stability and integrity

⁶⁷⁾ Force and corruption, the original means of accumulation, were unscrupulously employed. Mr. Dohenny, for instance, promised a million dollars to the Secretary of State of the U. S. A., MacAdoo, the son-in-law of the highly moral Wilson, if his "negotiations" with Mexico were successful. Thus the "New York Times", 11. March 1924.

⁶⁸⁾ The last two figures are taken from the "Manchester Guardian Commercial", 1. 4. 1926.

of the Mexican government. The MacDonald government once more took sides against the working class in this case, preferring to side rather with Anglo-Dutch petroleum capital than with the Mexican workers.

Meanwhile every detail of petroleum legislation continues to be the subject of the bitterest conflicts. At the beginning of April 1926 a new petroleum law was passed in Mexico. This enacts that all petroleum rights are to be converted into concessions running for 50 years from the time of the commencement of exploitation. The special correspondent of the "Times"⁷⁸⁾, naturally furious, declares this to be a fresh act of confiscation, as in many cases the rights of possession terminate within a few years, and fall to the Mexican government, and condemns it at the same time as a violation of the agreement made between the United States and Mexico in April 1923, prohibiting the retroactive effect of § 27.

Equally severe criticism is exercised against the aliens law, which enacts that foreigners are not to acquire land or water rights for a distance of 100 km from the frontier or 50 km from the coast, or to become stockholders in a Mexican company possessing such rights. Foreign stockholders must declare in writing that they submit to the Mexican laws. Property already held by foreigners on this territory may be held till the death of the owner. The heirs must sell it to the Mexicans within five years. The capitalists judge this to be confiscation, as no Mexican possesses the money to buy.

The "Times" expresses the opinion that the sole certain way of putting an end to the confiscation policy of the Mexican government is a closer diplomatic co-operation among the great powers. This is characteristic for the comparative forces waging against one another in Mexico. The United States permit England no armed action in Mexico; England is thus dependent on the aid of the United States. Petroleum capital will doubtless find some means of destroying the effect of even this new law, and the petroleum will finally remain the property of the Americans. The penetration of the country by American capital is observable in every sphere. The nationalised railways have had to be given back to America. American capital is pressing forward into every branch of industry, it monopolises foreign trade, and is authoritative in finance. It is converting Mexico gradually into a colony.

England is being supplanted more and more by America in the investment of capital. The figures dealing with capital investment are however extremely contradictory. In general England's share is estimated at five times less than that of the United States.

In foreign trade the United States have incontestably the supremacy. America supplies not only large quantities of goods, but every description of articles of consumption which would find a sale in an average town, village, or market place in the United States. (See "Trade with Latin America". Dep. of Commerce 1924, p. 2.) Mexico is almost a part of the home markets of the United States. The same articles are exported or imported, according to local conditions. Crude oil from California goes to the West Mexican refineries of the "Mexican Eagle", cotton is imported in the East from Mexico to the United States, and from the United States to Mexico in the West, etc.

Foreign trade has developed as follows, in million pesos (about half the value of dollars)⁷⁹⁾:

	1913	1920	1921	1922	1923	1924
Import	187	358	494	304	315	304
Export	261	407	757	945	740	711

The United States play a preponderant part in foreign trade. The Statesman Yearbook for 1926 gives the following foreign trade figures for 1924:

	Million pesos.				
	United States	Great Britain	Germany	France	Spain
Import	233	23	23	16	7
Export	493	35	18	8	4

⁷⁸⁾ "Times". 20. 4. 1926.

⁷⁹⁾ Commerce Yearbook, p. 574.

This comparative position of exports and imports in general, and the great share carried off by the United States, gives an idea of the intensity with which American capital is pillaging Mexico. There is not only an import surplus, but an "investment of capital", that is, the surplus value expropriated in Mexico is partially allowed to accumulate in Mexico itself.

The finances of the country are equally under the influence of the United States. Mexico has no trouble with the rate of exchange of the currency, for this is practically all metal, a natural consequence of the large amount of gold and silver produced in the country. The large amount of silver coined in 1924 has caused a disagio of silver money in comparison to gold, to the amount of 8 per cent. Paper money is but little in circulation; only banknotes. On the other hand, interest was not paid on the national debt during the revolution, and this gave the Americans, the chief creditors, an excellent excuse for interfering. A bank of issue was recently established, and the payment of interest on state debts resumed.

Mexico is being subordinated to the United States all along the line: by political power, by the investment of capital, by means of foreign trade, and by cultural propaganda. The A. F. of Labor is working along the same line. It is true that resistance is growing among the new bourgeoisie of all Latin American countries. But the subordination of the country cannot be prevented by bourgeois means. As in China, the anti-imperialist movement can only be victorious in the form of a social revolution.

Industry and the Industrial Workers.

During the last decade industry has made certain advances in Mexico. It is hampered by the poverty of the agricultural labourers forming two thirds of the population, for these cannot buy industrial goods, whilst the rich ruling class covers its requirements abroad for the most part.

In 1923 the number of industrial workers was as follows⁸⁰⁾:

Total	284,000
Of these	
mining	85,000
textile	52,000
foodstuffs	36,000
transport	7,000

In a total population of 15 millions, this shows a very slight degree of industrialisation. The colonial dependence of the country from the United States retards industrialisation, for American capital prefers to supply Mexico with finished articles, rather than establish undertakings in so "Bolshevist" a country.

The total amount of capital invested in industry (including mining and petroleum production) is stated to be 1187 pesos⁸¹⁾. This is distributed:

Petroleum	70
Mining	38
Electric power plant	67
Clothing industry	89
Food industry	72

These figures are obviously wrong, for the statements in "Erdölwirtschaft" show 800 million pesos to be invested in petroleum alone.

It is difficult to ascertain the position of the industrial workers. According to the letter of the law, their position must be good. Paragraph 123 of the Mexican constitution of 1917 prescribes⁸²⁾: eight hours day, seven hours for night work, six hours for children, no night work for women and children, one day of rest weekly; cash wages and obligatory participation in profits; the right to strike; three months wages for wrongful dismissal; obligatory arbitration by the state, etc. If an

⁸⁰⁾ Commerce Yearbook 1925, p. 574. Published by Dep. of Commerce, U. S. A.

⁸¹⁾ "Wirtschaftsdienst", 10. June 1925.

arbitration board finds a strike justified, it has the right to oblige the employer to pay a part or the whole of the wages lost to the workers during a strike. This actually happened some time ago (in 1923) on the occasion of a strike in a printing works in Mexico. A French textile factory arbitrarily discharged half a dozen workers; when it refused to take them back, the government confiscated the factory until the workers were reinstated.

It is however difficult to determine how much of these regulations is carried out, and how much is merely paper⁷⁴⁾. In any case, these laws have not prevented foreign capitalists from making gigantic profits in Mexico. The "New Republic" states that excellent profits can be made in Mexico without grinding down the workers in the old way, and that many capitalists have admitted in private conversation that they have adapted themselves to the new situation and hope to make progress. The American manager of a power station observed that there are fewer Bolshevik happenings now than in 1915-17. The country is making better progress, and even though the working class demands so much, still we can pull through and earn money.

We have only been able to find a few data on the wages paid to workers; these are not official, but newspaper reports:

The average daily wages, in pesos (half a dollar) have been as follows:

	1922 ⁷⁵⁾	
	Men	Women
Electric power works (maximum)	2,67	—
Jewellery workers	2,—	1,14
Cabinet makers	1,86	1,17
Matches	1,22	0,50
Cotton goods	1,49	0,79
Shoe factories	1,90	0,85
Candle factories (minimum)	1,—	0,52
	1924 ⁷⁶⁾	
Ceramics	1,68	
Tanneries	1,99	
Foodstuffs	2,06	
Production of metals	2,20	
Clothing	2,38	
Transport	3,78	
Production of petroleum	5,44	

New data have been published for the textile industry for 1924⁷⁷⁾. These too show a considerable rise as compared with 1922.

	Daily wage in pesos:					
	Men		Women		Children	
	Max.	Min.	Max.	Min.	Max.	Min.
1923	2,23	0,75	1,04	0,54	—	—
1924	2,53	1,20	2,50	0,60	1,70	0,57

The report published by the E. C. C. I.: "One year of work and struggle", gives the following statements on the wages in Mexico for 1925.

⁷⁴⁾ "New Republic". 25. April 1923.

⁷⁵⁾ The actual carrying out of these laws requires legislation for the individual states. Such a legislation, that of the state of Jalisco for 1923, is given in the "Monthly Labor Review of the Labor Office of the U. S. A." June 1924.

⁷⁶⁾ "Labour Monthly". June 1924.

⁷⁷⁾ "Wirtschaftsdienst", private figures of the correspondent W. Eoener, No. 19. June 1925; obviously too high.

⁷⁸⁾ "Labour Monthly", April 1926.

Average wage of an industrial worker 3,— pesos
 Average wage in the country 0,75 ..

"The wages of the women and juvenile workers are considerably lower. In the country there are women and children working 12 to 14 hours for 10 to 20 centavos per hour, and in industry 9 to 10 hours daily for 25 to 70 centavos per hour".

In many cases the state authorities appear to be aiming

A report issued by the American consul in Yukatan states deliberately at raising the wage level. that the State Board of Arbitration ordered the following rises in wages to be made (19. June 1925)⁷⁸⁾:

For a monthly wage of	
less than 20 pesos	200%
21—30	150%
31—40	125%
41—70	100%

Further, a scale of increase in wages lessening by 5 per cent for each 10 pesos of more wages; over 300 pesos 5 per cent. The carrying out of this enactment would have greatly improved the position of even the worst worker, and would have been extremely levelling in effect. We are however not in a position to state whether such enactments are really carried out, or to what extent.

On the other hand, the authorities took a definite stand against the workers when these occupied the petroleum undertakings in Tampico in the spring of 1924. The petroleum industry has recently been declared to be a "public interest", and any strike in connection with it thus becomes illegal.

A general survey may be summed up as follows:

The present government, incapable and unwilling to solve the agrarian problem by way of revolution, is attempting to create an aristocracy of industrial workers which is to combine with the growing inland bourgeoisie to form a counterweight against the revolutionary rural proletariat. Although the wages of the industrial workers are extremely low, speaking absolutely, they are still much higher than those of the agricultural labourers, so that the industrial workers form a comparative aristocracy. The promotion of the trade unions of the industrial workers, the admittance of a trade union leader into the government as Minister for Industry and Labour⁷⁹⁾, the close alliance between the Mexican trade unions and the A. F. of L., all this goes to show that the Calles government is seeking to corrupt the industrial workers, to create a bourgeois industrial workers' aristocracy, and to divide the industrial proletariat from the rural proletariat, to the end that the latter may be robbed of its natural vanguard.

The first task of the C. P. M. is to prevent this split, to unite the forces of the proletariat in town and country, and to carry out the revolutionary solution of the agrarian question⁸⁰⁾.

⁷⁸⁾ Labour Monthly. Sept. 1925.

⁷⁹⁾ The "Nation" observes on 24. June 1925 that it is a masterpiece on the part of Calles to appoint L. N. Morones, the leader of the Confederacione, to be Minister for Industrie, Trade and Labour.

⁸⁰⁾ During the last few weeks, whilst this report has been in the press, a sharp conflict has arisen between the government and the church in Mexico. This is a conflict being carried on by the working class, the bourgeoisie, and a section of the secular landowners, against the church in its capacity of especially privileged gigantic landowner and banker. At the same time it is a manoeuvre for distracting attention from the revolutionary agrarian movement.