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1. General Section

Economic Results of the Year 1933

The deepening of the general crisis of capitalism, the intensification of the imperialist contradictions, and the rapid acceleration of the tempo of war preparations accompanying the latter phenomenon, have exercised a twofold effect on the economic crisis. On the one hand, the threatening danger of war has adversely affected those tendencies which make, in accordance with the laws of capitalist development, for the overcoming of the crisis and the transition to the period of depression. The threatening danger of war prevented all long-term investments serving peaceable ends. This is demonstrated with unusual clarity by the fact that the export of capital has practically come to a standstill. As, despite the nearness of the approaching beginning of the new cycle of wars, no definite and reliable war blocs have yet been finally formed, any capital investment in the form of capital export on the part of the bourgeoisie means a danger of strengthening the possible ally of a future opponent.

On the other hand, however, the feverish preparations for war which are being conducted everywhere resulted during the course of 1933 in giving a very considerable fillip to industrial production. To give the huge armies of to-day a modern equipment demands a vast quantity of industrial products of all kinds. There is hardly a single branch of industry which has not been stimulated to a certain extent by the increased preparations for war. The heavy industries, the engineering industry, the automobile and aeroplane industries, the chemical industry, and the textile industry, all of them have drawn greater or lesser advantage from the increased preparations for war. Thus, the preparations for war and the strained foreign political situation hampered on the one hand and encouraged on the other the development of industrial production, the latter effect being undoubtedly the stronger. The increase in industrial production which took place during the course of 1933 was for the greater part the result of the increased preparations for war.

The preparations for future wars are becoming a more and more decisive factor in the economic policy of all imperialist countries. Everywhere we can observe efforts to prepare in advance the economic system of all capitalist countries as far as possible for war economy. This is the reason for the general tendency in all imperialist countries towards autarchy or economic self-sufficiency as far as the most important foodstuffs, industrial

raw materials and industrial products are concerned. Germany, France, and Italy have practically succeeded in guaranteeing their own individual supplies of bread and meat in case of need. Germany is working feverishly to encourage its home production of plant and animal fats. Even in Great Britain the increase of the production of wheat and sugar has been encouraged with State aid. On the other hand, we can observe in all the smaller capitalist countries a strong tendency to build up at least a minimum of heavy industry, chemical industry, and armament industry in the narrower sense with a view to being in a position to conduct a war at least for a short period with their own resources.

This economic policy of all capitalist countries, dictated by the efforts to increase the state of war preparedness, resulted in an intensification during the course of 1933 of the already existing tendency to protect and close the home markets against foreign imports. The increase of industrial production which took place in 1933 was based everywhere on the internal markets. On the whole the rate of deterioration of foreign trade came to a stop in 1932, but nowhere (with perhaps the exception of the wool-producing overseas countries) did foreign trade develop into a factor making for the improvement of the economic situation.

The total result of the year 1933 was therefore an intensification of the general crisis of capitalism, a further sharpening of foreign political antagonisms and of the class struggle, an increased tempo in the maturing of the revolutionary crisis in most

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countries, and, at the same time, as a result for the greater part of the increased preparations for war, an increase of industrial production in almost all countries, and therefore the beginning of the transition from the crisis phase of the industrial cycle into the depression.

The following table shows the position of the year 1933 in the crisis and at the same time the contradictory development of capitalist industry and of industry in the Soviet Union:—

Industrial Production (1928=100)

Year	In the capitalist world	In the Soviet Union
1913	73	70
1929	107	124
1930	90.5	159.5
1931	77.9	193.6
1932	66.1	206.5
1933 (1st 10 months)	74.9	217

The above table demonstrates the following:—

(1) Industrial production in the capitalist world, which fell steadily from 1924 onwards by about 15 per cent. a year, will be about 13 per cent. higher in 1933 than it was in 1932. The last two months of 1933 will hardly produce any appreciable difference in the world index.

(2) Despite the increase of industrial production in the capitalist world in 1933 the general level is still little higher than that of 1913, whilst the industrial production of the Soviet Union, according to the figures of the Institute for Business Research in Germany, is at the moment about three times as great as the 1913 volume. According to the more reliable calculations of the State Planning Commission of the Soviet Union, industrial production in the Soviet Union was 291.9 per cent. higher in 1933 than in 1913. This comparison clearly shows the superiority of the Soviet economic system over the capitalist economic system and demonstrates that in the struggle between these two systems on the economic field the Soviet Union has already won the victory.

(3) Despite the increase of industrial production in the capitalist countries in 1933, the level of production in 1933 in those countries remained more than 30 per cent. below the level of 1929. From this we see that, although a change took place in the dynamic development of the crisis in 1933, or rather from July, 1932, onwards, the level of industrial production even in 1933 was lower as compared with the previous highest level of production than ever before in the history of capitalism. Thus there can be no question of any overcoming of the crisis in the old sense, in the sense of "normal" capitalism.

The following table shows us the dynamics of industrial production in the most important capitalist countries:—

Index of Industrial Production

Year	U.S.A.	Gt. Br.	Ger.	France	Japan	Poland
1929	107.2	106	100.4	109.4	111.4	99.7
1930	86.5	97.9	90.1	110.2	105.6	81.8
1931	73	88.8	73.6	97.6	100.7	69.3
1932 (1st quarter)	62.5	90.1	62	79.5	101	52.2
(2nd quarter)	54.7	89.4	61.3	74	104.8	54
(3rd quarter)	55	82.8	59.6	73.2	107.2	54
(4th quarter)	59.5	90	61.8	76.1	118.7	54
1933 (1st quarter)	56.5	89.9	63.9	80.8	120.7	48.2
(2nd quarter)	70.9	91.7	68.5	85.8	126	55.2
(3rd quarter)	82.6	91.7	71	87.4	128.6	58
Lowest Level	July	3rd qrtr.	Aug.	July	May	May
1932	52.3	82.8	58.5	72.4	91.4	46.5
Highest Level						
1933	90.1	91.7	72	88.2	137.6	61.4
Last known month	Nov.	3rd qrtr.	Nov.	Nov.	Oct.	Nov.
1933	65.8	91.7	71.4	84.3	137.6	61.4

The above table demonstrates the following:—

(1) The lowest level of industrial production in most of the capitalist countries was reached at about the middle of 1932.

(2) In Great Britain, Japan, and Poland the last known monthly figures of industrial production are at the same time the highest. In Germany and in France, on the other hand, the last known figures show a certain small retrogression. In the United States the last known figures show that from the highest level which occurred in July, 1933, up to the October level there was a very considerable drop of almost 25 per cent. The last two months of 1933, for which no definite statistics are yet available,

have seen a new increase of production in the United States, at least in December, and in the other countries in all probability a certain drop in production owing to seasonal influences.

The figures relating to the production of certain very important materials for the armament industry demonstrate to what a great extent the preparations for war have influenced the course of industrial development in the capitalist countries:—

World Production of Important War Materials (in 1,000 tons)

	Pig Iron	Crude Steel	Lead	Tin	Zinc
Lowest monthly production in 1932	2,749	3,532	85.9	5.5	58.4
Highest monthly production in 1933	4,732	6,838	109.6	8	97.4

Apart from the increased preparations for war, this increase in production was made possible by the circumstance that the supplies of industrial finished commodities fell below the normal level as a result of a considerable drop in prices in all countries, and that further, with the exception of agricultural products, the supplies of raw materials are beginning to show a declining tendency.

An index referring to the supplies of finished industrial commodities in the United States only, gives us the following picture:—

Index of Finished Industrial Commodities in the U.S.A.

1923/25=100	1929	1930	1931	1932	1933
December	189	120	108	96	108 (August)

This index shows us that the supplies of finished industrial commodities in the U.S.A. at the end of 1932 had fallen to about half the supplies of 1929 and were lower than the average level of the years from 1923 to 1925, which are regarded as normal years. This low level of the supplies of industrial finished commodities was the basis for the rapid rise of production which took place in the U.S.A. in the months from April to July, 1933. The supplies of wholesale and retail traders and of the manufacturers were then rapidly replenished. Unfortunately, there are no figures available showing the supplies of industrial finished commodities in other countries. However, isolated figures indicate that as a natural result of the continuous drop in prices the supplies of industrial finished commodities in most other countries had also fallen below the normal level by 1933, a phenomenon natural to all periods of crisis.

In the following table we take the statistics relating to world supplies from the figures of the London and Cambridge Economic Service:—

World Supplies of Raw Materials and Agricultural Mass Commodities (in October)

	1929	1930	1931	1932	1933
U.S. cotton, 1,000 bales	3,638	5,967	9,165	11,738	10,145
Wheat, million bushels	462	544	486	455	430
Sugar, 1,000 tons	2,530	3,165	6,811	7,318	6,971
Tea, million lbs.	202	222	198	219	235
Coffee, million sacks	21.1	29.3	34	31.5	22.3
Rubber, 1,000 tons	391	483	570	622	620
Tin, 1,000 tons	31.6	47.5	61.9	58.6	34.5
Lead (U.S.), 1,000 tons	57.8	65.8	119	153	143
Zinc 1,000 tons	51	131	138	127	94
Oil, million barrels	628	613	557	549	550

This table shows that the world supplies of industrial raw materials: tin, lead, zinc, also began to show a declining tendency in 1933, whereas with regard to the supplies of agricultural commodities this, in general, was not the case. In the case of coffee, the considerable reduction of supplies was due to the systematic policy of destruction carried out with that end in view. In 1933 alone the half of Brazil's coffee harvest (approximately fifteen million sacks) was destroyed.

The alteration in price levels came at a later point than the turning point in the output of industrial products. If we examine the indexes of wholesale prices in the most important countries we shall find that in most countries the lowest level was reached in the first half of 1933 only, as can be seen from the following table. However, as a preliminary, we must stress that:—

(1) The level of prices has been considerably affected by inflation in the most important countries: Great Britain, the U.S.A., and Japan.

(2) The level of prices in the countries with more stable currencies, such as Germany and France, the internal price levels were artificially raised by increasing import duties, by the intro-

duction of quotas, by import prohibitions, and other governmental interference.

(3) The general index of wholesale prices includes both industrial and agricultural commodities and therefore, as the prices of agricultural commodities continued in general to fall still further throughout the course of 1933, the change in the price levels of industrial commodities and industrial raw materials is concealed to a certain extent. The following table can therefore be judged only after taking into consideration these factors:—

General Index of Wholesale Prices. (1913=100.)

Year	Gt. Brit.	U.S.A.	Ger.	France	Japan
1929	136.5	136.5	137.2	127.3	166.1
1930	119.5	123.8	124.6	112.5	136.8
1931	104.2	104.6	110.9	101.9	115.6
1932	101.6	92.8	96.5	86.8	121.7
1933 (1st quarter)	98.9	86.4	91.1	81.6	136.5
(2nd quarter)	99.4	89.9	91.8	79.5	134.1
(3rd quarter)	102.6	99.9	94.3	80.9	137.1
Lowest level	Apr., '33	Feb., '33	Apr., '33	May, '33	Jun., '33
	97.2	85.7	90.7	77.8	110.6
Last known month	Oct., '33	Nov., '33	Nov., '33	Nov., '33	Oct., '33
	102.6	102.4	96.3	83	136.3

Although therefore the increase of prices during the second half of 1933 in almost all countries was due in part to artificial measures (inflation, State intervention, etc.), this does not alter the fact that as a result of the cessation of the drop in prices which went on rapidly during the first three years of the crisis and as a result of the slight rise in prices which has since taken place production appears much more profitable for capital than when prices continued to fall.

This circumstance is one of the chief causes of the optimism felt by the bourgeoisie in almost all countries at the turn of the year, an optimism which expressed itself in the development of stock exchange share quotations. In almost all countries the quotations for industrial shares are higher to-day than they were a year ago. The following are a few examples: According to the index of "Standard Statistics" the lowest level of industrial share quotations in the United States was in June, 1932, when it stood at 33.35. By November, 1933, it had risen to 76.7. For Canada the respective figures were 48.8 and 100, for Germany 46 and 60, for Japan 86 and 206, for Great Britain 73 and 114, etc.

This optimism of the bourgeoisie was also reflected in the annual statements issued. It was most pronounced in Great Britain, as can be seen from the following quotations taken from the Trade Supplement of the "Economist" in December:—

"The latest evidence on the state of trade in the United Kingdom is almost uniformly favourable and indicates that economic recovery has continued right up to Christmas. The general improvement is reflected in a rise in our index of business activity, as well as in an expansion in railway receipts, foreign trade and employment, and in a steadier tendency of wholesale prices. . . .

"The impression gained from a survey of developments in the past year is one of gradual but steady expansion in nearly all branches of economic activity. . . .

"The news from other foreign countries is also more encouraging. Activity in Germany has been well maintained, and the usual seasonal set-back has been prevented by the government's extensive public works programme. The outlook for France has taken a turn for the better with the passing of the Budget crisis, and reports from Belgium, Holland, Austria, and Greece indicate an improvement in business. There has been no deterioration in Latin American countries, and economic activity in Japan remains well above the level of last year.

"Similarly, reports from Empire countries are far from unfavourable. In Canada economic activity continued to expand until the end of November, and the expansion in business recorded in Australia and South Africa has been well maintained. The agricultural situation in South Africa has at last been relieved by rains, and crop prospects in Australia and India remain favourable.

"The year ends, therefore, on a note of optimism. Although developments in the United States since July have had an adverse effect on the world as a whole, the previous gains have not been entirely lost, and present indications sug-

gest that 1934 will mark a further milestone on the road to world recovery."

We find a similarly optimistic tone in most of the U.S. bank reports. For instance, the December monthly report of the National City Bank writes:—

"The reverse experienced in commerce and industry since July showed signs of coming to an end in November. A section of business activities: the number of freight cars loaded, the consumption of electrical energy, the production of steel and coal, either remained at their old levels or showed progress when the normal seasonal variations are accounted for for the purposes of comparison. This is a pleasant change after four months of uninterrupted decline. We can see that at least in a number of cases the necessary adaptation of the over-stimulated industries to the present level of consumption has been made."

The "Annalist," which adopts a very critical attitude towards Roosevelt's experiment, wrote on the 22nd December the following:—

"If it were possible to get rid of the uncertainty which prevails with regard to the fate of the dollar, then very few doubts would remain that the present turning point would be the beginning of a new great industrial cycle."

The "Berliner Boersen-Zeitung" wrote the following concerning Germany on the 23rd December:—

"The reports for the past year, 1933, were able to show often very considerable development in almost every important branch of business. We need only to point out here that, compared with the previous year, the index of production showed an increase of 22 per cent., the production of coal increased by 6 per cent., the production of pig-iron and raw steel increased by 32 and 31 per cent. respectively and during the past few months even exceeded the last year's average by 50 per cent. and more. Compared with 1932 this year's orders from home sources for the engineering industry increased by about 68 per cent. The building market, the consumption of electrical energy, the textile and automobile industries and many other branches of industry and commerce, which need not receive special mention here, also showed considerable signs of improvement.

If we now ask ourselves whether these optimistic estimations of the bourgeoisie are justified or not, we cannot answer with a plain yes or no. They are correct in as far as the year 1933 undoubtedly witnessed the cessation of the continued intensification of the crisis and created a situation which may be described as the transition to a period of depression. We must stress that it is not a question of a normal depression, but of a depression on the basis of the general crisis of capitalism, a depression in which, for the moment at least, production, compared with the preceding boom, will remain at a lower level than was the case at the lowest point of the crisis in former cycles, a depression which does not embrace sufficient preliminary conditions for the development of a new boom. In this sense the optimistic estimation of the situation by the bourgeoisie is not justified. And in fact the seriousness of the situation is recognised by the more serious bourgeois sources. In the review already quoted from the "Economist" we find the following:—

"Although a considerable measure of recovery has already been obtained, the present level does not at all mean prosperity. The reduction of unemployment to its normal level can hardly be obtained without an improvement of world trade and prosperity in other countries."

The last report of the Deutsche Bank and Diskonto Gesellschaft contains the following:—

"The faint signs of improvement discernible in the economic life of most countries, and to be seen most clearly up to the moment in Germany and Great Britain, must not blind us to the fact that we are still very far away from a final mastering of the world economic crisis."

The most important reasons why the present situation offers no secure basis for a normal return to an improved economic situation and to a new economic advance are:—

(1) A very considerable part of the general improvement is due to the increased preparations for war.

(2) As a result of that tremendous surplus of unutilised means of production which characterises the general crisis of capitalism, the extension and renewal of fixed capital, without which there can be no permanent improvement, is proceeding very, very slowly

and with great difficulties. Up to the present time, and if we ignore the new building operations which have been carried on in direct connection with the increased war preparations, there is only one country (Great Britain) in which a certain extension and renewal of fixed capital has begun. That this is the case is shown by two circumstances:—

(a) By the fact that in all countries the production of the means of production lags very far behind the general index of production; and

(b) By the same fact considered from another angle, namely, that in no country has there been any considerable new emission of capital.

(3) The most important factor, however, is that during 1933 the world agricultural crisis was not mitigated in the least, but that it was rather intensified. At the moment the world market prices for the most important agricultural products (with the exception of such commodities as wool and rubber, which are of importance to the war industries) are lower, expressed in gold, than they were a year ago. The tremendous and systematic destruction of the surplus agricultural commodities (that is, surplus under capitalist conditions), has been unable to stop the continued fall in prices. The mass ruin of the peasants continued. This means that the purchasing power of the peasantry for industrial commodities remains extremely low. During the course of 1933 the government of the United States paid out almost a milliard dollars in one form or the other as State assistance to the farmers for the destruction and the limitation of production, whereby the purchasing power of the farmers was correspondingly increased. However, this proceeding cannot go on indefinitely. The continuation of the agrarian crisis is one of the biggest hindrances in the way of any permanent improvement in the situation of world capitalism.

(4) The further development of rationalisation during the crisis has led to the result, as already pointed out in former surveys, that there has been a considerable increase of industrial production without any or with a very small increase of the number of workers employed and of the total paid out in wages, or that such an increase of production without any corresponding increase in the wage total is possible.

This result of the rationalisation carried out during the crisis is seen most clearly in the figures for industrial production in the United States, in particular in the months prior to the general introduction of short-time working in the spirit of the Roosevelt codes. The following figures of the Federal Reserve Board illustrate this development:—

Index	1932		1933			
	July	Jan.	Apr.	July	Aug.	Sept.
Industrial production ..	56	64	67	96	90	85
Employment ..	57	58	58	69	73	77
Wage totals ..	40	39	39	50	56	58

This table shows that between July, 1932, and April, 1933, a 25 per cent. increase took place in the number of workers employed, whilst the total wages paid out even declined. Between July, 1932, and July, 1933, a 70 per cent. increase of production took place. It was achieved with an increase of employment by 21 per cent. and an increase of the wage total by 25 per cent. In the following months the proportion changed somewhat in favour of wages, but at the same time there was a considerable increase in the cost of living: according to official statistics the cost of living increased from 71.5 in April to 76.9 in August, whereby real wages were correspondingly reduced. This means that despite the increase of industrial production the purchasing power of the working class either did not increase at all or only insufficiently. Even large-scale capitalists are prepared to admit that despite, or rather just because of the Roosevelt codes, the real wage of the individual worker in the United States has dropped. We read the following in the December report of the National City Bank:

"The wages of the individual workers have risen less than the cost of living has risen, and since last March the individual worker has lost 1.1 per cent. in real income."

In reality, the loss of real income suffered by the American workers is considerably more than this figure.

The low purchasing power of the workers and farmers results in most countries in the fact that the sale of articles of mass consumption to their final consumers, or, in other words, the volume of retail trade does not increase at all, or only very little. If there is no change in this point, then the increase of production must

come to a stop in the not-all-too-distant future. The bourgeoisie is also aware of this and is in fact very anxious about the point. In the December report of the National City Bank we read:—

"Retail prices on the 1st November were 18.8 per cent. higher than a year previously and 25 per cent. higher than the lowest level of May, according to the Fairchild index. If we compare these figures with the sales figures, then it becomes clear that amongst the main branches of retail trade only the big mail order business have as high sales now as they had in 1932. This reduced volume of retail trade is the most unsatisfactory aspect of the situation as far as we are concerned."

We can observe similar phenomena in various other countries. A not unimportant role is played in this connection by the fact that large sections of the working class have got deeply into debt as a result of prolonged unemployment. If these workers obtain work they are compelled to use a part of their income not to purchase commodities, but to pay off their old debts to their tradesmen and to get out of pawn the most necessary of those things they have been compelled to pawn during their period of unemployment.

We see therefore that if we measure the optimism of the bourgeoisie with the situation which existed at the end of 1933 we find that it is by no means justified. But if we proceed from the dynamic development, then the optimism of the bourgeoisie is justified in so far as there has actually been a change in the development of the crisis, a milder form of the crisis instead of a continuation and worsening, the transition to the stage of depression. As the bourgeoisie denies the general crisis of capitalism, and hopes on the basis of its experience of former cycles that the present situation will rapidly develop into a return of prosperity, it therefore sees the situation at the turn of the year in a very optimistic light.

Although the fact that we are in a period of general crisis and of the end of the capitalist stabilisation places great hindrances in the way of any permanent improvement and a return to prosperity, nevertheless there is a probability that, unless the year 1934 brings a new imperialist world war, a transition to a phase of improvement can take place.

In his speech to the Seventeenth Congress of the Communist Party of the Soviet Union Comrade Stalin said the following with regard to this possibility:—

"Obviously the industry of the most important capitalist countries had already reached the lowest point of decline in 1932 and did not return to it in 1933. . . ."

"Does this mean that we are witnessing a transition from a crisis to an ordinary depression which brings in its train a new boom and industrial prosperity? No, not at all. At all events, at the present time there are no data, direct or indirect, that indicate the approach of an industrial boom in the capitalist countries. More than that, judging by all things, there cannot be such data, at least in the near future. There cannot be because all the unfavourable conditions which prevent industry in the capitalist countries from rising to any serious extent still continue to operate.

"It is a question of a continuing general crisis of capitalism in the midst of which the economic crisis is proceeding, the chronic working of the enterprises under-capacity, the chronic mass unemployment, the interweaving of the industrial crisis with the agricultural crisis, the absence of tendencies towards any serious renewal of basic capital which usually heralds the approach of a boom, etc. Apparently what we are witnessing is the transition from the lowest point of the decline of industry, from the lowest depth of the industrial crisis, to a depression, not an ordinary depression, but to a depression of a special kind which does not lead to a new boom and flourishing industry, but which, on the other hand, does not force it back to the lowest point of decline."

Therefore the following factors must be strongly stressed:—

(1) The depression will by no means steadily develop into a boom. It will proceed very irregularly in the various countries and be accompanied by considerable relapses. It is not at all out of the question that the industrial production of some countries will temporarily fall below the low level of 1932, or that the depreciation of the currencies will extend still further. In view of the

general crisis of capitalism and the end of the capitalist stabilisation it would be the greatest possible error to regard the depression as a "normal" depression.

(2) The overcoming of the acute phase of the crisis and the transition to the period of depression does not at all mean a new stabilisation for capitalism. Although the cyclical industrial crisis occasioned and accelerated the end of the temporary stabilisation of capitalism, the basis for its end was represented by the internal contradictions of the stabilisation of capitalism itself, as pointed out by Comrade Stalin as early as the Fourteenth Congress of the Communist Party of the Soviet Union.

"The economic policy of the financial oligarchy for overcoming the crisis (the robbery of the workers and peasants, subsidies to the capitalists and landlords) is unable to restore the stabilisation of capitalism; on the contrary, it is helping still further to disintegrate the mechanism of capitalist economy (disorganisation of the money system, of the budget, State bankruptcies, a further deepening of the agrarian crisis), and sharply to intensify the fundamental contradictions of capitalism."—(Taken from the Thesis adopted by the Thirteenth Plenary Session of the E.C. of the C.I. on the Report of Comrade Kuusinen.)

(3) The industrial crisis has led to a further very considerable intensification of the general crisis of capitalism. The characteristic features of the present world situation are: the thorough and deep-seated dislocation of world economic relations (the currency chaos, the crumbling of the international credit system and the all-round closing of internal markets to imports from abroad), the increase of the monopolist character of capitalism as a result of the crisis, the continuation of the agrarian crisis in an intensified form, and the intensification of the imperialist contradictions to such an extent that at any moment a world war may break out as the result of some trifling incident. The transition to the stage of depression makes no fundamental alteration in this situation.

(4) This deepening of the general crisis of capitalism ensures the further development of the revolutionary crisis. The hopes of the capitalists for a new general economic improvement have no basis in fact even if the new cycle of wars and revolutions should not interrupt the "normal" development of the cycle. In the preceding phase of prosperity there were branches of industry and even whole countries which had no share in the general prosperity, but this time their number will be much greater. In the years 1928-29 a very considerable amount of the existing productive capacity remained unutilised, and in this cycle a still greater part will remain unutilised. In those years there was a very considerable volume of chronic unemployment, and this time it will be still greater as a result of the further rationalisation. The influence of the deepening general crisis of capitalism will set its stamp still more clearly on the new cycle which is now beginning than it did on the previous one.

The objective conditions for the overthrow of the rule of the bourgeoisie are maturing—despite the transition to the phase of depression—at various speeds in the various countries, and this process will continue. The subjective factor is acquiring a decisive importance.

"It would therefore be a Right opportunist error to fail to see now the objective tendencies of the accelerated maturing of a revolutionary crisis in the capitalist world. But the presence and operation of these tendencies, both economic and political, do not imply that revolutionary development is proceeding upwards by itself, or unhindered, without resistance from counter-acting forces. Revolutionary development is simultaneously hindered and accelerated by the fascist fury of the bourgeoisie. The question as to how soon the rule of bankrupt capitalism will be overthrown by the proletariat will be determined by the fighting preparedness of the majority of the working class, by the successful work of the Communist Parties in undermining the mass influence of social democracy." (Ibid.)

2. Special Section Germany

The economic crisis hit German capitalism with particular severity and shook its whole structure to the foundations. The reason for this is to be found above all in the contradiction between the highly-developed monopolist character of German capitalism on the one hand and the lack of colonies and the heavy burden of foreign debt on the other. The absence of colonies, of more or less monopolised and dominated markets, makes it impossible for the bourgeoisie of Germany to follow the example of the British, French and Japanese bourgeoisie and shift a part of the burden of the crisis onto the colonial countries.

On the other hand, the German bourgeoisie succeeded in considerably reducing the burden of its foreign debt during the crisis. The burden of reparations has in fact been disposed of completely. The depreciation of the pound sterling and of the dollar resulted in a corresponding reduction of the German foreign debt incurred in terms of pounds and dollars. The Standstill Agreement and Germany's decision to stop the transfer payments of the amortisation instalments due on her long-term credits, together with the reduction of the transfer payments of interest due to thirty per cent., represented a further considerable advantage to Germany's balance of foreign payments. The heavy drop in the quotations of German securities abroad which resulted from all this made it possible for the German bourgeoisie to repurchase German securities abroad made out in pounds and dollars for a fraction (reckoned on a gold basis) of the sums originally received. But naturally this wide-scale attack carried out by the bourgeoisie of Germany against its foreign creditors produced a sharp reaction. Germany's foreign credit is as good as destroyed for a long time to come. The German export trade is meeting with increasing difficulties. At the turn of the year Germany was in open commercial warfare with a number of countries. We shall deal with this question later on.

A further cause of the particular depth and intensity of the economic crisis in Germany is to be found in the very considerable extension of constant capital in German industry which took place during the period of rationalisation. Even in the period prior to the crisis this caused a considerable section of the productive apparatus to remain unutilised, the existence of a great and, for capitalist conditions, surplus productive apparatus, surplus because it was not being used for the appropriation of surplus value. In the crisis the surplus of constant capital made itself felt acutely and this led to a complete standstill of the new investments of constant capital. Not even the current re-investments for wear and tear are being made. The journal of the Association of German Engineers writes:—

"During the past six months orders for machine tools in Germany have been placed in isolated cases only. Such orders as were given came almost exclusively from small and middle-sized firms. The big works and concerns, on the other hand, have stopped all orders as far as the means of production are concerned. Urgent requirements are being dealt with from the machine parks of those departments of the works which are less occupied."

This situation has led to a particularly severe drop in the production of the means of production in general and of machinery in particular during the crisis. This very considerable drop in the production of the means of production explains the particular severity of the crisis in Germany.

	1913	1929	1930	1931	1932
(pre-war German territory)	98	101	90.1	73.6	61.2

These figures, issued after fascism had come to power in Germany, show us that during the economic crisis the industrial production of Germany sank far below the level of 1913.

This was the situation when Hitler came to power. During the course of 1933 industrial production in Germany increased somewhat, as it did in almost all other capitalist countries.

German Industrial Production in 1933. (1928=100)

	Total	Means of Production	Raw Steel	Machinery Export	Articles of mass consumption	% of working hours	No. of employed workers contributing to Sick Benefit Ins. (In Millions)
Monthly av., 1932	61.2	50.2	40	38.2	77.7	35.7	12.5
I Quarter, 1933...	63.9	54.4	43.5	33.5	78.8	34.4	11.7
II Quarter, 1933	68.5	56.9	56.9	40.3	84.6	40.7	13.1
III Quarter, 1933	70.9	59.6	53	47.4	87.9	46.2	13.7
October, 1933	71.2	62.6	58.1		84.1	45.5	14.1
November, 1933 ..	71.4						

The fascist press contends that the increase of industrial production in Germany is due entirely to the better policy of the Hitler government in general and of the latter's efforts to provide work in particular.

With regard to the efforts of the Hitler government to provide work, the fascist press gives the following figures:—

Public Works Proposals 1932 to the End of 1933

Date of Decision	Authority or Aim	Proposed	Granted by Nov., '33 (in millions of marks)
Spring, 1932	... Reich and Unemployment Insurance	165	165
Summer, 1932	... Reich	182	182
September, 1932	... Reich's Railways	280	280
	... Reich's Post	60	60
January, 1933	... Reich	600	550
June, 1933	... Reich	1,000	740
July, 1933	... Reich's Railways	510	250
	... Reich's Post	77	77
	... Reich Grants to House-owners	620	450
June 8, 1933	... Reich's Motor Roads	2,000	80
Totals:—		5,494	2,834

We see therefore that during 1932 and 1933 2.8 milliard marks were "granted" for the provision of work, but it is not clear whether this sum was actually expended. According to the character of the grants it is clear that at the utmost about a half was devoted to direct industrial orders (above all by the Reich's railways and the Reich's post), and the other half to road building, land improvement, repairs to houses and streets, or, in other words, to non-industrial purposes. If we assume that one half of the sums "granted" were devoted to industrial purposes, we have a sum of 1.4 milliard marks distributed between the years 1932 and 1933. The total value of industrial production in these two years was 37 milliard marks. The industrial orders placed by the State amounted therefore to no more than four per cent. of the total industrial production. Even when we allow for the fact that a greater part of these orders were given in 1933, they can total no more than from five to six per cent. of the industrial production.

There are many indications that official statistics issued in Germany are faked in accordance with the wishes of the national socialist regime, for the fascists wish to persuade the German people that their victory caused a change for the better in the economic situation of Germany. But even if we assume that all the figures given in the above table are in accordance with the facts then a further analysis will give us the following picture:—

(a) The industrial production of Germany during the year 1933 (figures for December are not yet available) will probably give an index level of from 68 to 69 (1928=100), that is to say, an increase of from 10 to 12 per cent. as compared with 1932. However, it is not possible for the fascists to claim credit for this increase because similar increases of industrial production have taken place in all other industrial countries, including those not under a fascist regime, as we have already shown in Section I.

(b) If we examine the development of production, taking the production of the means of production and the production of articles of mass consumption separately, we find that the increase of the production of the means of production, measured in percentages, is much higher than the increase in the production of

articles of mass consumption. As it is generally known that a very considerable proportion of the newly produced commodities in Section II. has gone into store, it is clear that this increase of industrial production has not benefited the working population of Germany.

This fact can also be established from the figures of the official German Institute for Business Research.

Total Income of Workers, Clerical Employees and Officials

1932	1933 (1st Half)	1933 (3rd Quarter)
25.7	12.5	6.8

Index of Wholesale Prices for Industrial Articles for Mass Consumption

1932	1933 (1st Half)	1933 (3rd Quarter)
117.5	114.3	112.8

The total volume of wages and salaries in 1933, even according to the figures of the institute mentioned, which, of course, fully supports the policy of the Hitler government, was less than in 1932. As the prices for industrial articles for mass consumption have fallen only very little, and as the prices for foodstuffs have risen fairly considerably under the Hitler regime, it is clear that the sale of industrial finished goods has not increased.

This fact is also recognised by the fascist statistics: **The turnover in retail trading in 1933 remained below the level of the preceding year to the following extent:—**

Second Quarter	Third Quarter	October
7 per cent.	3.2 per cent.	4.9 per cent.

(c) The Hitler regime promised to liquidate unemployment rapidly. The most important piece of advertisement for the achievements of the Hitler government in this connection was the increase of the number of employed workers, according to the figures of the sick benefit scheme, from 12.5 million on an average in 1932 to 13.5 on an average in 1933, and to 14.1 in December, 1933. If the above figures relating to the income of the workers, etc., are correct, then these two sets of figures taken together mean:—

During the first year of the Hitler regime approximately 650,000 workers more were employed (and the whole working class of Germany worked on an average longer per day), but the whole of the working class, including clerical employees and officials, **received a total wage and salary sum which was less than in 1932.** The successes of the Hitler government with regard to the reduction of unemployment therefore mean an increased exploitation of the working class; they serve exclusively the interests of the bourgeoisie and not the interests of the working class. This is the labour policy of Hitler as demonstrated on the basis of his own figures.

Further, not only have more workers worked longer hours for the same wage sum, but they also worked more intensively than they did before Hitler's accession to power. In order to avoid the faintest suggestion of an incorrect interpretation we quote the official "quarterly report" concerning the German textile industry:—

"There is a prevailing tendency to maintain the increased production without re-introducing those machines which were formerly laid idle. In consequence, the number of workers employed in the industry since the middle of last year has increased by 15 per cent. only, whilst production in the textile industry has increased by 35 per cent. In this connection the length of working time in the industry has increased. But even to a greater extent has the production per unit increased. The production of yarn per spindle in the cotton spinning trade has increased by thirteen per cent. as compared with a year ago, and the consumption of yarn per weaving loom has increased by five per cent. In other branches of the textile industry the development has probably been similar. . . . These are phenomena which can probably be observed to a greater or lesser extent in almost all branches of industry."

The new National Labour Law, with which we shall deal in greater detail later on, will undoubtedly result in a further great increase in the exploitation of the German working class, unless its application is prevented by the resistance of the proletariat itself.

This increase of the rate of exploitation of the working class is still further intensified by the increased loading of taxes onto the shoulders of the working class and by the very considerable reduction of the sums which the State expends for social purposes. In our last survey we gave detailed particulars of this and it is not necessary to repeat them here.

The change in the composition of taxation is shown by the following figures:—

Revenue of the Reich in Millions of Marks

	Wage Taxation	Other Forms of Income Tax	Turn-over Tax	Import Duties	Tax on Consumption
1932 (Monthly Average) ...	65	65.5	104.4	99.6	127.9
1933 (Monthly Average of first nine months) ...	61.6	46.3	121.2	85.8	132.4

These figures show:—

(a) That the income of the working class, subject to taxation (the first hundred marks a month earned in wages remains exempt from taxation), has diminished under the fascist regime;

(b) that despite the increase of its income by 25 per cent. the bourgeoisie pays less income tax under the Hitler regime than it paid in 1932; and

(c) that the revenue of the State from taxes which burden the consumers, i.e., the workers, the peasants and the petty-bourgeoisie—turn-over tax, consumption tax—have increased considerably under the Hitler regime, although the retail trade turnover has not increased. The drop in revenue from customs duties is the result of the very considerable reduction of imports.

The situation of the bourgeoisie in Germany has improved as the result of the Hitler regime, whilst the situation of the working class and of the petty bourgeoisie has deteriorated. The total production of values by German capitalism (v. plus m.) has increased but slightly, but the share of m. has considerably increased at the expense of v., or, in other words, the distribution of the "national income" between bourgeoisie and proletariat has changed to the advantage of the bourgeoisie, and this is particularly the case when we consider that part of the national income which goes through the State budget. Whilst the fascist press is doing its best to deceive the world into the belief that the situation of the working class has improved under the fascist regime, an analysis of the figures given by the fascist institutions themselves (even if we are prepared to ignore the fact that these figures have certainly been cooked in the interests of the fascist regime) show that the situation of the bourgeoisie has improved at the expense of the workers, a fact which is quite natural for the finance oligarchy of Germany which put Hitler in the saddle for its own benefit and not for the benefit of the workers.

The Market Problem

The increased exploitation of the working class is, however, only one of the preliminary conditions for the better utilisation of capital. The second and decisive condition is that the commodities which contain the appropriated surplus-value (and include very often a part of the value of labour-power itself) shall be sold at their value, or, as Marx says, that they should successfully make the jump from the commodity to the money form of value.

But this is just the point at which the greatest difficulties for German capitalism make themselves felt.

With regard to the home market the sale of the means of production is hampered by a chronic surplus of such commodities, and the sale of articles of mass consumption is hampered by the low income of the workers, clerical employees and officials, and by the low purchasing power of the peasants suffering under the agricultural crisis. The purchaser of the increased production of the means of production was to a very great extent the State, and this was done for military reasons. This is shown in the above table by the great disparity between the increase of the production of raw steel and the increase in the production of machinery. The increase in the production of the iron and steel industries of Germany was caused therefore only to a very small degree by the renewal of fixed capital typical for the beginning of a cyclical depression. This fact is supported above all by the complete absence of any improvement in the capital market as an indispensable condition for the new investments usual in the depression.

The "Koelnische-Zeitung," of the 24th December, 1933, writes:—

"In the first ten months of 1933 share issues totalled only 84 million marks as compared with 145 millions in the whole of

1932. However, shares with a fixed rate of interest were issued to a considerably greater volume in this period, namely to the value of 1,167 million marks as compared with 558 millions throughout 1932. However, in this connection the issue of tax credit vouchers must be taken into consideration and accounts for a very considerable amount. . . . The decrease of bank debtors' loans from 5,407 to 5,097 million marks indicates that the banks have not yet been able to take any part in the economic improvement by the issue of new loans in the first ten months of the year."

And the "Frankfurter-Zeitung," of the 4th January, 1934, writes:—

"The decline in dealings in shares with a fixed rate of interest, coupled with the complete absence of new issues, shows clearly that in the public capital market not even as much was re-invested as was withdrawn. At first glance the bank balances seem to indicate that as far as banking credits are concerned there was no new business in financing. Debtors' loans from the big German banks are almost a milliard marks lower than they were last year."

Building activities have also not increased, which is a further proof for the absence of new investments. The "Frankfurter-Zeitung" of the 31st December, 1933, writes:—

"Business in the building industry has hardly improved, and business building in particular (measured by the area built upon) was 36 per cent. lower in finished buildings even in the third quarter of the year than it was the year before. . . . The discrepancy between building operations above ground and those on and below the ground suggest that the improvement in the building trades is almost entirely accounted for by the work provision programme of the government."

The same article in the "Frankfurter-Zeitung" frankly denies that any industrial new investments are taking place, and writes:—

"In view of the tremendous section of our productive apparatus which is lying idle the question arises where exactly the increased production of iron is to be used. In point of fact we can assume that there has been only a very insignificant extension of industrial plants taking the economic system as a whole. Here and there the encouragement of the home production of motive power has led to the laying down of new plant, but this is exceptional, and with regard to industrial new building in general there can be only isolated instances of no great importance."

It is clear that a very considerable section of the iron, steel, cement, brick and other production serves directly or indirectly the preparations for war. Another section was obviously used for filling up stores.

It is clear that unless war breaks out in the immediate future, German capital in its increase of production must soon find itself up against the limits of the home market, because there is no possibility of reckoning with any large-scale renewal and extension of fixed capital in the near future. For this reason we can observe that increased stress is being laid recently on the importance of foreign trade. For the people autarchy, or economic self-sufficiency, is still being praised. Preparations are being made for an improved supply of foodstuffs, and in particular fats, for the next war. But in the meantime the question of the development of the export trade is taking on a rapidly-increasing importance for German capital.

However, just in this connection the economic policy of the fascist government has failed utterly. The following figures show the development of German foreign trade in recent years:—

Monthly Average of German Foreign Trade in Million Marks

Year	Export		Import		Import Surplus
	Total	Fin. Goods	Food	Raw Mtls.	
1930	1,003	753	247	459	137
1931	800	615	164	290	239
1932	478	374	124	201	89
1933	409	315	350	202	59

These figures show that in 1933 exports in general and the export of finished goods in particular fell by approximately 15 per cent. As the prices in 1933 did not in general continue to fall, this means a real drop in exports. If we compare these figures with the development of production, we get the following picture:—

	Milliards of Marks	
	1932	1933
Home Production	26.1	28.7
Export	5.7	4.9
Export Percentage of Home Production...	22	17

The balance of foreign trade continued to be favourable—although to a considerably lesser degree—by the very considerable reduction of imports in 1933.

There is no doubt that Germany in comparison with its most important competitors in Europe has relatively lost ground in the export trade. This is seen in the following table:—

World Trade in Percentages

	1931	1932	1933
			(Jan. to Aug.)
Great Britain	9.36	10.06	11.59
United States	12.57	12.39	11.78
Germany	12.08	10.7	10.93
France	6.3	6.08	6.78
Japan	2.89	3.05	3.37
Poland	1.12	.95	.95
Rest of the World...	55.18	56.77	54.6
	100	100	100

The drop in Germany's exports would have been much greater and the favourable balance of Germany's foreign trade would have been much smaller, if a very considerable proportion of Germany's exports had not been financed by the notorious "scrips." More than half of Germany's foreign trade surplus was paid for by blocked marks and by the re-purchase of Germany's foreign obligations. At a meeting of the Directorial Board of the German Reich's Bank, Schacht gave the following figures on the 18th December, 1933:—

"In the months from July to November about 200 of the total 327 million marks export surplus was accounted for by inland means of payment (blocked marks, German foreign bonds, etc.). . . . Supplementary exports are being paid for half in inland values and the other half in foreign currencies. If these supplementary exports should become impossible then it would be necessary to stop the transfer payments on our foreign debts altogether."

The method of this "scrip" dumping is the following: The "scrips" are orders for marks in the possession of foreigners, sums which "normally" may not be transferred—block marks, register marks, etc. The German government permits German exporters to accept as payment for their exports these "scrips" instead of foreign currency, i.e., although the foreign owners of these marks may not transfer them abroad, the German exporters may. The result is that the German exporters are able to obtain these "scrips" from their foreign holders at a tremendous disagio (about fifty per cent.). This process means a State support of German dumping at the expense of Germany's foreign creditors. The bourgeoisie of the creditor countries is placed at a double disadvantage: first of all it receives no more than the half of its demands in full satisfaction of its claims, and secondly, the other half is used to support the competition of Germany's goods against it. At the same time the process permits the German capitalists to pay off their foreign debts at half their value in Marks.

However, this peculiar kind of currency dumping introduced by Germany is a temporary phenomenon only and it is being stopped by foreign reprisals.

This forcing of export with means which represent a direct damaging of foreign creditors has led to general protests, all the more so as Germany has adopted different methods in its relations to various States, for instance, Switzerland and Holland enjoy special privileges. The result was that at the beginning of 1934 Germany found itself engaged in a commercial war with its two most important neighbours, France and Poland. Of these two countries France is one of those countries which in relation to Germany had a particularly strong favourable balance of trade. The prospects of German export in 1934 have therefore become less favourable.

Those sections of the German finance oligarchy which are closely connected with the export trade have become so anxious about the precarious state of foreign trade that—despite the incorporation of the press in the totalitarian State—their fears are

sometimes expressed in the newspapers. For instance, the "Frankfurter-Zeitung" of the 10th December, 1933, writes:—

"Is it not a fact that our great harbour towns, like Hamburg and Bremen, are the most reliable barometers and seismographs of our economic life? Is it not a fact that the dramatic curves recorded by these instruments show better the tremors to which our national economic life is subjected than any other town, even the metropolis, Berlin? . . . There is no sort of romanticism either of an economic or political nature which can dispose of these elementary facts and therefore one must not try to conceal them. . . . A glimpse at the docks of Hamburg and Bremen is at the same time a glimpse into the hardships of the period and at the difficulties of our economic life in general. . . . Should the doors of the outer world be slammed in our face, either by the action of others or by our own fault, then the wheels of industry would very soon come to a stop."

The pressure of German finance-capital upon the government with a view to forcing German exports is all the stronger because the real rulers of fascist Germany, the iron barons, are amongst the sufferers from the drop in exports, as the following table will show:—

Yearly Turnover of the Steel Association in Million Marks

(For the Year ending on September 30)

Year	Total Turnover	Foreign Sales	Percentages
1930/31	842.64	369.91	44
1931/32	522.59	203.26	39
1932/33	565.66	195.61	34

Within two years the direct exports of the Steel Association have dropped considerably. The drop amounts to about 25 per cent. It is therefore quite natural that the Hitler government is under strong pressure from finance-capital, which demands the forcing of exports in defiance of the autarchy demagogy.

But what can the Hitler government do in this connection? Great Britain, France and Japan are in a position to eject their competitors from the colonial countries under their control and to increase their own exports to monopolist dominated markets. Germany has not got this possibility.

Thanks to inflation Great Britain, the United States and Japan enjoy a certain temporary advantage in the struggle for the world market. The bourgeoisie of Germany is afraid to take the course of open inflation because as a result of the weakness of the German economic system it cannot hope to be able to set bounds to the process. Any considerable inflation in Germany would directly endanger the very existence of the Hitler regime.

Great Britain, the United States and France are in a position to support their commodity exports by capital export. During the course of the crisis they have made no use of this possibility, but immediately the situation changes they will begin to do so. Germany has no possibility, or only a very limited one, of capital export.

By exerting strong pressure on the countries from which it purchases its foodstuff imports (the Argentine, Denmark, Norway and the Dominions), Great Britain has secured a favourable position for itself in those countries. The policy pursued by Hitler of cutting down the import of foodstuffs into Germany as far as possible in order to increase the ground rents of the agrarians and provide for a supply of foodstuffs in case of war, has led to increasing retaliatory measures on the part of the agrarian countries against Germany's exports.

The only possibility of competition which remains to German capital is—low prices. The new blow against the wages and working conditions of the German working class—in the new National Labour Law, about which we will speak in greater detail later on—is intended, inter alia, to re-establish the competitive ability of German industry on the world market.

However, to-day, unlike the pre-war period, price is not the decisive factor of international competition. What is the use of low prices when quotas and import prohibitions—not to speak of the prohibitively high import duties—make export impossible? On the one hand, foreign trade is becoming more and more compensation traffic—each country buys no more from the other than the other buys from it, and only certain kinds of commodities and cer-

tain quantities are permitted to be imported. And on the other hand, foreign trade is becoming more and more dependent on foreign policy. And as fascist Germany is politically isolated to a very large extent, as it is engaged in open commercial warfare with a number of its neighbours, including the most important purchasers of its industrial commodities, France and Poland, as German trade with the Soviet Union has suffered considerably as the result of the deterioration of political relations under the Hitler regime, and as the persecution of the Jews in Germany damages the sale of German export articles of mass consumption all over the world, the prospects of German export under the Hitler regime are not particularly bright.

In 1932 the most important purchasers of German goods and their respective shares were:—

Country	Percentage of Total Exports
Netherlands	11
Soviet Union	10.9
France	8.4
Great Britain	7.8
Switzerland	7.2
Belgium	5.3
United States	4.9
Czechoslovakia	4.4
Sweden	4
Italy	3.9

67.8 per cent.

The ten countries enumerated above took over two-thirds of Germany's exports. Germany's foreign relations to the Soviet Union, to France, to Belgium and to Czechoslovakia are definitely bad, and its relations to the remainder, with the one exception of Italy, definitely unfriendly.

The deterioration of German export possibilities as the result of the policy of the Hitler government hits German capitalism all the harder because it refers above all to countries with which Germany had a favourable trading balance. As Germany imports textile raw materials, non-ferrous metals and foodstuffs (coffee, tea, cocoa, spices, bananas, etc.) from overseas countries, and these countries are not in a position to take a similar quantity of German goods, German capitalism is compelled to obtain a surplus in commodity exchange with the European countries in order to pay for its raw materials and foodstuffs. A survey of Germany's balance of foreign payments from 1928 to 1932 made a little while ago by the Reich's statistical office declares, summing up:—

"On the whole the compensation in the balance of Germany's foreign payments is obtained by securing a surplus from the neighbouring countries in Europe in the west, north, east and south-east, which serves to cover the remaining payments to the overseas countries. This basic structure could be uniformly observed in all the years under examination."

The following is a list including all items which could be statistically embraced in the balance of Germany's foreign payments in 1931 and 1932 (in millions of marks):—

	Gt. Britain	France	Other West & Nth. European Countries	Soviet Union
1931	plus 557	plus 493	plus 1,992	plus 221
1932	plus 27	plus 368	plus 696	plus 160
	Other Overseas Countries		Balance	Danube and Balkan Countries
1931	minus 487	minus 863	minus 333	plus 314
1932	minus 875	minus 746	plus 36	plus 156

If the favourable balance of these payments is considerably reduced as a result of a commercial war with France, by reduced exports to the Soviet Union, and by disputes with other neighbouring countries, then Germany will have no means left with which to pay for its purchases of raw materials from the overseas countries, and Germany cannot reckon with any further inflow of foreign capital, as was the case prior to the crisis, in view of its thorough-going plundering of its foreign creditors.

The Endangered Stability of the Mark

In 1931 the stability of the mark was threatened with a catastrophe as the result of the adverse balance of foreign trade.

The maintenance of stability could be obtained only by the Standstill Agreement for short-term foreign credits. Without the latter the last remnants of gold would have been sucked out of the country and the depreciation of the mark would have followed as a matter of course, as was the case in Great Britain and in a long series of other countries. Following the advice of Schacht, the Hitler government did the rest by reducing the amortisation payments and the interest payments on long-term loans to 50 per cent. and later on to 30 per cent. These measures safeguarded the stability of the mark "from outside." They did even more than that, they permitted German capital to reduce its foreign debts, which were contracted for the most part in terms of the pound sterling and the dollar and which were diminished in any case by about 40 per cent., owing to the depreciation of pound and dollar, to a very considerable extent out of the foreign trade surplus and by means of the complicated system of blocked marks, register marks, and "scrips."

In his speech to the Directorial Board of the Reich's Bank Schacht declared:—

"In fact, as a result of the depreciation of sterling and of the dollar, there has been up to the moment and reckoned at present-day quotations, a book-keeping reduction of our foreign debt by about four milliard marks. The result of this would be a saving of about 200 or 250 million marks annually in our debt appropriations."

With regard to Germany's long-term foreign debts, these have been reduced during the course of 1933 by approximately half a milliard marks.

The "Deutsche Volkswirt" of December 8, 1933, writes:—

"To judge from the applications for the certification of the dollar bonds we may conclude that the nominal sum of the loan papers remaining in German possession—reckoning them on the old par basis—is somewhere around half a milliard marks."

With regard to short-term credits, the foreign debts coming under the Standstill Agreement, their sum is officially estimated as follows:—

Standstill Credits in Millions of Marks					
July, '31	Nov., '31	Feb., '32	Sept., '32	Feb., '33	Dec., '33
6.3	5.4	5	4.3	4.1	2.5

Under these circumstances it is clear that the stability of the mark is not threatened from abroad so long as there remains a favourable balance of German foreign payments and as long as the strict system of regulating foreign business with currencies and with marks is maintained. In this connection, however, it must be stressed particularly that the stability of the mark in international relations is a purely artificial one and far removed from any real gold standard. This is best seen by the fact that those mark payments whose transfer in foreign currency is not guaranteed by the note bank show a disagio of up to 50 per cent. From this it is clear that the moment the artificial measures for the protection of the "outside value" of the mark is removed, the mark will immediately show a disagio of over 50 per cent.

What is the situation with regard to the emission of paper money? The following table gives us the most important figures (in millions of marks):—

	1913	Jan. 7, '32	Jan. 15, '33	Jan. 6, '34
Total circulation of means of payment of all sorts	6,000	6,420	5,233	5,462
Circulation of Reich's Banknotes	1,958	4,576	3,560	3,466
Gold Resources	1,008	979	801	389
Gold Backing percentage..	54.5	21.4	24.5	11.2

This table shows that the circulation of means of payment in general and the circulation of Reich's Bank notes in particular, in comparison with the price sum of the commodities sold, is much greater than it was before the war. However, this is of itself not the same as an inflation. As in all crises, so this time (and to a greater extent than formerly), the circulation of means of payments has slowed down, because as a result of the general uncertainty that monies due will actually be paid on time and as a result of various limitations in payments out by finance institutions, every undertaking is compelled to reserve a much greater sum of cash than it would under normal circumstances.

The last two years show according to the banking reports that a reduction has taken place in the circulation of bank notes, although this reduction has taken place to a lesser degree than would have been warranted by the reduction of the price sum of commodity turn-over.

However, the decisive point is not the relatively greater quantity of the means of payment in circulation, but the qualitative deterioration which has taken place. During the Hitler regime the small gold reserve of the Reich's Bank has shrunk to less than half what it was previously. The low percentage of gold backing does not of itself mean a danger of inflation. As is known, a currency can hold itself at gold parity without any gold backing at all if the nominal sum of the emission is not more than the total value of the gold necessary at any particular time for facilitating commodity circulation, and if in addition the balance of payments of the country in question is favourable. However, Germany's favourable balance of payments is an artificial one, maintained by the non-payment of foreign debts and by a strict State control of foreign exchange transactions. Under these circumstances the lack of a normal gold cover forms an important factor for the weakness of the mark.

Still more important, however, is the fact that the supply of bills of exchange totalling about three milliard marks which forms the chief backing for the bank notes in circulation has changed its economic character. The bills held by the Reich's Bank are for the most part not commercial bills, not commodity bills, not documents resting on the actual sale of commodities, but "finance bills" of the worst variety. They are bills of half-bankrupt, half-sound undertakings, bills of semi-State money institutions, etc. And further, during the past few months, since the Reich's Bank, following the example of the U.S.A., has appeared on the "open market" as a purchaser of State securities, a sum appears in the bank reports, composed of "securities capable of being covered" and rising by from 10 to 20 million marks every week (at the beginning of January, 1934, it was 269 million marks).

Under these circumstances there can be no question of any normal backing for the bank notes in circulation. **The economic character of the bank notes in circulation is not that of bank notes at all, but of unsecured State paper money.** The Reich's Bank, the Deutsche Banks and the whole banking and credit system in Germany stand or fall with the state of the Reich's finances. The State treasury and the credit of the Reich represent the only support of the whole German credit system and the only support of the stability of the mark. It is from this quarter that the stability of the mark is directly threatened.

Germany's Finances

Unfortunately we must admit that it is not possible to obtain any accurate idea of the real state of Germany's finances since fascism came to power, at least, not on the basis of the official figures. The figures officially provided are not in accordance with the facts. It is common knowledge that Germany is arming feverishly and that the armament factories are working at full pressure. The figures for foreign trade show increasing imports of raw materials necessary for the war industries. It is clear that the bourgeoisie of Germany is not making the State a present of the equipment necessary for an army of millions, but that contracting for the government is a highly profitable business. However, the official figures of the State expenditure offer no indication as to how this wide-scale rearmament is being financed.

Development of Reich's Finances in Millions of Marks

Year	Income	Expenditure	Deficit
1930	11,500	12,000	500
1931	9,500	9,900	400
1932	8,000	8,500	500
1933*	5,289	5,504	200

* First ten months.

If we add 20 per cent. to the figures for the first ten months of 1933 we get a total income of approximately 6,300 million marks, and a total expenditure of approximately 6,600 million marks. Now the Hitler government has undoubtedly economised large sums at the expense of the proletariat by cutting down social expenditure, unemployment insurance support, sick benefit support, pensions, education, etc.; at least a milliard marks have

been saved in this way. But where is the expenditure for the tremendous increase of German armaments, for the tremendous apparatus of the national socialist party, for the storm and special detachments, for the State subsidies which have been granted, for the labour provision schemes? According to figures previously given, no less than a milliard marks were to have been provided for the provision of work alone in 1933.

A considerable part of this expenditure was financed by the issue of tax credit bonds (and similar papers). These bonds are issued by the State and serve in later years for the payment of taxes due and at the moment they are discounted by State and semi-State banks. In other words, the State is now drawing on tax revenues due in the future. The Finance Minister Schwerin-Krosigk writes:—

"The burdening of the Reich's Budget in future years by the issue of tax credit bonds and by the various work provision schemes will not be a light one. It will amount to about four milliard marks distributed over a period of five years. In addition, there is the deficit of recent years which amounts to about 1.9 milliard marks and which will be increased in the current Budget year. . . . Whether this sum can be obtained in the next five years from current income, or whether a part of it can be converted into a long-term loan, depends on the development of the economic system and the state of the capital market, and from this point of view also the question of supporting the latter is of considerable importance. Although this burdening of the future Reich's Budget seems very considerable, it can nevertheless be borne providing that the economic improvement which evinced itself in 1933 continues."

The admitted deficit of the Reich's Budget is therefore about six milliard marks. In actuality the deficit must be considerably larger because the vast sums being expended on armaments do not appear in the official budget. When this deficit of six milliard marks, plus an unknown sum of milliards of marks for secret armaments is spread over the next five years by complicated financial transactions, including the necessity for concealing and camouflaging large sums of it, then the stability of the mark will be threatened most of all from this side, because the basis of the note emissions is becoming increasingly the issue of State papers in various forms to meet the deficit.

The economic basis of the artificial stability of the mark is being undermined from all sides. One blow might be sufficient to send it toppling down into the abyss of depreciation, and once it fell it would fall much farther than any other European currency.

The New National Labour Law

Even before the fascist seizure of power there were internal struggles in the fascist camp and considerable disagreement as to the role to be played by the free trade unions. It is well known that Gregor Strasser and General Schleicher were in favour of winning the unions for fascism and utilising the social-fascist trade union leaders, because they saw that despite all demagogic fascism was unable to penetrate into the ranks of the industrial proletariat. Goering and Goebbels, on the other hand, were in favour of the destruction of the "class trade unions."

Under the influence of the steel magnates, who are now playing the leading role in Germany and who always maintained the standpoint that they should be completely masters in their own house, i.e., in the factories and in industry, and who agreed to collective bargaining only under pressure, the Goering-Goebbels wing was victorious. The old free (social democratic) trade unions were not "incorporated in the totalitarian State" as the social-fascist trade union leaders had vainly hoped up to the time of their arrest on the 2nd May, but were actually destroyed, their funds confiscated, their offices occupied, and their leaders arrested. Not only that, there exists a legal judgment of the Provincial Labour Court in Frankfurt to the effect that the trade unions which at present form a part of the "German Labour Front" can in no way be considered the legal successors of those free trade unions which formerly existed in the respective trades and industries.

The reason why the fascist regime in Germany has not only excluded all forms of trade unions and forbidden all sorts of trade union meetings, but has even abandoned the attempt to develop the national socialist factory organisations into mass yellow unions is

the fear of permitting the working masses any possibility at all of expressing their opinions. The actions of the fascists are in such flagrant contradiction to their former promises, and they are so obviously playing the role of thugs for large-scale capitalism that they are unable to permit the existence of any sort of mass organisation of the workers, no matter under what political ideology it may sail. The unexpectedly big influence of the illegal German Communist Party and the fact that this influence is undoubtedly growing, compels the fascists to destroy every organisation of the workers and to destroy all freedom of meeting. With this the fascists admit openly that although they call themselves a workers' party, and although they are in power, they are unable to penetrate to any extent into the ranks of the industrial proletariat. In carrying out their "labour policy" the fascists are compelled to refuse any sort of co-operation from any sort of mass organisations.

The National Labour Law, which was issued on the 17th January, destroys from May onwards the last remnants of legal trade union activity: this law destroys the principle of collective bargaining and abolishes the collective agreements formerly drawn up between capitalists and workers as between parties formally enjoying equal rights and regulating wages and working conditions in whole branches of industry; this law destroys in effect any possibility of the workers exercising any legal influence whatever on their wages and working conditions; this law gives the capitalist the right to dictate wages and working conditions in his own works at his own discretion. The National Labour Law is the legal expression of the age-old ideal of the capitalist to be absolutely "master in his own house." No trade union, no factory council, no legal organisation of the working class has the right to say a word.

Working hours, wages, fines, dismissals, in fact everything touching the worker deeply has been handed over completely to the arbitrary will of the capitalist. Disagreements are to be settled by "courts of honour." Such courts are to be composed of a judge as representative of the State, and president of the court, of a capitalist, and of a representative of the workers. However, quite apart from the fact that this "representative of the workers" is outnumbered two to one, all such "representatives" are proposed by the capitalists themselves according to the provisions of the National Labour Law. Under such circumstances, therefore, the "courts of honour" are nothing but a blatant farce.

There is no doubt that the publication of the new National Labour Law will go far towards increasing the struggle of the illegal Communist Party against the fascist regime, and that this new law will rouse the workers to fight still more energetically against the hangman's regime of Hitler.

Italy

The legend that the economic policy of fascism would be able to overcome the economic crisis has now been thoroughly destroyed.

Italy is one of the few big countries which has not up to the present published any index of industrial production so that it is difficult to trace the development of production statistically. Isolated figures indicate, however, that the increase of industrial production which took place in Italy in 1933 was less than in other countries.

The reduced capacity of Italian industry to compete on the world market against the countries conducting their foreign trade on the basis of currency inflation in view of the maintenance of the gold standard in Italy has expressed itself in the rapid decrease of the Italian export trade and has caused Mussolini to decree a **further general cut in wages for the whole of Italian trade and industry, the cut to average eight per cent.** In the first year of the crisis, in December, 1930, a general wage-cut of twelve per cent. was decreed and the workers were informed that they must make sacrifices in order to assist Italy's economic system to weather the storm of the economic crisis. It must be noted that in both cases it is a question of a general reduction of nominal wages ordered by State decree and it must not be forgotten that apart from such cuts there is the steady decrease in real wages as the result of increasing unemployment, increasing short-time work, an increasing labour intensity and rising food prices. Since then the workers of Italy have been informed on numerous occasions that their sacrifices are bearing fruit and that the economic system of Italy is advancing more and more out of the period of crisis, but now

the only measure the fascists of Italy can think of, the last word of their wisdom, is a new general wage-cut by decree.

It is expressly declared that this new wage-cut is necessary in order to guard Italy's currency against depreciation. The Italian fascist government has openly declared that unless this new wage-cut succeeds in restoring the capacity of Italian industry to compete on the world market the parity of the lira cannot be maintained. The Italian correspondent of "The New York Times," a fascist named Cortesi, writes in the number of the 17th December, 1933, the following:—

"Italian producers were for a time in a position to keep pace with falling prices by lowering their costs of production, but now they are reaching breaking point. As the government is firmly determined to permit no inflation, the only alternative is a further reduction of the costs of production by reducing wages."

The Under-Secretary of State for the fascist corporations, Asquini, also justifies the reduction of the costs of production, i.e., the wage-cuts, on the grounds of the deterioration of Italy's foreign trade. On this basis negotiations were opened between the organisations of the capitalists and those of the workers to decide upon the amount of the wage-cut.

What is in fact the situation of the Italian export trade? It is clear that the lack of colonies, of markets dominated in a monopolist fashion, makes it impossible for the Italian bourgeoisie to manoeuvre with the freedom of the British or French bourgeoisie. The compulsory maintenance of the gold standard hampers the competitive capacity of Italian industry towards other countries and in particular Japan in the Near East and in Africa.

Further, as the increased production of cereals is sufficient to meet home requirements in view of the considerable reduction of consumption as a result of the crisis, Italy has also very little room to manoeuvre with regard to compensation traffic. Italy has not even that little room to manoeuvre obtained by Germany as a result of the limitation of the transfer payments. The transfer stoppage of foreign debts represents for Germany and for other countries which have declared a moratorium for the transfer payments on foreign debts, a sort of "silent reserve" which is being used to balance the budget and encourage exports. Italy has not even this possibility enjoyed by Germany, which increasingly limits its transfer payments as a means of pressure on its creditors to obtain trade political concessions, and which is securing temporary supplementary exports by means of the blocked marks, the repurchase of foreign bonds at a heavy discount, etc. These are the chief factors which explain the drop in Italy's exports during the course of 1933.

The statistical bulletin of the League of Nations issued on the 18th December, 1933, shows an increase in the total value of world trade from April to October, 1933, of 12 per cent. On the other hand, Italy's foreign trade balance in the third quarter of 1933 was one of the worst in recent years. In this period Italy's export trade dropped by 15 per cent., whilst imports dropped by 5 per cent. only.

Italy's foreign trade during the last few months of 1933, reckoned in gold, showed an even worse tendency:—

Italy's Foreign Trade (First Ten Months in Million Lira)

Year	Export	Import	Export Surplus
1932	7,440	6,185	1,255
1933	6,728	5,508	1,220

(in millions of Gold Dollars)

		Export		Import	
		1932	1933	1932	1933
August	...	27.1	24.1	26.8	27.9
September	...	28.7	24.4	28.2	30.7
October	...	30	27.1	28.4	31.4
November	...	30.5	25.2	29.9	30.4

We can observe from this table that, compared with the previous year, 1933 shows from month to month a growing disparity between export and import; exports decline whilst imports exceed the volume of the previous year.

The effects of this drop in exports on the economic system of Italy become clear when we consider that the two great industries of Italy, the production of motor-cars and artificial silk, are for the greater part dependent on foreign markets in order to dispose of their products.

"At the same time Italian industry has always been particularly dependent on the export trade. Various branches of industry, for instance, the automobile industry, exported up to 70 per cent. of their production. As a result of the generally low level of income in Italy these industries cannot hope to find any compensating market at home."—The "Oesterreichische Volkswirt," December 2, 1933.)

As the absorbing power of the internal market in Italy is very low as a result of the agrarian crisis and the low wages of the workers, and as no renewal of fixed capital has begun in Italy, the improvement which showed itself in 1933 was minimal. In the first ten months of 1933 railway goods traffic in Italy amounted to 33.3 million tons as compared with 35.4 million tons in the same period of 1932, and this suggests a decrease of production.

With regard to the increase of iron and steel production, this was caused chiefly by increased armament deliveries to foreign States. In November, 1933, building operations were begun on two new cruisers of 7,500 tons each. Two further cruisers with a total tonnage of 12,500 tons are also on the stocks. Seventeen other naval units are also being built. ("The New York Times" of November 18, 1933.)

The official figures for unemployment, which are not at all reliable, also indicate the bad economic situation of Italy and are no less than last year's figures.

Unemployment (in thousands)

	1931	1932	1933
February (highest point) ...	765	1,148	1,229
July (lowest point) ...	638	931	824
October ...	800	956	963

These figures cannot be compared with each other accurately as in April and July, 1933, "an alteration was made in the statistical method of counting the unemployed" and since August the short-time workers are no longer included. The official unemployment figures of the Italian government embrace only a part of the unemployed workers, for instance, unemployed farm labourers and artisans (the latter have been flung on a mass scale into the ranks of the workless proletariat since the beginning of the economic crisis) are not counted. The Italian correspondent of "The New York Times" writes of "millions of unemployed workers." ("The New York Times" of December 17, 1933.)

Under these circumstances it is very doubtful whether the Italian capitalists will be able to maintain the stability of the lira. Apart from the growing passivity of the balance of foreign trade just demonstrated, the following factors play a role in the question of currency stability:—

(1) Two other important items in the Italian balance of payments: the money spent by tourists in Italy and money remitted to the country by emigrants have considerably decreased since the depreciation of the dollar, and there is not the faintest hope that there will be any improvement in the near future in either case.

(2) The deficit in the Italian State budget is steadily increasing:—

(In Millions of Lira)

	Income	Expenditure	Deficit
1932/33 ...	18,217	21,766	3,549
July/Oct., '32 ...	5,815	7,237	1,422
July/Oct., '33 ...	5,719	7,246	1,527

The bourgeois of Italy will do its best to maintain the stability of the lira because in view of the weakness of Italian capitalism it would not be so easy to hold an inflation, once begun, within definite limits as it is in Great Britain and the United States with their big foreign capital investments and their favourable balance of trade. Further, any considerable depreciation of the lira would shake the fascist regime to its foundations and thus endanger the rule of the bourgeoisie itself.

Not only the present economic situation of Italy, but also the whole course of the crisis in Italy refutes the legend assiduously maintained by the fascists to the effect that a fascist form of the dictatorship of the bourgeoisie is calculated to make the economic system of the country adopting it stronger in face of economic crises.

In the first onset of the crisis the finance-capitalist pillars of the Italian economic system (Banca Commerciale, the great electricity and gas concerns and the great concerns of the artificial

silk industry) collapsed. The State was compelled to come to their aid with milliards of lira. The Banca Commerciale was relieved of its bad debtors by a special institution created for the purpose. As in the United States and in Germany, all of them had to be put on their feet by the State. At the same time the bourgeoisie of Italy is doing its best to keep the writing off of nominal capital within narrow limits and as a result the overcoming of the crisis is being hampered. The Turin correspondent of "The Economist"

(January 13, 1934) gives the following table of the development of joint-stock companies in Italy during the crisis:—

	1929	1930	1931	1932	1933
New Companies Number	2,420	2,234	1,730	2,007	1,546
Capital (Millions of Lira)	824	584	344	1,127	211
Capital Increases Number	1,733	1,668	1,520	1,303	992
Capital (Millions of Lira)	6,457	5,580	3,988	2,520	1,818
Liquidation of Companies					
Number ...	859	1,020	1,296	1,207	807
Capital (Millions of Lira)	1,409	1,938	2,425	2,104	766
Writing off of Capital					
Number ...	547	614	1,103	1,076	919
Capital (Millions of Lira)	1,227	1,542	3,335	2,794	2,326

The result is that during the crisis in the period from 1930/33 share capital to the extent of not more than 4.7 milliard lira was written off, a sum which is wholly inadequate for any economic restoration.

Over against the monopolist-capitalist head of the Italian economic system, the finance oligarchy, there exists a very backward economic system and the great impoverishment of the broad masses. There is a relatively large number of peasants, artisans and small traders. According to statistics published in "The Economist" on April 21, 1931, there were at that time in Italy:—

Peasants owning and tilling their own land ...	2,943,000
Semi-leaseholders tilling the land... ..	1,631,000
Agricultural workers	2,475,000
Industrial employers	523,000
Artisans	724,000
Small traders	841,000
Industrial workers	4,283,000

holders tilling the land are very definitely proletarian elements in this list. The majority of the 2.9 million peasant landowners are undoubtedly poor peasants, and similarly, the greater part of the artisans belong in the ranks of the proletariat. The overwhelming majority of the population of Italy consists of very poor people with a minimum purchasing power. The contradiction between the strong centralisation of monopolist capitalism and the low purchasing power of the internal market is very great and hampers any "normal" return to economic health. For instance, the big electricity concerns cannot maintain a working basis for themselves with normal capitalist means if the artisans, who have been proletarianised in masses, leave the ranks of the users of electricity.

A little while ago Mussolini declared to a representative of the Paris "Excelsior":—

"The towns were filled with small handworkers who found an existence only with great difficulties. Italy would try to place them on the land."

Capitalist industry in Italy is not in a position to absorb these proletarianised artisans. They are being sent back into the rural districts to swell the ranks of the agricultural unemployed of whom there are already large masses.

These circumstances hamper particularly any "normal" overcoming of the crisis in Italy. As the representative of Italian finance capital, Mussolini is therefore compelled to try new methods continually, although the essence of these methods remains always the same: the State takes over the losses of the capitalists and piles them on to the shoulders of the whole people, that is to say, the broad masses of the workers, peasants and artisans.

The latest on this field is a new institution which floats industrial loans guaranteed by the State. Those who subscribe to these loans are to receive not only the normal interest on them, but later on also dividends from the undertakings which make use

of them. The subscribers have also the right to convert their loan shares into shares in the companies in question. The aim of these transactions is to turn the companies subsidised by the State once again into private companies with privately held capital. In any case, the procedure means a further great strain on Italian State credit which is already weak enough.

Summing up we can say: all that can be said in favour of fascist economic policy is that in its measures to save monopolist capitalism at the expense of all sections of the population it was more straightforward than any other capitalist country. From the very beginning the small monopolist-capitalist clique at the head dictated uniformly the economic policy of the State, whilst in the other capitalist countries where remnants of democracy still exist the finance oligarchy had first of all to conduct a certain struggle against the non-monopolist capitalist elements, against other sections of the bourgeoisie, and against the peasantry, in order to force its own wishes on to the State economic policy. This can be seen clearest of all in the struggle taking place around Roosevelt's policy in the United States. In this sense, we can say that the fascist economic policy of Italy was an example to all the other capitalist countries.

Japan

During the past two and a half years, since Japan began the war in Manchuria and a sharp depreciation of the yen began, the economic system of Japan shows outwardly the characteristics of a prosperous island in a sea of world economic crisis. This "boom" which Japan is enjoying is based on the double effect of an inflation and war economy. It is in fact a war and inflation boom. Like every war and inflation boom it means the following:—

Economically: A reduction of the "national wealth." (1) The war in Manchuria and the accelerated preparations for further war mean that a very great part of current production is being used for non-productive aims. (2) The increase of exports on an inflationist basis means that commodities are being sold abroad below their real value, that is to say, that as a result of this inflationist export the country is becoming impoverished.

Whilst this process of the impoverishment of the country as a whole is proceeding, a rapid centralisation of wealth in the hands of the monopolist capitalists is taking place on the basis of the inflation, and at the same time a considerable increase in the exploitation of the workers, peasants and artisans.

Socially: This process must lead all the more rapidly to an intensification of class contradictions because the distribution of the national wealth and the national income was extremely unfavourable for the poor and middle classes of the population even before the inflation. In Japan, a country which is very poor in comparison with other capitalist countries (the average income per head of the population is on the level of that of the poorest countries in Europe, for instance, Lithuania, Latvia and Rumania), there are several milliardaires, about a dozen individuals with a fortune of over 100 million yen each, and from 2,000 to 3,000 millionaires, and the rest of the population consists on the whole of very poor people. In Japan there is an unusual fusion of the finance oligarchy with the rich landowning class and with the State apparatus, and the formation of monopolies and the exploitation of the working masses by these monopolies is artificially encouraged.

All Japanese statistics, no matter to what field they refer, confirm this monstrous inequality of the division of wealth in Japan. We recall the official statistics of the division of the land in Japan which we quoted in these columns two years ago.

The distribution of the land according to the size of the farms was the following:—

	No. of Peasants (in 1,000)	Percentage of all Peasant Farms
Less than half a hectare ...	1,951	35
From a half to one hectare ...	1,885	34
From one to two hectares ...	1,190	22

From these official statistics we observe therefore that 91 per cent. of the Japanese peasantry till less than two hectares of land per farm.

But even these small strips of land do not always belong to the peasants who till them, for no less than 28 per cent. of the Japanese peasants till land which they lease from the real land-

owners, whilst 41 per cent. till both lease land and their own land. Less than a third of the Japanese peasantry tills its own land.

Here is another example which illustrates the impoverishment of the population of Japan. In 1932 there were 60,758 passenger motor-cars in Japan, and of these 95 per cent. were the property of hire companies, that is to say there were only 3,000 persons in the whole of Japan owning their own motor-cars.

The way in which the war is being financed and the State budget balanced still further accelerates the process of expropriating the Japanese middle classes and centralising all wealth in fewer and fewer hands. The tremendous budget deficit is covered not by taxing the possessing classes but by floating loans, that is to say, the possessing classes draw still further advantage to themselves from the poor state of the national finances. The impoverishment of the broad sections of the population, the peasants, the artisans, the intellectuals and the workers means naturally a very low purchasing power in the home market, and with the development of the inflation this purchasing power is becoming less and less. Under these circumstances, the point at which the inflation changes from being a means for the enrichment of the ruling classes into a complete economic and social catastrophe must be arrived at much sooner in Japan than in richer countries in which further there is a less glaring inequality in the distribution of the national wealth and the national income.

These general considerations show that the boom enjoyed by the Japanese economic system during the past few years is resting on an extremely weak economic basis, and that this weak economic basis and the continued wide-scale use of a great part of the national wealth for unproductive purposes in war and the preparations for war cannot continue much longer without leading to social upheavals extremely dangerous to the ruling classes. We can see the beginnings of these upheavals in all phenomena in present-day Japan quite clearly. With the exception of the small clique which forms the finance oligarchy, the feudal magnates allied with it and the, still very powerful, upper sections of the officer corps, there is not a single class or large group in Japan which is not discontented with the present situation.

The general discontent embracing all sections of the Japanese population is illustrated by the following facts all taken from a single number of "The Japan Chronicle" (14th December, 1933):—

"A 31-year-old peasant-farmer, Vatoshi of Nigata, served a term of four years in prison in Osaka. After his release he again began Communist activity and has again been arrested. His four sisters and two brothers and a niece are all in prison charged with Communist activity."

"Twenty students of the high school in Nagano and ten young people of the neighbourhood have been arrested on suspicion of having taken part in a Communist study circle."

"The police in Hokkaido have arrested nine local Communist leaders. Further arrests are expected."

"A group of twelve girls were arrested by the police in an empty house in Yokohama where they were taking part in a Communist study circle."

"Seven girl students of the Meiyi University have been arrested by the police and charged with having organised Communist study circles."

"The daughter of Professor Kavakami of the University of Kioto has now been released after having served a sentence of two months' imprisonment for Communist activity."

"Five young teachers at the elementary schools in Osaka have been arrested by the police for maintaining connections with a proletarian cultural league."

"Professor Funaki of Vaseda University has been arrested by the police for subscribing money to support the 'dangerous ideas' movement."

"A number of high judges have been arrested by the police in Tokio and charged with being members of the Communist Party."

"Following on trials in Corea, in which eighteen Communists were sentenced to death and 222 to various terms of imprisonment, the first of a further series of trials has now opened and 81 accused are in the dock charged with Communist activity. In all, 700 persons arrested last March are to be brought to trial."

"Fifteen students have been arrested at Vaseda University.

This is a sequel to the arrest of the student Toyana, who stole securities to the value of 70,000 yen belonging to his father in order to use the proceeds for Communist propaganda. The students who have now been arrested are said to have distributed the literature printed with the stolen funds."

"Professor Tosaka of the University of Hosei and a high State official, whose name is being concealed, have been arrested on a charge of subscribing money to the support of the Communists."

Inflation and Price Movements

As is known, after the abandonment of the gold standard by Japan towards the end of 1930 a rapid depreciation of the yen began, and by the end of 1932 the depreciation had reached 58.5 per cent. During the course of 1933 the yen varied between 63 and 57 per cent. By the end of 1933 the yen had depreciated by about 60 per cent.

If we take a look at price movements in Japan in the inflation period, we find that the rise in prices lagged far behind the depreciation of the yen. The price index published by the Bank of Japan, which gives 1913 prices with 100, shows the following development:—

1928	1929	1930	1931	1932	1933 (October)
171	166	137	116	122	136

We observe therefore that a 60 per cent. depreciation of the yen was followed by an increase of wholesale prices of no more than approximately 18 per cent. The causes for this lagging of price developments behind the depreciation of the yen are in part similar to those operating in Great Britain: the fall in gold prices on the world market formed a strong counter-weight to the tendency towards an increase of prices conditioned by the depreciation of the yen. As in all inflation, however, quite apart from that, the curve of rising prices remained substantially below the curve of the currency depreciation. It is on this difference that the competitive capacity of the inflationist countries in the world market rests in the first period of the depreciation.

The official index of the cost of living issued by the Bank of Japan reveals an even lesser increase. Taking 1914 at 100, the development was as follows:—

1928	1929	1930	1931	1932	1933 (October)
184	181	155	136	137	148

The increase in the cost of living represents about 10 per cent. as compared with a 60 per cent depreciation of the yen. With regard to the increase of food prices, we find that this increase is still less and amounts to about 7 per cent.

However, these figures showing the price movements in retail trade have obviously been compiled in order to show the situation of the working class in a better light. Each inflation shows that the increase of retail prices lags behind the increase in wholesale prices, and still further behind the depreciation of the currency. This difference gives large-scale capital the possibility of expropriating the small traders and artisans with the mechanism of inflation and to pay the workers low wages reckoned in gold because the latter are in a position to supply their wants from the small traders, etc., at less than gold prices. Put in another way, the price movements during a period of inflation make it possible for the monopolist capitalist to make the middle classes pay a section of the wage bill who become poorer and poorer with every turnover of their small capital.

This inflationist price tendency gives capital the possibility—in connection with a reduction of wages reckoned in terms of gold and with an increased intensity of labour power—to reduce its costs of production in gold in general and its wage costs in particular. The particularly low costs of production in Japan make it possible for Japanese industry to flood the world with incredibly cheap commodities of all sorts. Above all, the forced exports and the tremendous consumption for military purposes during the past two years in Japan have made possible that increase of industrial production which has filled the capitalists of all other countries with envy.

Industrial Production

The following general indexes of industrial production in Japan, the first compiled by the Mitsubischi bank and the other compiled by the official German Institute for Business Research, both taking the 1928 level at 100, show the increase of industrial production since 1930:—

1930	...	...	...	...	105.6	102.5
1931	...	...	...	...	100.7	102.2
1932	...	...	...	...	107.9	117.1
1933	January	...	...	...	117.2	127.4
	February	...	...	...	115	124.7
	March	...	...	...	129.9	135.9
	April	...	...	...	126.4	135
	May	...	...	...	130.6	137.6
	June	...	...	...	119.9	136.2
	July	...	...	...	126.9	136.7
	August	...	...	...	130.4	141.4
	September	...	...	...	129.8	135.7
	October	...	...	...	137.6	—

As will be seen, the movement of both indexes is more or less parallel. The German index shows a greater increase than the Mitsubischi index because the latter embraces only twelve commodities. Both indexes show that, unlike other capitalist countries, the lowest point of industrial production comes already in 1933. The following table taken from the original Mitsubischi index shows the course of production in the individual important branches of industry:—

Mitsubischi Index (1927—100)

Production	1931	1932	1933 (first 8 months)
Iron	122	123	152
Steel	114	146	178
Copper	124	117	114
Coal	83	83	92
Cement	102	106	133
Paper	115	114	120
Cotton products	109	118	129
Cotton yarn	111	119	120
Raw silk	117	103	86
Silk materials	90	101	130
Soda	146	167	200
Chloride of lime...	95	110	150

This table shows the following important facts:—

(1) The production of iron, steel, cement and chemical products of immediate war service increased most of all.

(2) The production of cotton and silk commodities increased relatively little. The rapidly increased export of such materials means therefore that a considerably smaller quantity remains in Japan for home consumption, that is to say, the export of textiles is taking place at the cost of a poorer supply for the home population, which is in its turn a reflection of the impoverishment of important sections of the working population of Japan.

Japanese Dumping

At the moment the capitalist press of the whole world is full of the bitterest accusations of dumping against Japan. And in fact Japan is flooding the markets of the world with cheap goods, and above all the markets of those countries which take cheap goods of an inferior quality. An example of how Japanese competition is estimated by the Germans who are friendly towards Japan is offered by the following extracts from "Der Deutsche Unternehmer" of November 26, 1933:—

"The Japanese advance is taking place exclusively at the expense of the European countries (chiefly Germany and Great Britain) and of the United States. For instance, Japan's penetration into the African market is typical. Whilst British goods are protected in accordance with the customs system worked out at Ottawa, these customs provisions do not apply to the African colonies. The result is that the Japanese textile industry has won enormous ground along the east coast of Africa and British manufacturers reckon that no less than 75 per cent. of the whole textile imports come from Japan to-day. Business is being done by old-established Indian firms, but also by newly-formed Japanese branches. Germany, which formerly shared this market with Great Britain, has been squeezed out almost completely. Japan is in a position to supply cotton shirts for the African market at 22 shillings a dozen, whereas German firms cannot supply them under 36 marks a dozen in the same quality.

"In various branches of trade Germany was leading in East Africa up till recently, for instance, in steel goods, pencils,

enamel ware, etc. In the second and third quarter of 1933, however, Japan has indubitably taken the lead here also. Even in the sale of beer Japan has completely squeezed the German variety out of the East African market. It is not only in textile goods that Japan is advancing all over the world, but also in rubber goods, bicycles, chemicals, electro-technical articles, toys, machines, etc. Japan is overcoming British and German competition all along the line. . . .

"The increased export of finished commodities on the basis of the greatly increased purchases of raw materials is taking place almost exclusively at Germany's expense. Great Britain and Canada together are not half as hard hit as Germany. . . .

"Where is there a country to be found which is not flooded with Japanese goods, cotton goods, raw silk, artificial silk (poplin, satin crêpe), woven goods, toys, china goods, glassware, electric bulbs, clocks, photographic supplies, etc., all at incredibly low dumping prices? Offered at prices which are without exception below the costs of production of all European competitors, in part even 50 and 60 per cent. below the prices of the corresponding British and German commodities. In Great Britain, the leading textile country, Japan, is in a position to offer its textile goods successfully, its cotton and artificial silk goods. In France it can compete with its silk products, in Germany with its bicycles, toys, rubber goods, stockings, and even electric bulbs, clocks and ironmongery. To the same extent Japan has penetrated into the Dutch, Belgian and Scandinavian markets, and particularly into the southern European and Italian markets, offering its goods at prices far below the previous competitive level."

If we take a look at Japanese exports in terms of the yen, then the increase is really very considerable:—

Japanese Exports in Millions of Yen

1930 Monthly Average	...	...	...	...	119
1931	"	"	...	...	93
1932	"	"	...	...	113
1933	"	"	(first 10 months)	...	150

The increase compared with 1931 is over 50 per cent., a circumstance which is very remarkable in view of the decline of exports from all other countries.

The picture, however, is somewhat different when we examine Japanese exports in terms of gold dollars as the League of Nations Bulletin does, and not in terms of paper yen:—

Japanese Exports in Gold Dollars

Monthly Averages	1929	1930	1931	1932	1933 (first 11 months)
	81	59	46	30	30.2

Expressed in gold dollars, therefore, we observe that Japanese exports have fallen to less than half what they were in 1929, but remained stable in 1933. However, as the foreign trade of the great imperialist Powers expressed in gold has fallen still farther during the crisis, the relative position of Japan has improved during the crisis.

Japan's Share in World Exports (in percentages)

1929	1930	1931	1932	1933 (first 7 months)
2.96	2.67	2.89	3.05	3.37

Thus the relative position of Japan as an exporter on the world market has improved during the crisis, even expressed in terms of gold. In view of the stifling narrowness of the world market, the advance of Japanese competition is making itself felt with particular severity, all the more so as it concentrates itself chiefly on a few commodities, above all, textiles. By forced exports Japan has succeeded in securing a favourable foreign trade balance in 1933, which was always unfavourable prior to the crisis.

The basis of this Japanese export which overturns all customs barriers is the inflation, and in consequence of the inflation the extremely low gold wages paid to the Japanese workers.

With regard to wage costs in Japan and in other countries, the Federation of British Industries has drawn up the following table comparing British and Japanese wages:—

INDUSTRY	British Wage for 48-Hour Week	Jap. Wage for 6-Day Week	Jap. Wage in percentage of Brit
Textiles—			
Men ...	80s. 6d.	17s. 1d.	14.5
Women ...	45s. to 69s.	6s. 4d.	9.1 to 14.1
Chemicals—			
Men ...	134s.	19s. 6d. to 40s. 6d.	14.5 to 30.2
Rubber—			
Men ...	55s.	20s. 3d.	37
Women ...	37s. 6d.	8s. 7d.	23
Electric Bulbs—			
Men ...	82s. 6d. to 110s.	7s.	6.4 to 8.5
Women ...	51s.	4s. 4d.	8.4
Children ...	—	1s. 9d.	—
Chinaware, etc.—			
Men ...	64s. 6d.	14s.	21.8
Women ..	30s.	6s.	21.4

The incredibly low wages paid by the Japanese manufacturers, expressed in the currency of other countries, form the favourite basis of the agitation for a reduction of wages in all capitalist countries.

In this connection it must be pointed out that Japanese competition in the cotton goods trade hits Great Britain hardest of all, a country which maintains very close foreign political relations with Japan. In 1933 Japan succeeded for the first time in beating Great Britain in the quantity of cotton goods exported:—

Exports of Cotton Goods in Millions of Square Yards

Year	Great Britain	Japan
1928	3,866	1,418
1929	3,671	1,790
1930	2,406	1,571
1931	1,716	1,413
1932	2,193	2,031
1933 (first eight months)	1,549	1,568

"The Economist" comments that not alone the rapid depreciation of the yen and the maintenance of the old rates of wages are the causes for the success of the textile industry of Japan:—

"Vertical combination and centralised control represent the key to Japanese success. The capacity of Japanese industry, which is equipped with the most modern machinery, is not limited to the cotton trades."

The struggle for the cotton goods market is particularly severe in India, where Japanese exports not only hard pressed British exports, but even the native textile industry. It is generally known that in the autumn of 1933 a sort of trade war began between India and Japan. Notice was given to end the trading agreement, and the import duties on Japanese cotton goods were increased, whereupon Japan answered with a prohibition of the purchase of Indian cotton. After long and difficult negotiations an agreement was reached, containing the following main points:—

(1) Japan is granted an import quota of 125 million yards unconditionally.

(2) Japan may import into India 325 million yards, providing that it purchases a million bales of cotton from India.

(3) Japan may import into India a maximum of 400 million yards, providing that it purchases a million and a half bales of Indian cotton. In this connection it must be pointed out that in the cotton year 1933 Japan imported into India over 570 million yards of cotton goods and purchased about a million bales of Indian cotton. In the agreement therefore Japan has made certain concessions for political reasons to India, or, in the alternative, to Great Britain.

Japanese competition will undoubtedly remain successful on the world market so long as the increase of prices at home does not keep up to any extent with the depreciation of the yen, and as long as the extremely low wage level remains in force. This situation is, however, not so favourable for the Japanese economic system as Japan's nearest competitors would like to make out. This can be seen from the following British consular report:—

"It is difficult to estimate the permanent advantage which Japan has won. The situation is not so favourable to Japan as might appear from a superficial examination, be-

cause as long as it remains unchanged Japan must sell its labour and its raw materials abroad at very low prices and in return it receives a considerably reduced volume of imports. A prominent Japanese authority has reckoned out that whereas in November, 1931, it was possible to obtain 4,255 pounds of raw cotton for 100 picul of raw silk, in November, 1932, the same amount of raw silk could be exchanged at the then prevailing currency rates and prices for no more than 3,216 pounds of raw cotton."

The impoverishment of Japan as the result of inflation dumping can be seen clearly on the basis of this example.

The Military Deformation of Japanese Capitalism

Although at the moment Japan is waging no more than a "little" war, and is preparing itself for a big one, the Japanese economic system already shows all the main characteristics of war economy in full development.

In the first place there is the gigantic deficit in the State Budget and the rapidly growing place occupied by military expenditure in the Budget. Japan's "ordinary" Budget in recent years shows an expenditure of over two milliard yen. The last computation known to us of Japan's "national income" puts it at 12 milliard yen (for 1928). This figure contains, as usual, double reckonings. Wholesale prices at the moment are about one-fifth lower than they were in 1928. The 12 milliard yen national income in 1928 would mean less than 10 milliard yen to-day. Reckoned roughly the State Budget takes up over 20 per cent. of the national income. And over and above this comes the "extraordinary" expenditure.

From year to year an increasing part of this enormous sum goes for war expenditure. "The Economist" of the 20th January, 1934, gives the following distribution of expenditure in the Japanese Budget in recent years:—

Japanese Budget Estimates in Million Yen

Category	1933/34	1934/35	Less	More
Home Office	238.5	169.5	69	
Education	152.2	152.8	—	
Agriculture	122.8	87.7	35.1	
Transport	360.6	189.8	160.8	
Finance Ministry	481.6	466.2	15.4	
Army	448.1	449.5		1.4
Fleet	403.7	487.8		84.1
	851.8	937.3		
Together with smaller items	2,309	2,112		

The volume of official military expenditure in the Japanese Budget increases from year to year. In the current financial year the volume of military expenditure amounted to 37 per cent., and the estimate for the coming financial year is 44.4 per cent. Added to this official military expenditure come other military expenditure concealed in other Budget items, and the "extraordinary" expenditure. The "Transpacific," which leans towards the U.S.A., writes on this score:—

"If the expenditure closely connected with preparations for war are reckoned as well, the total sum for military expenditure is in reality much higher. Amongst the expenditure not reckoned officially as military expenditure, but closely connected with it, are pensions and half-pay to reserve officers, the interest on war loan, government subventions for the petroleum industry contained in the Budget for trade and industry, and other expenditure for the development of Japanese heavy industry."

If we assume the total military expenditure of Japan to be a milliard yen, and this is certainly a conservative estimate, then we see that over a tenth of the national income of Japan goes in military expenditure. This is a higher percentage than in any other country in the world. And this percentage coupled with the inflation must rapidly lead to the impoverishment of the country.

The devastating effect of this military expenditure which is far beyond the economic strength of the country is intensified by the methods of financing adopted. Year after year the Japanese State Budget closes with an enormous deficit. The State Budget for the financial year 1934-35 provides for an expenditure of 2,112

million yen and the estimates of the total income amount to 1,300 million yen only. The resulting deficit of approximately 800 million yen, or almost 40 per cent. of the Budget, is to be covered by loans. This procedure is repeated year after year. The handful of rich people in Japan who seize the lion's share of the national income and who dominate the State, pay practically no taxes, and it is impossible to squeeze such colossal sums out of the impoverished masses of the workers, peasants and urban petty-bourgeoisie. The result is that Japan's national debt is increasing rapidly.

Annual Total of State Loans in Milliard Yen

1914	1925	1930	1932	1933 (October)
2.56	4.93	6.03	6.55	7.41

About 1.4 milliards of this sum is foreign debts whose nominal sum has hardly changed since 1914, but whose interest payments have more than doubled now that the yen has been depreciated by about 60 per cent.

The British consular report for the end of 1932 gives the following foreign debts of Japan (in milliards of yen):—

Government	Jap. Towns	Joint-Stock Companies	Foreign Property
1,398	234	459	245

Together with current commercial debts this makes a total of about 2,500 million yen. There is practically no short-term foreign capital invested in Japan.

As against this there is a sum of about 1,500 million yen in Japanese capital abroad, including 800 million yen in the Southern Manchurian Railway, the rest chiefly in China, and particularly in textile factories in Shanghai. The British consular report places the dead weight of foreign debt acquired by Japan at about one thousand million yen.

And with this we arrive at the most mysterious part of the Japanese war economy. How does Japan pay for the war materials which it imports from abroad? The Japanese balance of trade which is usually unfavourable to the tune of about 100 million yen, has been showing a not insignificant favourable balance of late (in the last months of 1933). However, it is generally known that the purchases of weapons and military equipment made by Japan abroad are not contained in the statistics of Japanese foreign trade. At the same time there is no doubt that Japan is importing war materials from abroad in large quantities. This is proved to the hilt by numerous reports of the activities of Japanese purchasing commissions in various countries, concerning Japanese orders placed with various armament firms, indications of Japanese business in the business reports of armament firms, the short-lived prohibition of the export of armaments from Great Britain to Japan (and China), and finally by the concrete reports which have appeared in our own press concerning the loading of war materials for Japan, etc.

In the current balance of Japanese payments there is no covering for these supplementary Japanese imports of war materials. In all probability a section of these imports is being obtained on credit, and another section is being paid for by the export of Japanese paper money. The fact that the quotations of the yen remain low despite the fact that for six months now Japan has had a favourable balance of foreign trade and the visible balance of payments has therefore also been favourable, is probably due to the purchase of armaments which have not been included in the balance of trade figures. This is obviously the financial mechanism which organises the inflation.

Although there is much in the Japanese inflation economy which cannot be explained on the basis of the statistics at our disposal, there is no doubt as to its war economy character.

The preparations for war also determine the development of industrial production. Without the support of the armament industry Japanese heavy industry (which has a very unfavourable basis owing to the lack of iron ores and coal in Japan) and the chemical industry could not develop at the present rate. A stoppage in the armament industry would immediately produce a serious crisis of over-production in Japanese heavy industry. Writing in the "Transpacific," G. Waschio declares:—

"A reduction in military expenditure in the near future,

even if it were at all possible, would immediately produce a business slump."

The preparations for war also determine the situation of the Japanese working class which has rapidly deteriorated in recent years, and also the situation of the peasantry.

To sum up, therefore: although the "big" war has not yet begun the Japanese economic system already shows all the signs of a military deformation, signs of a widespread impoverishment and of a deep dislocation which is temporarily covered up by the apparent inflationist boom. This situation has already caused widespread discontent amongst all sections of the working population and in the not all too distant future it must lead to revolutionary upheavals.

The Deterioration of the Working-Class Situation

We have already given statistics concerning the terribly low level of wages in Japan as compared with wage levels in the European countries whose capitalists regard the Japanese standards with envy. These low wages were reduced still further in recent years—according to official Japanese figures. The wage index issued by the Mitsubishi Bank shows the following development:—

Category	1930	1931	1932	1933 (June)
Time rates ...	96.2	91.3	88.1	85.1
Other rates ...	98.7	90.7	88.1	88.4

Cost of Living in Tokio (1914=100)

1930	1931	1932	1933 (October)
155	136	137	148

Whilst therefore according to the statistics of a highly capitalist institution the time rates of the Japanese workers have fallen by about six per cent. during the past two years, the cost of living has risen by about nine per cent. And it must be remembered that the Mitsubishi Bank is certainly anxious to present the situation of the working class in the most favourable light, but even according to this source the real wages of the Japanese workers have decreased by approximately fifteen per cent. in the inflation period.

This reduction of real wages was in no way counter-acted by an improved state of the labour market. Parallel with the reduction of real wages went an increased intensity of labour power and an increase of the production of labour.

This is shown by the following figures:—

Employment and Industrial Production

(Indexes of the Mitsubishi Bank)

	1930	1931	1932	1933
Employment (1926=100) ..	82	74.5	74.7	79.9 (1st 6 months)
Production (1928=100) ..	105.6	107	107.9	124 (1st 8 months)

As in almost all countries, so also in Japan, the effect of the process of rationalisation during the crisis can be seen. With a volume of employment almost 3 per cent. less than in 1930 an increase of industrial production of 17 per cent. was obtained.

The figures of the cotton industry of Japan show with particular clarity the increase of the intensity of labour-power during the crisis:—

Year	Cotton used per Worker.	Workers per 1,000 Spindles.
1927	1.23	35.3
1929	1.46	27.5
1930	1.51	23.5
1931	1.75	20.6
1932	1.85	20.1

Thus we see that there has been a reduction of 43 per cent. in the number of workers employed in a space of six years.

A similar reduction in the number of workers employed has also taken place in the weaving industry:—

Number of Workers per Thousand Weaving Looms

Year	Men.	Women.	Together.
1927	132	660	792
1929	122	494	616
1930	113	430	543
1931	90	357	447
1932	79	368	447

The reduction of the number of workers employed per 1,000 weaving looms thus totals 44 per cent. in six years.

The progress made in the rationalisation of Japanese industry is generally recognised. The British consular report writes:—

"The period of crisis since 1930 would appear to have accelerated the process of rationalisation, with the result that to-day the Japanese manufacturer is in a position on some fields to produce better commodities at lower prices than ever before. . . . The chief reason for the success of the Japanese competition lies in the increased efficiency of Japanese industry."

The above-mentioned article in the "Deutscher Unternehmer" writes the following:—

"The main reason for the success of Japanese industry lies in the low wages paid and in the high intensity of labour."

As a result of this increased intensity of labour-power the increase of production was not sufficient to reduce unemployment figures to any considerable extent. According to the statistics of the Japanese Bureau for Social Affairs the following percentages of workers were unemployed amongst the seven million workers included in the census:—

December	1929	1930	1931	1932	1933 (May)
	4.54	5.25	6.68	6.38	5.91

The actual unemployment figures are without a doubt considerably higher.

On the basis of official figures therefore the balance of the inflation period for the working class of Japan shows a fall in real wages by 15 per cent., an increased intensity of labour-power and a maintenance of the general level of unemployment.

It is no wonder that under these circumstances the dissatisfaction amongst the working class is very great. This situation affords the illegal and heroically fighting Japanese Communist Party a fine basis on which to extend its influence rapidly although it has to fight against both a wave of nationalist-chauvinist demagogy and a most severe reign of terror in which the weapon of provocation is freely employed by the authorities. According to the figures of the "Nippon Dempo" the following arrests were made in recent years of persons charged with having conducted Communist activity:—

1928	1929	1930	1931	1932	1933 (until Oct. 20)
1,850	3,567	3,737	6,903	9,212	4,377

or a total of 29,646 arrests in six years.

However, not all these arrests nor all the chauvinist-nationalist demagogy carried on by the ruling classes of Japan exploiting the traditional prejudices of the people can stop the rapid spread of the Communist movement.

The Agricultural Crisis and the Situation of the Peasantry

The temporary improvement of the situation of Japanese industry obtained above all on the basis of intensified preparations for war and the inflationist dumping was unable to prevent a sharpening of the agricultural crisis during the past year. A very sharp drop in prices has taken place in the two staple agricultural commodities in Japan, rice and silk. There is a very considerable surplus production of rice in Japan this year, partly as a result of a good harvest and partly as the result of reduced home consumption. The rice harvest in Japan in 1931 was 55 million koku, in 1932 it was 60 million koku, and in 1933 it was 66 million koku. According to official figures the transitional stocks amount to 15 million koku, or about three times the amount of the normal stocks. Under these circumstances it is not surprising that the price of rice has fallen considerably and that the government was compelled to fix a legal minimum which it set at 22.70 yen per koku and to buy up stocks itself in order to maintain this price.

Raw silk has suffered a similar price drop during the course of the year. It is true that in the first half of the year the price rose from 700 yen to 1,100 yen per 60 kilo bale as the result of an increase of production in the United States, but in the middle of the year the price again fell, this time to 550 yen per bale.

The "Wirtschafts-Dienst" describes the situation in an article published on the 29th December, as follows:—

"For years now Japan has had an absolute over-production

of raw silk and rice. The Japanese have apparently recognised that this over-production must be stopped, but all the measures of the producers' organisations and those of the government, as far as they were taken in a serious attempt to remedy matters, have failed signally."

The low prices obtainable for silk and rice, coupled with high rents and taxes, have led to a progressive impoverishment of the peasant masses, and in some districts they have led to the beginning decline of agriculture. The British consular report, one of the best sources concerning the economic situation of Japan, writes concerning the year 1931:—

"The rice harvest of 1931 was under the average level. The reason was partly that many farmers were not in a position to purchase sufficient quantities of manure. In the poorer northern provinces there was almost a bad harvest and some of the peasant villages were on the starvation line. . . .

"The truth is that agricultural privation has become a permanent feature to a certain extent in Japan. . . . Real privation, even if it was exaggerated in the reports, was undoubtedly present both amongst the farmers, who were unable to pay their debts, and amongst the small traders, whose debts were not paid. There can be no doubt that the situation in 1932 was particularly acute."

The deterioration of the situation of the Japanese peasants is shown clearly in an article by G. Waschio in the "Transpacific" of the 7th December, 1933:—

"The agrarian crisis, which has lasted since the end of the period of prosperity, resulting from the world war, never received so much attention as it is receiving to-day. The consequences of the agricultural crisis have been a reduction in the number of peasants owning their own land, growing disputes between tenants and landlords, the desertion of the farms by boys and girls anxious to find something better, a continual deficit in the budget of the peasants, and the progressive accumulation of unpaid debts. . . . The farmers were disillusioned by one relief action after the other, all of which were in the last resort run at their own cost and which did nothing more than perpetuate their suffering."

The dissatisfaction of the masses of the peasantry has caused great anxiety amongst the leaders of the army, because the majority of the Japanese troops come from the peasant districts. As is known, Araki himself demanded that the government should take measures to relieve the situation of the peasantry. At the same time this was naturally a manoeuvre to win the peasants for a special sort of "military fascism." As reported in the daily newspapers, there were long debates on this problem within the Cabinet. What the ruling classes of Japan think about the peasant question can be seen from the following utterance of the Finance Minister, Takahashi, in a debate with Araki. Takahashi declared:—

"Although various causes may be responsible for the existing privations of the peasantry, the main reason is that the peasants expend too much money for marriage ceremonies, burials and other similar things, that they spend too much on the education of their children and that they purchase manure when they might easily make their own."

The fact that Araki's support of relief for the peasantry was no more than a manoeuvre can be seen most clearly from the table of expenditure previously presented, which shows that the budget expenditure for agriculture has been still further reduced in the coming year.

The internal situation of Japan is deeply influenced by the struggle which the Communist Party is carrying on with the military fascists for the winning of the broad masses of the exploited peasantry. The further development of the class struggle in Japan will be deeply influenced by the outcome of this struggle.

In addition, there are Japan's great foreign political difficulties.

It is true that Japan has succeeded in making friends with fascist Germany upon the basis of their joint hostility towards the Soviet Union and their anti-Soviet war-like intentions, but Germany is far away and has no common frontier with the Soviet Union, whilst it is itself surrounded by a girdle of hostile States.

It would appear that Japan has succeeded in renewing its alliance with Great Britain, although probably in a looser form, in

the form of a so-called gentlemen's agreement. However, Japan can reckon on Great Britain only against the Soviet Union and against the United States, and not at all with regard to the Japanese plans for the conquest of China and the dominance of the Pacific Ocean. Both in China itself and in the southern section of the Pacific, Japan and Great Britain have opposed interests. Great Britain cannot permit Japan to come too close to India. This explains the speeding-up of the work on the naval base at Singapore, the alleged undertaking to guarantee the inviolability of the Dutch colonies in Asia, a guarantee which can only be directed against Japan, etc. And further, all co-operation between Great Britain and Japan meets with violent opposition from Australia which feels itself threatened by the ruthless expansionist urge of Japan.

The former friendship of Japan with France has been influenced negatively by the changed attitude of France towards the Soviet Union since the accession of Hitler to power in Germany.

In China, Chiang Kai-shek has abandoned all thought of any struggle against Japan in order to concentrate all his forces against Soviet China, but the hatred of Japan in the hearts of the masses of the Chinese people is greater than ever. Despite the treachery of Chiang Kai-shek, Japan is threatened with the vengeance of a people totalling four hundred million souls.

The war between Japan and the United States is inevitable sooner or later.

Under these circumstances the efforts of the Japanese government to establish political connections with various far-off countries (missions to Afghanistan and Abessynia, where the Japanese are seeking to organise the growing of cotton, intrigues in Mexico and South America, etc.) cannot be of much use.

Economically and politically, both at home and abroad, the ruling classes of Japan are in a highly strained and highly dangerous situation. The adventurist policy of the military clique will accelerate the overthrow of the Japanese ruling classes if it is permitted full rein.

The United States of America

It is now possible to survey the results of the "great experiment" of President Roosevelt in the year 1933. In order to arrive at a correct estimate of the development and the results of 1933 in the United States, let us recall the situation which existed in March, 1933, when Roosevelt took office. The most important characteristics of that situation were:—

(1) The whole banking and credit system of the United States was in a catastrophic state. Frightened by the numerous collapses of the banks, the population had lost confidence in the banks altogether and a wholesale run on the banks developed. All banking institutions through the United States were threatened with insolvency. The bankruptcy of thousands of banks was prevented only by the closing down of all the banks.

(2) A financial crisis had begun because more and more people were losing their confidence in the dollar, and notes were being changed into gold on a mass scale and gold hoarding developed rapidly.

(3) The agricultural crisis had reached an extremely dangerous stage for the American bourgeoisie, and farmer revolts began to spread rapidly and assume menacing forms.

(4) Industrial production in the United States in March fell almost to the lowest point of the year 1932 again, whilst at the same time unemployment touched the very highest level with about 14 millions.

In this situation the tasks with which Roosevelt was faced were the following:—

- (1) The salvation of the banking and credit system.
- (2) The pacification of the rebellious farmers.
- (3) The increase of industrial production and the reduction of unemployment.

In order to solve these tasks Roosevelt intervened in a drastic

fashion in the economic life of the United States with a series of laws, whereby he naturally met with strong resistance from individual sections of the population and individual sections of the bourgeoisie. The chief economic difficulty facing Roosevelt was that he was anxious to please all classes and all sections of the population, which is of course quite impossible. The end result is, therefore, that the exploited classes of the population, the working class and the working farmers, have got to foot the bill for Roosevelt's experiments.

The chief political difficulty was to please the great mass of the electorate which had for the first time for many years again voted for the democratic party. The antiquated constitution of the United States made political manoeuvring particularly difficult, above all with regard to the farmers. The dissatisfaction of the farmers is dangerous for the bourgeoisie from a class standpoint, and over and above this it is of enormous party-political importance. In the Senate, which is the decisive political institution of the United States, each State is represented by two Senators. The Senators from the thinly-populated farmer States are therefore much more numerous than the population of these States or their economic importance would justify. In the United States Congress, on the other hand, representation is in proportion to population.

The following table will show the situation with regard to a number of States:—

	N.Y.	Penn.	Arizona	Nevada	Delaware
Senate Representatives	2	2	2	2	2
Congress Representatives	43	36	1	1	1

The representation of the thinly-populated farmer States in the Senate is up to 43 times greater than it would be if a system of proportional representation was adopted there as in the Congress. Naturally, the bourgeoisie remains the ruling class nevertheless, but the character of political manoeuvring in the United States is greatly affected by this senseless form of representation in the Senate. As a result, Roosevelt was compelled to adopt a policy which was in its essentials in accordance with the interests of large-scale capital, but which, nevertheless, appeared to be in the interests of the farmers and the workers. From the internal contradictions of this situation resulted the struggle around the methods adopted by Roosevelt and the vacillations of Roosevelt's policy.

The Inflationist Policy of Roosevelt

The tremendous drop in prices which took place in the United States during the course of the crisis had made the situation of all debtors intolerable, because a much greater proportion of the yield of production, a much greater proportion of value and working time had to be handed over to creditors than before the crisis. Under these circumstances the majority of debtors were in fact insolvent. A means had therefore to be found in order to make the burden of debt again tolerable. This could take place in an anarchic fashion through innumerable bankruptcies of undertakings, banks and farms, or in the smoother form of a general reduction of debts by inflation and a corresponding increase of commodity prices. As is known, Roosevelt chose the second alternative.

In order to save the banking and credit system, which was suffering from an acute crisis when Roosevelt came to office, the whole banking system of the United States was actually centralised by the State to a wide degree. In the first place the United States government took over the responsibility for all deposits in the banks and guaranteed their safety towards the depositors in order to calm down the latter and restore confidence in the banks, and secondly Roosevelt compelled the banks, including the big banks, to issue new shares which the government then bought up through the Reconstruction Financial Corporation in order to secure government control and influence over the banks, and in this way, in fact,

the government obtained direct influence on the business of the banks.

With regard to prices, Roosevelt announced that his aim was to restore the price levels of 1926 and at the same time to close the scissors which so adversely affected the situation of the American farmers. Such an increase of price levels could be brought about, however, only by inflation or in the alternative devaluation.*

The price level of 1926 was not, as has already been pointed out in former surveys, a "normal" one. The price in dollars was higher than was justified in accordance with the gold content of the dollar. If the price level of 1913 is taken at 100, then the price level of 1926 was 143. As the productivity of labour in commodity production has risen in general in the period between 1913 and 1926, that is to say, that in a commodity unit there was a lesser quantity of average labour time in 1926 than in 1913, and as the productivity of labour in the gold mining industry has not risen to a greater extent than the average labour productivity in all other branches of industry, it is clear that the price level of 1926 contained unliquidated remnants of the extraordinary price increases of the war period. During the crisis prices then fell rapidly and reached the lowest level in February, 1933, with 85.7.

In order to raise the general level of prices to that of 1926, a general increase in prices of about 67 per cent. was necessary. It was not possible under any circumstances to attain such a tremendous increase of prices whilst maintaining the existing gold content of the dollar. Roosevelt was therefore acting quite logically when he deliberately adopted the policy of depreciating the value of the dollar.

Having regard to the particular conditions of United States capitalism, however, it was no easy task to bring about a depreciation of the dollar. The United States, as is known, has a very favourable trade balance. The depreciation of the dollar in 1933 has not altered this situation at all.

* Although both inflation and devaluation lead to the same result, namely a reduction of the gold equivalent of the unit of currency, there exists a great difference between the two. Devaluation is a State measure whereby the gold content of the currency unit is decreased. If we exclude the question of debt for the moment, devaluation means no more than an alteration in the unit of currency reckoning, as theoretically all prices, including the price of labour-power, must theoretically rise immediately in accordance with the lowered gold content of the currency unit. With a "pure" devaluation the nominal sum of all debts should also be increased in accordance with the lowered gold content of the currency unit. A devaluation, for instance, of fifty per cent. in the gold content of the currency unit should therefore result in the expression of all values in figures multiplied by two as compared with the pre-devaluation figures. The distribution of income would not thereby change in the least.

The chief difference between devaluation and inflation is that the latter is an anarchic process, and that as a result the increase of all prices takes place at a much later date and without uniformity as regards various commodities and as between wholesale and retail trading, and that, and this is the most important point, the nominal sum of debts remains the same. This process means a very considerable alteration in the distribution of income to the disadvantage of the workers, whose wages rise only slowly in response to the depreciation of the currency, to the disadvantage of creditors and to the advantage of debtors. This alteration of the distribution of income is the most important difference between a "pure" devaluation and an inflation. Whilst after a re-stabilisation of the currency the distribution of current income becomes in time approximately the same as before, as would be the case with a devaluation, the alteration to the advantage of the debtor and to the disadvantage of the creditor remains and finds no compensation.

We consider this short explanation to be necessary because at the moment the bourgeois press is engaged in continually mixing up inflation and devaluation.

Foreign Trade of the U.S.A. (in Millions of Dollars)

Year	Import (Monthly Average)	Export	Export Surplus
1929	362	430	68
1930	260	315	55
1931	174	198	24
1932	110	131	21
1933 (1st eleven months)	113	133	20

The current balance of payments of the United States is still more favourable because apart from the active balance of foreign trade there are the receipts from foreign capital investments which increase the favourable balance, although as a result of the crisis and the non-payment of the inter-allied debts these receipts have been greatly reduced.

With regard to capital transactions, the short-term credits of European banks in the U.S.A. were practically all withdrawn even before the bank smash in March, 1933. The measures taken by Roosevelt, the prohibition of the export of gold or currencies, made any capital flight very difficult. A portion of the yield of the export trade was probably left abroad. However, this could play no great part in the depreciation of the dollar. Under these circumstances Roosevelt had to adopt measures which had never previously been adopted in the history of capitalism. The quotations of the dollar were forced down by degrees by U.S. government purchases which deliberately raised the price of gold, that is to say, the U.S. government gave more paper dollars for a unit of gold than the market situation demanded. In this way Roosevelt succeeded by the end of 1933 in depreciating the dollar by almost 40 per cent.

Naturally, there would have been a much simpler method of forcing a depreciation of the dollar, and that would have been to make good the tremendous deficit of the United States budget by the issue of paper dollars. But Roosevelt jibbed at taking this open inflationary measure. The deficit in the State budget was met as before with short and middle-term loans, and the notes in circulation were not increased. At the end of 1932 the total value of all notes in circulation in the United States, the Federal Reserve and all other notes, was 5,804 million dollars, in February, 1933, 6,545 million dollars, and at the end of 1933, 5,804 million dollars.

If we take into consideration the fact that the volume of production at the end of 1933 was approximately 12 per cent. higher than at the end of 1932, and that prices had increased considerably, then the total sum of the notes in circulation was relatively smaller at the end of 1933 than at the end of 1932. The liquidity of the money market in the United States and the decisive influence which the federal government had obtained over the whole banking system made it possible to cover the Budget deficit again and again, despite the depreciation of the dollar, with loans and loans at a very low rate of interest. The State credit of the United States has not been damaged by the inflation.

The inflationist policy of Roosevelt, which is a part of his general policy of increasing the influence of the State on the whole economic system by leaps and bounds, and in particular of State intervention in the affairs of the big banks, has met with growing opposition on the part of the big bourgeoisie, its organisations and its ideological representatives. Whilst the farmers, driven on by the burden of debts and the low prices obtainable for agricultural produce, demanded further and further inflation, finance capital turned with great energy against any continuation of the process after a certain stage of inflation had been reached, and, above all, against the interference of the State in the affairs of big business. In this the big bourgeoisie was supported by the American Federation of Labour and by the press organs of U.S. finance capital, "The Wall Street Journal," "The Annalist," "The Financial and Commercial Chronicle," etc., and also by the capitalist press in Europe.

From the beginning of November on the manifestations of big capitalist circles in the United States against any further depreciation of the dollar and in favour of a return to a stable currency increased. On the 3rd November the New York Chamber of Commerce adopted almost unanimously in a special session a resolution calling on the government to declare clearly and unambiguously that it would not introduce an automatic commodity dollar or a controlled commodity dollar, and that it would not make any similar currency experiments, but that, on the contrary, it would pursue a policy of a return to the gold standard. A few weeks later the United States Chamber of Commerce adopted the plan of Swope, the president of the General Electric Corporation, against the plan of Roosevelt and for the handing over of the administration of the N.I.R.A. to the organisations of the bourgeoisie, and for a speedy return to the gold standard.

The most powerful capitalists in the United States, J. P. Morgan, M. Taylor, the president of the United States Steel Corporation, etc., appeared one after the other to demand from Roosevelt that the dollar should be stabilised. Their demands were supported by various ideological representatives of the bourgeoisie, including Sprague (former economic advisor of the Bank of England), who demonstratively resigned his post as Under-Secretary of State in the Finance Ministry and declared in an open letter to President Roosevelt that he considered it his duty to mobilise public opinion against the further depreciation of the dollar. This was followed very quickly by the resignation of the Finance Minister Woodin.

The opposition found its way into the ranks of the democratic party itself. A number of prominent democratic politicians, including Al Smith, a former democratic candidate for Presidentship, Barney Baruch of New York, Baker of Cleveland, and Senator Glass of Virginia, publicly declared themselves against the policy of President Roosevelt. Al Smith summed up his opposition in the following slogan: "I am in favour of a gold dollar as against a rubber dollar! I am for experience as against experiment!"

However, the position of the President was strengthened by the support of public opinion, and the position of the oppositional bankers was weakened by the report of the senatorial commission of inquiry into banking affairs which exposed the tremendous corruption which leading members of the United States financial oligarchy had committed.

For instance, it was placed on record that Wiggins, the president of the National City Bank, had carried on enormous private speculations with the monies of his bank, that he caused himself to be paid an income of millions for years, that he caused himself to be paid out enormous sums in premiums whilst the business of the bank was doing very badly in the crisis, and that in order to avoid the payment of income tax he sold his securities at very low prices, probably to his wife, etc. Wiggins was compelled to retire from his position as president of the National City Bank, but he received a large pension and no action was taken against him.

Another case exposed by the senatorial commission of inquiry was that of the notorious stock exchange speculator Arthur Cutten, who admitted that he and his consortium took over 34 million dollars worth of shares in the Sinclair Oil Company in 1928 and 1929 and then sold them at a profit of 12 million dollars without ever having placed a cent of their own money into the transaction, as they paid for the shares only after they had received the purchase money from those to whom they had sold them. These and a series of similar cases have temporarily discredited the finance oligarchy in the eyes of American public opinion.

Nevertheless, the proposals which Roosevelt placed before the

Senate at the beginning of January, and which were adopted with insignificant modifications by a great majority (66 against 23 votes), represented in reality a victory for the finance oligarchy. As is known, the Senate gave the President power to stabilise the dollar at not more than 60 per cent. and not less than 50 per cent. of its original gold value. In this way strict limits were placed to any further depreciation of the dollar, and to-day it seems to be fairly clear that the restabilisation of the dollar will take place somewhere around the 60 per cent. level. It would further appear to be fairly certain that the law issued in 1933 concerning the issue of shares which places, as is the case in Great Britain, the responsibility for the correctness of the information contained in the prospectuses upon the issuing houses, and in this way gives the investing public a certain protection against fraudulent pretences, will be either withdrawn or modified.

If we draw a class balance of the Roosevelt inflation policy we come to the following results: The depreciation of the dollar by from 40 to 50 per cent. was sufficient to make the burden of debt once again tolerable for industrial capital. This, however, was also in accordance with the interests of bank capital which has a large section of its own capital and that of its depositors invested in industrial shares, in credits to industry, in real property, in municipal houses, etc. This measure of depreciation is also favourable for bank capital because thereby the whole credit system of the country is placed once again on a more or less secure basis. At the same time, this depreciation of the dollar makes possible rising prices, an improvement of the prospects of the export trade, and an increased exploitation of the working class, and thereby the re-establishment of the utilisation of capital, the re-establishment of profits. It is characteristic that the majority of those big industrial undertakings which worked at a loss in 1932 were again working at a profit in 1933.

On the other hand, this measure of depreciation of the dollar is not sufficient to offer the great masses of the farmers any real security. In the struggle between the farmers and the finance oligarchy to determine the economic policy of the country, the finance oligarchy remained victorious, despite the difficulties placed in the way of the political manoeuvring of the bourgeoisie, thanks to the above described numerical superiority of the representatives from the farmer States in the American Senate, and this victory was, of course, a perfectly natural one.

The Agrarian Crisis and the Situation of the Farmers

The depreciation of the dollar naturally lightened the burden of the indebted farmers, but there can be no question of any solution of the agrarian crisis as a result of the inflation. On the contrary, the agrarian crisis has to a certain extent even been intensified by the new policy.

In judging the agrarian crisis in the United States the circumstance must be stressed that, despite the character of the country as one of the most highly developed industrial countries in the world, important sections of American agriculture are very much dependent on the export of their products. The economic crisis has reduced the possibilities of this export very considerably. Wheat, cotton, tobacco, and meat are the chief products which depend to a great extent on the export trade. The following figures show the development of the export of agricultural products from the United States:—

U.S. Agricultural Exports in Millions of Dollars

Category:	1928-29	1929-30	1930-31	1931-32	1932-33
Grain	335	248	147	106	39
Cotton .. .	868	671	425	339	324
Tobacco .. .	148	149	142	86	63
Total Agric. Exs...	1,847	1,495	1,038	752	587
Total Exports ..	5,283	4,617	3,031	1,909	1,413
Agr. Share .. .	35	32.4	34.2	39.4	41.6

We see from this table that the four agricultural products mentioned—wheat, cotton, tobacco, and meat—are the decisive factors in American agricultural exports. We see further that, notwithstanding the sharp drop in U.S. exports, the percentage share of agricultural exports has risen during the crisis, and that the export of industrial commodities has fallen even more than the exports of agricultural commodities.

It must be further stressed that the agriculture of the United States is very highly specialised in certain commodity sorts. The wheat farmer purchases vegetables, meat, and fats from capitalist undertakings, the dairy farmer buys bread in the same way as the urban consumer. Production for the personal use of the farmer such as still plays a large role in European and Asiatic agriculture is of no significance in American agriculture. The lack of uniformity in the price movements of individual agricultural commodities therefore hits with full force whole areas in which the farmers specialise in the production of the particular commodity involved.

It is a fact that of all agricultural products wheat and cotton have suffered the biggest drop in prices. Therefore Roosevelt took over the job of raising the price of various agricultural commodities, such as cotton, wheat, maize, and tobacco, by special measures, quite apart from the increase in price as a result of the depreciation of the dollar. The essence of these measures was that State minimum prices were guaranteed for wheat and cotton, or in the alternative that the farmers were granted certain State subventions upon condition that next year they would limit the tilled area in accordance with a quota set up by the State. The means necessary for financing these measures were raised by a special tax on the millers and on the textile factories in accordance with the amount of raw materials used by them, the tax being passed on to the consumers.

This State intervention in price and productive conditions in agriculture resulted, as might have been expected, in a still greater anarchy and in still greater disproportions in price developments. As fodder, and above all maize, rose in price rapidly as the result of the government intervention, it no longer paid the piggeries to fatten their stock on maize. Both pigs and cattle were therefore poured into the market in huge quantities and the result was that a tremendous drop took place in the price of these products. The intensity of the crisis was pushed on to the shoulders of the cattle breeders. The situation of the dairy farmers became intolerable. The following table shows the price movements of various agricultural commodities. If prices prevailing on April 15th at the beginning of the inflation are taken as 100, then on the 1st December, 1933, they were as follows:—

Gold 164.5 (official purchase price), maize 134, wheat 135, oats 148, cotton 152, barley 117, butter 116, cattle 97, bacon 95, pigs 91.

We see the following picture therefore: The prices for grain and cotton have risen considerably, but still less than the depreciation of the dollar. The prices for animal products have risen a little, and the prices of important commodities such as cattle, pigs and bacon were lower on the 1st December than they were on the 15th April, that is to say, despite the depreciation of the dollar they dropped about 40 per cent. lower than the level prevailing before the depreciation. This situation naturally led to intense discontent amongst those farmers occupying themselves with cattle-breeding, milk and butter production, etc., and to the revolts of many farmers already reported in the press. In order to support the market the government was compelled to purchase 6 million pigs and sucking pigs, and as the government had no use for the animals they were simply destroyed and flung by the hundreds of thousands into the Mississippi, where they floated down into the sea.

It is clear that the over-supply of agricultural commodities on

the market was exploited by the big monopolist buyers, the slaughterers, the millers and the dairy trusts, etc., to reduce the prices which the farmers received in their districts still further. The following table drawn up by the Bureau of Agricultural Economics shows the price movements in the most important agricultural products during the crisis and also the disproportion in price movements:—

Farmer Prices and Purchasing Power. Pre-War=100

Middle of the Month	Grain	Fruit and Vegetables	Cotton	Cattle	Dairy Products	All Groups	Prices of Commodities Purchased by the Farmers	Purchasing Power of Farm Prices
Dec. 1929 ..	119	163	130	143	140	135	151	89
Dec. 1930 ..	80	108	73	112	117	97	137	71
Dec. 1931 ..	52	68	45	68	92	66	117	56
Dec. 1932 ..	33	59	43	52	69	52	103	50
Mar. 1933 ..	36	60	48	56	59	50	100	50
Nov. 1933 ..	74	81	76	59	78	71	117	61
Dec. 1933 ..	—	—	—	—	—	68	118	58

This table shows that the prices for grain doubled between March, 1933 and November, 1933, whilst cattle prices remained unchanged and the total index of all agricultural commodity prices rose by 36 per cent. as compared with 18 per cent. by which the prices of the commodities purchased by the farmers rose. The purchasing power of agricultural commodities as against industrial commodities compared with the pre-war period rose therefore from 50 to 58. This shows clearly that the action to close the scissors between the prices of agricultural and industrial commodities was not successful. In this point Roosevelt's policy up to the moment has suffered complete failure, and what is more, there is no reason to believe that this situation can change in the immediate future.

Contributory to this situation is the fact that the action to limit the tilled area was also not attended by any success. The area sown with winter wheat in the autumn of 1933 was 41 million hectares, or considerably larger than the corresponding area in the autumn of 1932. In addition, there is the fact that agriculture in the United States is carried on extensively rather than intensively and the yield per hectare is therefore low. This means that well-to-do farmers are in a position to compensate for any limitation of area by improved methods of tillage, more intense fertilisation, etc. In other words, the limitation of the tilled area will be formally carried into effect and the government subsidy pocketed, but the harvest yield on the smaller areas will be just as large as formerly on the old area.

This means that the whole policy of artificially raising prices in connection with the limitation of the tilled area will be of advantage to the well-to-do farmers, whilst the poor farmers who have not sufficient capital to till their land better than they normally do, will be the sufferers. Or, expressed in another fashion, although during the course of 1933 the government of the United States expended about a milliard dollars in support of the farmers, only a small upper section of the farmers has really gained any advantage from it, whilst the overwhelming mass of the poor farmers continues to suffer under the full severity of the agricultural crisis.

Industrial Production and Unemployment

Just as the policy of inflation has failed to solve the agricultural crisis, so has it failed also to solve the problem of industrial unemployment. Although during the course of 1933 industrial production undoubtedly increased considerably, unemployment diminished only very little, and even this diminution was obtained

by the State measures for the provision of work, which represent an emergency only and cannot permanently be maintained.

The total industrial development of last year can be seen in the following table:—

**Index of the Federal Reserve Board
(1923/25 equal 100)**

Category	Nov. 1932	Mar. 1933	July 1933	Nov. 1933
Industrial Production ..	63	56	101	71
Mining Production ..	75	81	90	81
Housing	10	10	13	13
Other Building	41	17	28	81
No. of Goods Waggon Loaded	57	50	65	60
Manufacturing Employ- ment	61	57	70	72
Manufacturing Wage Totals	42	37	50	54
Cost of Living (1932— 100)	76	72	75	78
Retail Turnover	63	57	71	65

This table shows us:—

(1) The rapid increase of industrial production from March until July.

(2) The speedy drop in industrial production between July and November, whereby, however, the volume of industrial production in November was still 12 per cent. above the level of the preceding year.

(3) The absolute standstill in housing activities whilst other building activities developed rapidly, whereby the decisive role was played by governmental and municipal building operations. Industrial building operations are still taking place to a negligible degree only.

(4) Up to July the volume of employment lagged very much behind the increase of industrial production. Industrial production increased from 56 in March to 101 in July, whereas the volume of employment increased only from 57 to 70. From July to November the dynamic of this development altered somewhat, thanks chiefly to the provisions of the various codes for an all-round shortening of working time and the general introduction of short-time working. Industrial production dropped 30 per cent., whilst the volume of employment increased by a further two points.

(5) The volume of wages increased between March and July by about a third compared with an increase of production of about 80 per cent. Between July and November the dynamic of this development also changed and a further increase in the volume of wages took place to the extent of 8 per cent., although the volume of production had fallen considerably.

(6) In the meantime the official index of the cost of living had risen by 6 points, or about 8 per cent.

The final result from the standpoint of the working class is therefore:—

(1) From November, 1932 to November, 1933, unemployment diminished by about 20 per cent., thanks to the general introduction of short-time work, but nevertheless from ten to eleven million workers still remained unemployed.

(2) The total volume of wages increased by about 28 per cent. if we take the situation of the manufacturing industries as typical of the situation of the working class as a whole, which is not quite correct, because there was no increase of employment in agriculture, commerce, etc. This increase must, however, be reduced by about 3 per cent. as a result of the increase in the official cost-of-living figures.

Ten to eleven millions of workers completely unemployed, an increase of the total real wages of the employed workers, accord-

ing to the exaggeratedly optimistic official estimates by 25 per cent., for which 13 per cent. more work was performed. That was the result of the year 1933 for the working class of the United States.

How exaggerated the official figures of the increase of working-class income are can be seen best of all from the fact that turnover in retail trade from November to November increased hardly at all, a total of 3 per cent. The explanation of this circumstance advanced by capitalist circles to the effect that the workers spent a part of their income to pay off debts contracted during the crisis, contains a certain grain of truth, but is not sufficient to explain why the retail turnover did not increase. The increase which did actually take place is accounted for in all probability by the middle classes.

The reduction in the number of unemployed workers is accounted for, above all, by the State measures for the provision of work.

The Administrator of Public Works, Mr. Ickes, estimated the number of workers employed as a result of public works as 3 millions in a report issued on the 3rd December, 1933. According to the statistics of the American Federation of Labour, the reduction which took place in unemployment from March up to and including October was 3.6 millions; that is to say, even if one accepts the official unemployment statistics as correct, that section of the reduction not accounted for by public works would total no more than 600,000.

Let us now compare the industrial production of 1933 as a whole with the year 1932. The comparison gives us the following picture:—

	Index of the Federal Reserve Board.	Index of the "Annalist."
	(1928=100)	
1932	57.7	64
1933 (11 months)	69.6	72
	-11.9	-8
In percentages	20	13

If we take the whole of 1933 we get an increase of production, or, in the alternative, an improvement of business as a whole, of from 13 to 20 per cent, that is to say, taking statistical inaccuracies, etc., into account, an increase of about the same volume as we found in other countries (France, Sweden, Poland, Germany, Canada, etc.). Thus, all the artificial measures taken to "set the wheel of industry going" achieved was that the normal improvement which would have taken place in any case on the basis of the inner laws of development of capitalism and the increased expenditure for armaments, did not proceed more or less uniformly, but in the form of a rapid jump upwards and a succeeding sudden relapse which had exhausted itself by December to make way for a further trend towards improvement.

The question why the upward movement ended in July and a relapse occurred is not difficult to answer. The increase of production was based:—

(a) On the filling up of empty warehouses both in wholesale and retail trading, and the filling up of the stores of half-finished commodities by the manufacturers.

(b) On the fact that the well-to-do classes had postponed the purchase of commodities not for daily use, such as motor cars and furniture. Both these factors came into operation because an inflationist rise in prices was expected.

The relapse came because the production of Section I. did not get into swing, because no new investment activity began either in the form of buildings for housing purposes or in the form of the renewal or extension of basic capital. The decisive reason for the relapse was that no new investment activity began. It is interesting to note that, technically speaking, great arrears have accumulated with regard to the current maintenance of basic capital during the crisis. This can be seen most clearly with regard to the railways. In the five years preceding the crisis the United States railways ordered yearly over two million tons of steel rails to maintain their permanent ways, whereas in 1932 only 500,000 tons of steel rails were purchased. The situation is the

same with regard to the rolling stock of the U.S. railways. The following is a list of railway orders:—

	1929	1931	1932 (until Sept.)
Locomotives	1,212	235	None
Carriages	2,303	11	None
Goods waggons	111,000	11,000	2,000

The repair work on locomotives and rolling stock has been so neglected during the crisis that at the moment the park of locomotives in a state of good repair is many thousands less than it was prior to the crisis. Thus we see that, technically speaking, the railways need large stocks and should place large orders, but from the point of view of railway capital this is impossible.

The situation with regard to the building of houses is similar. According to the estimate of W. R. Ingalls 728,000 new houses were built during the crisis, and of these 250,000 were necessary replacements as the result of destruction by fire or other causes. The increase was thus 478,000, whereas in reality and based on housing conditions in 1929 there should have been 830,000 new houses built, over and above the replacements, in order to accommodate the increase in urban population.

Over and above this, here also there has been great neglect with regard to maintenance and repairs. Despite this, building activity was started again in November, 1933, only.

Daily Average of Building Contracts (in Millions of Dollars) (Seasonal Variations Excluded)

	Public Works	Housing	Other Buildings	Totals
December, 1930 ..	3.87	3.02	4.42	11.74
December, 1931 ..	2.47	1.54	2.23	6.47
December, 1932 ..	2.31	0.57	1.21	3.93
April, 1933	0.47	0.64	0.89	1.91
July, 1933	0.62	0.98	1.44	3.04
September, 1933 ..	2.01	0.92	1.42	4.56
October, 1933 ..	3.36	0.77	1.35	5.81
November, 1933 ..	5.52	1.05	1.26	7.41
December, 1933 ..	6.96	1.06	2.32	10.30

The table shows that housing activity at the end of 1933 was lower than it was at the end of 1930, and that the improvement in the building industry was caused, above all, by State and municipal public works with a view to providing employment.

Although, technically speaking again, there should be a very considerable demand on this field, production cannot get properly started because under capitalist conditions it is not the need for houses, but the paying demand for houses which provides the possibility for a corresponding utilisation of the capital invested in housing and decides the volume of housing constructed.

There are no general statistics concerning the engineering industry in the United States, but isolated figures from various branches of the engineering industry show clearly that in this branch of industry also there was no general movement up to the end of the year. Having regard to the low level of utilisation of the existing productive apparatus even before the crisis—one of the most important factors of the general crisis of capitalism—it is clear that any renewal of basic capital has very serious difficulties to contend with.

The situation of production in Section I. is characterised best of all by the export figures of the United States Steel Company, as shown in the following table:—

U.S. Steel Co.'s Exports (in thousands of tons)

	1930	1931	1932	1933
January	1,104.2	800	426.3	285.1
April	1,188.5	878.6	395.1	335.3
July	946.7	593.9	272.4	701.3
October	784.6	476	310	572.9
November	676	435.7	275.6	430.4
December	579.1	351.2	227.6	600.6

Although compared with 1932 the exports have doubled, they are still considerably lower than the 1931 level.

The standstill in investment activity is characterised from the financial standpoint by the slump in capital issues:—

Capital Issues in the United States (first 11 months in millions of dollars)

	1929	1930	1931	1932	1933
New issues ..	9,617	6,639	2,991	1,068	659
Refunding ..	1,325	644	877	503	320
Totals ..	10,942	7,283	3,868	1,571	979

It is clear that with new issues totalling only a tenth of the 1930 volume no real investment activity can get going, even if we take the possibility into consideration that certain monopolist undertakings can transform the surplus part of their circulating capital directly into basic capital without any new issue of shares or obligations. However, from the development of production in Section I. depends the further development of the cycle.

The Prospects

With the adoption of the stabilisation law by the United States Senate, the further depreciation of the dollar has been placed within strict limits. It is probable that the re-stabilisation of the dollar will take place at a level of 40 per cent. depreciation rather than 50 per cent. The period of currency experiments will then be closed. All gold goes over into the possession of the government. The reckoning from the level of the old dollar to the lower level of the new one will increase the nominal sum of the gold reserves to about seven milliard dollars. The gain to the State from this reckoning will be about 3 milliard dollars, and of this about two milliards will be placed on one side in a special "currency fund" to defend the new dollar quotation.

As a result the tremendous deficit in the United States budget remains.

Past Deficit (in Millions of Dollars)

1930/31	1931/32	1932/33	1933/34 (July to Oct.)	40 months
903	3,153	3,669	464	7,589

In the message of Roosevelt to the Senate, the State deficit for the year 1934/35 is estimated at 7,300 million dollars, and for the budget year 1935/36 at 1,986 million dollars.

The State budgets for the years 1934/35 and 1935/36 as presented to the Senate by Roosevelt show the following main points:—

	(in millions of dollars)	
	1934/35	1935/36
Revenue	3,260	3,975
Expenditure—		
General	2,531	2,487
Agricultural Relief ..	515	751
Emergency Expenditure	6,357	723
	9,403	3,961
Special Expenditure ..	1,166	2,000
Total Expenditure ..	10,569	5,961
Public Debt Increase ..	7,309	1,986

The total public debt of the United States will increase to approximately 32 milliard dollars by the middle of 1936. This tremendous deficit was accepted by the parliament of the United States without any serious resistance. This is understandable because the lion's share of the sum goes to the Reconstruction

Finance Corporation, which will use it to subsidise the banks and other shaky undertakings. According to Roosevelt's message the following sums are to be expended from the funds of the Reconstruction Finance Corporation in 1934:—

	(in millions of dollars)
Reorganisation of the Banks	1,350
Loans to Banks, Railways, etc ..	800
Emergency Loans to Federal States ..	460
Harvest Loans to Farmers	500
Debt Assistance to Farmers	260
Financing Agricultural Exports ..	100
	860
Loans to Houseowners	200

Thus we see that all sections of the possessing classes get their share of the booty.

Judged by European standards the State deficit of the United States appears enormous, but for the United States with its over 40 per cent. of the total world industrial production and with its enormous resources, this deficit is not dangerous, providing that the expected economic recovery actually takes place.

There is no doubt that a certain modest improvement will continue throughout the year 1934. The decline came to a halt in December, 1933. The enormous expenditure of the State and the increased expenditure for armaments will not fail to have their effect. The re-stabilisation of the currency will remove one hindrance to new issues of capital. The low inland price in gold—because the adaptation to the depreciation of the dollar has not yet been completed—will give a filip to U.S. exports. The replacement of the elements of basic capital depreciated but not replaced during the crisis will undoubtedly begin (railways).

The extent of the improvement depends, above all, on how far it is possible to get the renewal and replacement of basic capital going. The chronic surplus of basic capital will make itself felt severely as a hindrance to this process, but it would be incorrect to assume from this that there will be an absolute standstill in the renewal of basic capital. Competition will utilise technical improvements in particular on the field of transport (remodelling of trains and motor-cars according to the new discoveries with regard to air pressure, electrification, etc.), in the chemical industry, in the aeroplane industry, etc. This will apply in particular to those technical improvements which are of military importance. All this cannot take place without a certain renewal of basic capital.

Another important factor is that the Roosevelt codes, although as already pointed out in an earlier survey, they were really a political manoeuvre designed to prevent big strikes as a result of the inflation, have raised wage costs in individual branches of industry by reducing the working time, prohibiting the employment of child labour, etc. Capital will undoubtedly reply to this by introducing new labour-saving machinery (complete mechanisation of the textile industry), and this will also lead to a renewal of basic capital.

In the long run, of course, the development of the economic system in the United States depends on the role which the U.S. will play in the next war, whether the bourgeoisie of the U.S. will succeed, as in the last war, in remaining neutral for a long time and thereby profiting enormously as a purveyor of arms, etc., or whether the U.S. will be involved from the very beginning. For the moment, however, there is not a sufficient basis for prophecies in this connection.