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I. The Decline of U.S. Capitalism

At a time when the Soviet Union is celebrating the seventeenth anniversary of the overthrow of the bourgeoisie and concentrating all its efforts in a tremendous programme of socialist construction, it will not be uninteresting to make a brief survey of the development of the richest and most powerful capitalist country in the world, the United States of America, in the same period and to examine its present situation. The United States of America is the one country which was always put forward by the reformists as proof that the working class could radically improve its position even under capitalism, and that a proletarian revolution was therefore superfluous. It was the economic prosperity enjoyed by the United States in the period from 1923 to 1929 which served as the basis for the denial of the existence of a general crisis of capitalism. And, finally, the United States is the country which was later said to have demonstrated to the world how to find a solution for the economic crisis by planned economic organisation under capitalism.

PRE-WAR DEVELOPMENT

The United States of America is undoubtedly the richest country in the world. Its territory is enormous and the surplus land at its disposal drew millions and millions of immigrants from Europe during the nineteenth century to seek their fortune there. Many of these fortune hunters met with failure. Some of them succeeded in long years of hard work in accumulating sufficient money to return to Europe and buy themselves strips of land. Many of them went still further into the West where, until the end of the nineteenth century, there was land to be had at nominal prices. Land monopoly had not yet come into existence or was only just beginning to do so.

The possibility open to all workers of emigrating to the West and becoming farmers maintained wages at a relatively high level, as compared with European standards. However, all this did not apply to the Southern States, with their feudal landownership and their slave system, which existed into the second half of the nineteenth century, and whose full consequences have not been completely liquidated even to-day. Not only labour-power streamed into the United States from Europe, but also capital in large sums. Up to the end of the nineteenth century the United States was a capital-importing country.

On the basis of its tremendous natural resources: rich soil,

enormous deposits of coal, oil, ores, copper, etc., and with the assistance of European capital and European labour-power, capitalism developed rapidly in the United States and large-scale industry in particular. The shortage of labour-power and the relatively high wage standard compelled the capitalists of the United States to use labour-saving machinery to a much greater extent than was the case in Europe, in order to extend and renew constant capital. The organic composition of capital in the United States became rapidly higher and higher. This created a rapidly increasing home market for the means of production, whilst at the same time the rapid increase of the agricultural population, in view of the fact that enormous areas were being opened up for cultivation, and the relatively high wages of the workers equally rapidly extended and strengthened the home market for consumption goods.

Thus, with the exception of the reverses caused by phases of crises, the development of United States capitalism presents a picture of permanent and rapid progress. This is shown by the

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following figures taken from the "Statistical Abstract" of 1932, for the manufacturing industries:—

Year	Industrial Undertakings	No. of Workers (in thousands)	H.P.	Value of Production (in million Doll.)
1849	123	957	—	1,019
1879	254	2,733	3,411	5,370
1909	261	6,615	18,675	20,672
1914	177	6,896	22,291	23,988

This increase of industrial production, which took place by leaps and bounds, was entirely absorbed by the home market. The United States exported foodstuffs and raw materials, but hardly any industrial finished goods.

In the second half of the nineteenth century, therefore, an exhilarating increase in wealth took place in the United States, and the speed of this development was greater than ever before in the history of capitalism. Under these special circumstances some members of the petty-bourgeoisie and even individual workers succeeded in enriching themselves and rising economically into the ranks of the capitalists. However, not only did individual workers succeed in joining the ranks of the capitalists, but an aristocracy of labour developed out of the higher skilled workers. This social stratum jealously guarded its privileges and excluded, not only the Negro elements, but also the later immigrant elements.

These facts determined, and to a certain extent still determine, certain peculiarities of the working-class movement in the United States. Whereas in Europe the trade unions, generally speaking, did their best to increase their membership and to organise all the workers in their particular trades, the unions in the United States sought to hamper the entrance of new workers into their ranks by fixing extremely high entrance fees (up to a hundred dollars in some cases). This was particularly the case in certain industries, such as the printing works and the building trades, where the unions had a monopoly of the jobs and established the closed shop principle.

The high wages enjoyed by this privileged and closely organised minority of the skilled workers in the United States were generalised by the apologists of capitalism in the United States as though they applied to the working class as a whole, and they were used by the reformist leaders in Europe as an argument to prove that it was in the interests of the capitalists to pay high wages. In reality, the exploitation of the mass of the working class in the United States, and in particular the Negro elements, the newly immigrated workers and the unskilled workers, was very intense even in the boom period. The attempts of these more exploited elements to improve their economic position by means of strikes, etc., were generally suppressed with typical American capitalist brutality. The high standard of living enjoyed by the aristocracy of labour in the United States was based on the severest exploitation of the great mass of the American workers.

The same causes determined the backwardness of the political movement of the working class in the United States. No mass working-class party developed in the United States along the lines that such parties developed in the European countries. The highly-skilled American workers supported the bourgeoisie almost entirely. The class-conscious elements amongst the American workers were subjected to brutal terror and intimidation in order to prevent them carrying on political activity. The Negro elements have political rights on paper, but in practice these rights are not worth much. This explains why even up to to-day the majority of the American workers vote for one or the other of the bourgeois parties, and why the social democracy in the United States has never developed into a mass party.

THE ILLUSION OF "PERMANENT PROSPERITY"

At the close of last century the development of United States capitalism began to slow down. The rapid increase of the organic composition of capital was closely coupled with intense concentration as the result of accumulation and centralisation. United States capitalism shows strongly marked features of monopoly capitalism. The rate of development slowed down. In order to maintain prices the monopolies began to limit production and fetters were laid on the rapid development of the productive forces which had been untrammelled up to then. The extension

of agricultural production began to come into conflict with land monopoly as arable land had been practically all taken possession of. Thus, this factor making for a rapid development and extension of the home market was also curbed. Industrial capital began to find the limits of the home market irksome and, therefore, turned increasingly to foreign markets.

The world war partly hindered and partly encouraged this development. The tremendous demand of the belligerent countries for foodstuffs and raw materials gave a great impetus to the further extension of the tilled area in the United States. United States industry received huge orders and employed all available labour power. It developed its productive capacity as rapidly as possible and introduced greater and greater quantities of labour-saving machinery. The tendency for development to slow down was interrupted for the moment.

On the other hand, the monopolist degeneration of United States capitalism was intensified. Prices rose rapidly and capital secured tremendous profits, whilst at the same time the real wages, not only of the masses of the workers but also of the aristocracy of labour, fell even according to bourgeois computations. The United States export trade developed rapidly, and particularly the export of industrial goods, and an enormous favourable balance of trade enabled the United States to liquidate its foreign debts and become one of the biggest capital exporting countries in the world. This fact, together with the enormous growth of the internal public debt, caused the creation of a broad stratum of persons living on dividends. The parasitic features of monopoly capitalism began to become more and more strongly marked.

The lines of demarcation between the classes became finally fixed. The rise of individual workers from the ranks of the working class into the ranks of the capitalist class became impossible. The process of centralisation destroyed the small capitalist, and the central and typical figure of United States capitalism became the finance oligarchy despite the anti-trust laws.

After a relatively short and not very deep cyclical crisis a new boom period opened up for United States capitalism, beginning with the year 1923; this was the period of "permanent prosperity". The following figures, taken from the "Statistical Abstract," of 1932, show the war and post-war development of United States capitalism:—

Year	Number of Undertakings	H.P.	Number of Workers	Wage Sum	Value of Production	Wholesale Index (1913=100)
1914	177	22,291	6,896	4,068	9,710	95
1919	214	29,328	9,000	10,462	24,869	199
1923	196	33,094	8,778	11,009	25,850	144
1929	211	42,931	8,839	11,621	31,885	137

This table shows us to a certain extent the internal dynamics of the famous period of "prosperity." In the 15 years between 1914 and 1929 we find that mechanical power in United States industry has practically doubled. We may assume that in the same period approximately the whole of constant capital was enlarged. However, from 1919 to 1929 the number of workers employed remained stationary, despite the tremendous growth of production. In 1929 when the value of industrial production—even allowing for the fall in prices—was almost double the value of 1919, the number of workers employed was less.

At the same time these figures show the rapid reduction of the share of wages in the value of the commodity. Between 1919 and 1929 the total wage sum increased by 1,159 dollars, or by 11 per cent. In the same period the value of industrial production increased by 7,076 million dollars, or by 29 per cent. In 1919 the wage sum accounted for 42 per cent. of the value of production, but in 1929 it accounted for no more than approximately 36 per cent.

At the same time the purchasing power of that other great stratum of the consumers, the agricultural population, decreased. The war boom enjoyed by the agriculture of the United States ceased with the war. The chronic agricultural crisis began. The prices of agricultural products fell rapidly, whilst the prices of those industrial goods purchased by the farmers were kept relatively high by the monopolists. A widely straddled eco-

conomic scissors was formed. The following table is the index of prices for goods sold by the farmers and goods purchased by them (taken from the "Year Book of Agriculture, 1932"):

	1920	1925	1929	1930
Selling prices	225	142	133	97
Purchasing prices	206	159	155	146

The income of the farmers did not fall quite parallel with the drop in prices because the volume of production continued to increase somewhat. The gross income of the farmers in millions of dollars was as follows: 1920, 16,935; 1925, 11,968; 1929, 11,741; and 1930, 11,911. However, the scissors, the heavy taxes and the mortgage interest rendered the situation of the farmers more and more difficult from year to year. Even in the famous period of "permanent prosperity," from 2 to 3 per cent. of the farmers went bankrupt every year and their lands were sold up for debt, etc.

During this whole period the process of the concentration of landownership went on, as the result of differentiation. The following table is the continuation of the one drawn up by Lenin in his study on the development of agriculture in the United States*:

Division of the Tilled Land amongst the Farmers in Percentages and According to the Size of the Holdings

	1900	1910	1920	1930
Up to 20 acres	1.6	1.7	1.6	1.8
20—49 acres	8.0	7.6	7.7	7.9
50—99 acres	16.2	14.9	14.4	13.1
100—174 acres	28.6	26.9	25.5	23.7
175—499 acres	32.7	33.8	33.8	34.4
500—999 acres	7.1	8.5	9.6	11.1
Over 1,000 acres	5.7	6.5	7.5	8.0

This table shows clearly how the large-scale capitalist agricultural undertakings are pressing forward at the cost of the smaller farmers. In 1930 farms of over 500 acres accounted for over 19.1 per cent. of the tilled land, as compared with 13 per cent. only in 1900. The typical middle scale farms with an area of from 50 to 175 acres have dropped from 45 per cent. in 1900 to 37 per cent. in 1930. These figures show that the line of development pointed out by Lenin is being continued at a rapid pace.

These figures refer to the individual farms, but in order to see the full effect of the differentiation we must take also the figures showing the property changes in land. The percentage of farmers who work leased land was as follows:

1900	1920	1930
35.3	38.1	42.4

The concentration of property in land is increasing rapidly. During the decade of "prosperity" the percentage of farmers tilling leased land increased by 11.3 per cent., whilst the increase in the twenty years from 1900 to 1920 was only 8 per cent.

Whilst the income of the working class and of the farmers remained stationary in the best case, the profits of capital increased by leaps and bounds, as the following figures taken from the "Statistical Abstract" show us:

Year	"Net" Profit of Joint Stock Cos., in million dollars	Paid-out Dividends	Together
1923	7,634	3,278	10,912
1925	9,510	3,989	13,499
1929	11,869	4,926	16,795

These figures, which are taken from income figures collected for taxation purposes, show us only the dynamics of the profits of joint-stock companies. The actual profits were in fact considerably higher. These figures do not include tremendous sums taken from profits and placed in secret reserve funds, the tremendous sums taken by the finance oligarchs from the undertakings they control, taxes (except income tax), etc. Even so, the figures show that the net profits on capital in the prosperity phase increased by 4,235 million dollars, or 55 per cent. For capital the period was certainly a "golden age."

* "New Data on the laws of the development of capitalism in Agriculture: II Capitalism and Agriculture in the United States." Lenin. Collected Works.

For every Marxist it is clear that such an increase of the profit sum means also the increase of the values appropriated by capital. Such an increase is possible either by exploiting a greater number of workers or by increasing the rate of exploitation of the workers involved. In the period of prosperity the latter was undoubtedly the case. This can be seen on the basis of the following official figures provided by the United States authorities, at least it can be seen for the manufacturing industries:

The Increase of the Rate of Exploitation in the U.S.A. Manufacturing Industries During the Prosperity Phase*

Year	Number of Workers (in thousands)	Paid-out Wage Sums (in millions of dollars)	Increased Value of Production (amortisation of machinery deducted) (in millions of dollars)	Rate of Exploitation
1921	6,947	8,202	8,730	106
1923	8,778	11,009	13,041	118
1929	8,839	11,621	17,664	158

Thus we observe those features which are characteristic of capitalism in decline: the number of workers exploited remains stationary in the prosperity phase, but the rate of exploitation rises by 50 per cent.

An American Professor named Carver had the audacity to announce that "the first real social revolution" was proceeding in the United States because the number of persons holding shares had now increased to 17 millions—that is to say, all the workers were well on the way to becoming capitalists. The report issued by the Hoover Committee for the prosperity period, entitled "Recent Economic Changes," repeats this stupid lie in its concluding survey:

"The number of persons holding shares, etc., has increased from 2 million to over 17 million."

This figure of 17 million shareholders has been arrived at by means of a particularly blatant deception. A number of capitalist undertakings publish the number of their shareholders. These figures were then simply taken for all other joint-stock companies in accordance with the number of their shares. The notorious fact was completely ignored that no capitalist ever puts all his eggs into one basket, and that his money is invariably distributed over 10 or 20 joint-stock companies to give him some security against risks, and that, further, owing to the involved relations of many companies, the same shares figure again and again.

On the basis of the official income-tax figures the following authentic picture of the division of share property in 1927 may be obtained. The figures are from Joseph McCoy's "Sources of Prosperity." McCoy is an official of the U.S. Census Bureau:

	Dividends received (in millions of dollars)	
Total shareholders	3,300,000	
With incomes over 5,000 dols.	516,000	3,762
With incomes under 5,000 dols.	484,000	493
Below income-tax level	2,300,000	45

These figures reveal the swindle completely. The 2.3 million non-capitalist dividend receivers—including some workers—received 45 million dollars in dividends, or 20 dollars a year per head. "Capitalists" with a dividend income of 20 dollars a year. That is how far workers are being turned into capitalists in the United States. It should be mentioned, by the way, that most of these workers in possession of shares did not come by them of their own accord, but had them forced on to them by their employers, in part by local electrical, gas and telephone companies. This process of compelling workers to accept shares in the company instead of part of the wages due to them is still going on. That is the way workers are turned into capitalists in the United States.

But not only the workers and the farmers had no share in the prosperity period. Large sections of the middle classes also had none. The lion's share of the profits made in the prosperity

* Amortisation calculated by me on the basis of earlier figures.

period fell to the monopolist capitalists, the big banks, the finance oligarchs and the speculators.*

The prosperity period was not, as we have shown, connected with any considerable extension of the purchasing power of the working masses and the farmers. The prosperity period was made possible by the necessity of making up for that replacement and renewal of constant capital which was not carried out during the war period (machinery, buildings and railways) and by the efforts of capital to turn the enormous profits made during the war period into productive capital. The prosperity period was based almost exclusively on the extension of production in Section I. It was a typical case of the extension of the market because, as Lenin declared, the capitalists mutually formed the best buyers of each other's products.

According to the figures of the official German Institute for Economic Research the index of industrial production in the United States was as follows (1928=100):—

	1913	1919	1923	1929
Section I	57	68	91	109
Section II	78	89	99	104

However, as parallel with the extension and renewal of constant capital there was a considerable relative reduction of the number of workers employed which was not compensated for by the extension of production as the purchasing power of the workers and farmers did not increase accordingly, an over-production of fixed capital naturally resulted as well as an over-production of all commodities. Even in the prosperity period the limits of the market made themselves keenly and increasingly felt. As early as 1924 and 1927 reverses began to occur. A number of the "old" branches of industry: coal, shipbuilding, and textiles, had very little share in the prosperity. The tremendous productive capacities were used only to about one-half. The monopolies conducted a fierce campaign of competition for the "consumer's dollar."

And whilst the representatives of United States capitalism, having no ideas of the laws of their own economic system, were proudly announcing that the United States had succeeded in doing away with the cyclical crisis, the worst crisis in history broke out, did away with all talk about "permanent prosperity," and revealed the real decline of American capitalism.

The Reduction of Worker and Farmer Incomes

We do not intend to deal with the crisis itself now. Its circumstances are sufficiently known to our readers. Our aim now is to show how the decline of American capitalism is expressing itself in the present depression of a special character, why a period of prosperity similar to the one which lasted from 1923 to 1929 cannot happen again, and why the "New Deal" failed.

Let us proceed from the lowest point of the crisis, in the middle of 1932. As is the case in every cyclical crisis, the internal mechanism of capitalism produced certain preliminary conditions for the overcoming of the crisis. The surplus supplies of industrial goods were reduced to a normal level by the limitation of production, by wholesale destruction and by the very big drop in prices. According to the official figures of the "Survey of Current Business" the index of the supplies of industrial goods (1923 to 1925=100) was as follows: 1929, 120; 1930, 120; 1931, 114; and 1932 (July), 104. During the protracted crisis not even the wear and tear of constant capital was replaced and a certain demand for replacements accumulated, in particular on the railways. As in almost all other capitalist countries, production began to rise: the way leading into the subsequent period of depression seemed open.

As is known, this development was interrupted by the bank crisis, which started at the beginning of 1933 and culminated in a catastrophe in March. The complete collapse of the whole credit system and the bankruptcy of all the banks was prevented only by a complete State moratorium. The outbreak of the credit crisis coincided with Roosevelt's entry into office and he immediately

* The following figures show the number of companies where taxation returns showed a deficit:—

In thousands.	Percentage of all Joint-Stock Companies
1923: 106	1929: 187
1923: 41	1929: 47

These companies were smaller undertakings with no monopoly positions. They worked at a loss even in the prosperity period and went bankrupt in the crisis.

The profit of non-productive "financial" companies: Banks, holding and financing companies, etc., rose from 870 million dollars in 1923 to 2,438 million dollars in 1929.

began his policy of the "New Deal," which has now been in progress for eighteen months, and whose results we shall analyse.

The outward form of the "New Deal" is the transfer of wide powers to the President in person by parliament. On this basis the State began to intervene energetically in the affairs of industry (a policy which is in violent contradiction to the traditional "robust individualism" of American capitalism), and, according to "The Annalist" of October 5, 1934, over 100,000 printed pages of new laws and decrees have been issued since the beginning of the "New Deal." However, the panic produced in the ranks of the bourgeoisie by the bank crash was so great, the indignation of the farmers so general, and the results of the Hoover regime so catastrophic* that for almost a year there was no organised opposition to the new policy. Despite the democratic stress which Roosevelt places on his policy the whole construction of the "New Deal" undoubtedly contains strong elements of State fascism.

The economic content of the "New Deal" policy falls into three categories:—

- Temporary measures to rescue United States capitalism from the disaster which threatened it in March, 1933;
- Measures to overcome the cyclical crisis; and
- Measures to stop the decline of United States capitalism and to overcome the general crisis of capitalism as far as the United States is concerned by the organisation of capitalist planned economy.

The theoretical basis of the "New Deal," as far as one can speak of anything of the sort, is the simplest petty-bourgeois theory of under-consumption. The country is rich and its population intelligent and industrious. The error must therefore be sought in a dislocation of the distribution of income. The capitalists must pay higher wages and then the workers would be able to buy more goods and the problem of over-production would be solved. The factories would be better utilised, the costs of production would therefore be lower and, despite higher wages, the profits of the capitalists would not be smaller. Idyllic.

The political significance of the "New Deal" policy is the naive and naturally utterly hopeless attempt to satisfy and reconcile all classes: the bourgeoisie, the farmers, the petty-bourgeoisie and the workers, within the framework of capitalism.

The results of the "New Deal" up to the present have been. The temporary salvation of United States capitalism from disaster a short-lived inflationist boom; a reverse—above all, as a result of the surplus of constant capital which prevents any permanent increase of production in Section I, and thus prevents any general improvement in the economic situation as a whole; a further strengthening of monopolist development by the formation of compulsory cartels with State assistance; an alteration of the distribution in favour of capital and at the expense of the proletariat as a class (although some of the worse-paid categories of workers have secured a certain improvement in their situation); the strengthening of the trade union movement; a strengthening of the working-class movement as a whole; and the development of a strike movement greater in size and intensity than anything ever previously experienced in the United States.

The warding off of the credit and bank catastrophe was brought about with the usual bourgeois means: a general moratorium and the closing of all banks was ordered, State control was established over all financial institutions. State guarantees for all savings deposits were given, the State was given the possibility of increasing the sum of media of circulation by several milliard dollars, if necessary, etc. The acute credit crisis was overcome in this way, but several thousand of the smaller banks ceased to exist as a consequence.

The most important measures taken to overcome the cyclical crisis were:—

- The depression of the dollar quotation by 40 per cent. As a result an increase of all prices began, and after a certain time there was a corresponding reduction of the burden of debt and as

* In March, 1933, the number of workers completely unemployed was given by the American Federation of Labour as 13,689,000. Over a third of the population was existing on charity. Millions of farmers were in deepest poverty. Out of 24,650 banks which existed in 1929, only 18,390 were left at the beginning of 1933. The major portion of the industries producing the means of production was working at a loss, etc.

alteration of the distribution of income in favour of industrial capital at the expense of loan capital.*

(b) Laws were passed to raise the prices of agricultural commodities owing to the fact that these prices had fallen excessively during the crisis. State minimum prices were fixed for a number of agricultural products; for instance, wheat, maize, cotton, tobacco, pigs, etc., and the Government paid premiums for the reduction of production. The sums necessary for this purpose were obtained by impositions on the first users of agricultural raw materials, and these users naturally passed on the burden of the sums paid to the consumers; and

(c) Measures against unemployment by the provision of huge sums by the State for the carrying out of public works, the building of roads, forestry work, etc.; for the stimulation of municipal building; and for the increase of naval strength up to the limits permitted by the Washington Agreement, etc. The financial result of all these measures has been seen in the rapid growth of the public debt from 20.8 milliard dollars, at the beginning of 1933, to 27.1 milliard dollars in August, 1934.

The backbone of the "New Deal," the National Industrial Recovery Act (N.I.R.A.), was the introduction of the codes into industry. The supporters of the "New Deal" announced that these codes would overcome the anarchy of the capitalist mode of production and replace it by planned economic regulations, abolish unemployment, increase the income of the working class, and in general redistribute the national income in such a fashion that a repetition of the crisis would be rendered impossible.

Let us now examine, above all, what the "New Deal" has given the industrial proletariat, using exclusively official bourgeois figures:—

	Index of Industrial Prod. (1923/25 = 100)	Degree of Unemployment (1923/25 = 100)	Paid Out Wage Sums	Cost of Living Index (1926 = 100)	Price Index of Finished Goods (1926 = 100)
July, 1932 ..	55	59	40	77.0	70.5
July, 1933 ..	97	72	51	75.2	72.2
July, 1934 ..	73	79	60	79.1	78.2

The Codes came into operation about the middle of 1933, some of them earlier and some later. The first period from July, 1932 to 1933, shows the following: The volume of industrial production rose by 76 per cent. This tremendous increase of industrial production was carried out with an increase of no more than 22 per cent. of the workers employed,† and an increase in the wage sum paid out of no more than 27 per cent. The result is that although industrial production almost reached the "normal" level, almost 12 million workers still remained unemployed.‡

The aim of the code legislation was above all to reduce the number of workers unemployed and to increase the income of the

* As the balance of trade and payments of the United States is active, and as the State Budget deficit is not accounted for by the issue of paper money, new methods had to be adopted to secure a depreciation of the dollar. The Government of the United States bought gold on the world market at increasingly high prices, and continued doing so until the degree of depreciation of the dollar as against gold was reached. As the United States is, relatively speaking, not dependent to any great extent on the world market (only about 10 per cent. of the total of commodity values is exported) the increase of price levels at home is taking place only gradually.

† The figures give the number of workers appearing on the pay-rolls over a certain period, irrespective of whether the workers in question worked one day or six in the week.

‡ The A.F. of L. gave the number of workers unemployed in July, 1933, as 11,793,000 ("American Federationist," of April, 1934). Bourgeois sources, for instance, the National Industrial Conference Board, give figures which are not essentially different; for instance, for July, 1933, 10,250,000 unemployed workers, whereby the Board points out explicitly: "This is a conservative estimate, as we prefer to underestimate rather than overestimate the numbers of the unemployed." See "The Conference Board Bulletin," in June, 1934. On the other hand, some sources estimate the numbers of the unemployed as being considerably higher than the estimation of the A.F. of L.

working class. To this end, therefore, the codes contained the following provisions:—

Prohibition of child labour under sixteen years of age;

The reduction of weekly working hours to from 32 to 40;

The fixing of minimum wages for the worse-paid categories of workers; and

The recognition of the trade unions as representing the interests of the workers.

If we take the period of the N.I.R.A. from July, 1933, to July, 1934, and examine it on the basis of the above table, we find the following very meagre result: The number of workers on the pay-rolls rose by 10 per cent., whilst the wage sums paid out rose by 18 per cent. At the same time, however, the official cost of living index rose by 6 per cent., although in fact the real increase of food prices is undoubtedly considerably higher. The Fairchild Index of Retail Prices, published in the "Survey of Current Business," in September, 1934, rose in the period from July, 1933, to July, 1934, from 76.1 to 87.9, that is to say, by 15 per cent. And in July, 1934, the number of workers still unemployed was 10.7 millions.

This very poor result of the provisions of the codes, which appear to be so favourable to the workers, is due to the following reasons:—

(a) The provisions of the codes have not been respected by the capitalists; and

(b) The capitalists seized the opportunity of the introduction of minimum wages to depress the wages of the higher paid workers.

Both these reasons were made possible by the following circumstances: First of all the text of the codes—there are almost a thousand of them—were chiefly drawn up by the capitalists in the various branches of trade and industry, and therefore all the provisions referring to wages have been kept deliberately ambiguous and elastic. Further, the exceptions provided for are so numerous that they render the general provisions of the codes illusory. Secondly, the codes have only a central administration to control them and no efficient local authorities who could punish violations of the codes. And, thirdly, the courts and the State apparatus are naturally still on the side of the capitalists and against the workers.

The working hours provided for in the codes are in many cases not shorter than the hours already being worked in the particular trade or industry prior to the introduction of the codes, and where they are shorter they are being ignored by the capitalists, particularly in those districts where the organisations of the workers and the Communist Party are weak.

The capitalists in the large-scale industries: the mining industries, the foundry industries, the steel industries, the automobile industry, etc., will not tolerate trade union organisations amongst their workers, not even the anything but revolutionary unions of the A.F. of L. The only unions they are prepared to tolerate are their own yellow company unions. Now every code has the famous point 7a of the N.I.R.A., which gives the workers the right to organise themselves in trade unions in the factories, etc. However, the capitalists have found ways and means of getting round this provision. Ford, for instance, refused point blank to accept the provision, and closed down one of his factories as a demonstration. The code for the automobile industry, which was adopted after long and difficult negotiations, contains a provision giving the employers the right to dismiss any worker irrespective of whether he is organised in a trade union or not, where his work does not come up to expectations. This provision gives the employers the possibility of dismissing trade union organised workers at their discretion. In many undertakings the employers have forced their workers to join yellow company unions and recognise only such unions as partners to the code agreement, etc.

It is characteristic that in the N.I.R.A. period tremendous strikes were carried out in the United States in order to establish the principle of organisational freedom for the workers in the factories in accordance with point 7a of the N.I.R.A., although the reformist leaders of the A.F. of L. invariably do their utmost to prevent strikes taking place and to throttle as quickly as possible strikes which the workers begin on their own in order not to endanger their policy of maintaining class-harmony with the bourgeoisie. However, the fighting spirit of the United States workers is strong—in many places it is greatly due to the influence of the Communist Party—and the leaders of the reactionary A.F. of L. are being compelled to resort to complicated manoeuvres in

order to maintain their good relations with the N.I.R.A. administration and with the employers, and in order to maintain their positions in the unions, positions which are maintained with brute force in many unions.

The results of the N.I.R.A. administration for capitalism are incomparably more favourable. The old laws against the formation of monopolies have been put out of action. With the slogan of "Abolish unfair competition" and the consequent "waste," the codes are furthering the formation of cartels and strengthening the existing monopoly undertakings.

The success of the "New Deal" for capital can be seen in the following table, taken from the "Monthly Report" of the National City Bank for April, 1934, and August, 1934:—

In 1932 1,475 industrial and commercial joint stock companies experienced a loss of 97 million dollars.

In 1933 the same joint stock companies made a profit of 661 million dollars.

In the first half-year of 1933 250 big industrial undertakings made a profit of 86 million dollars.

In the first half-year of 1934 the same undertakings made a profit of 277 million dollars.

These figures are eloquent enough to render any comment unnecessary.

The "New Deal" also temporarily assisted the farmers, and particularly the better-off farmers. The State distributed several hundreds of millions of dollars amongst the farmers as premiums for the limitation of production. The burden of debt and interest weighing on the richer farmers was reduced. The prices for agricultural produce increased, though not uniformly. This increase of agricultural prices took place in particular in connection with last year's bad harvest. A certain minor and temporary alleviation of the agricultural crisis was brought about.

The following figures of the "Bureau of Agricultural Economics" show the income of the farmers in the years 1929 to 1934. The figures for 1933 and 1934 include the subventions and other support granted to the farmers by the Government:—

1929	1930	1931	1932	1933	1934
10,479	8,451	5,899	4,328	5,050	6,000

(In millions of dollars)

Under these circumstances the question inevitably arises: Why is there such energetic opposition on the part of the capitalists against the "New Deal" policy, and in particular against the N.I.R.A. and the Industrial Codes, opposition which facilitates the efforts of the supporters of the "New Deal" and of the reformists to spread the illusion that the "New Deal" is directed against capital? Unfortunately we have not sufficient space at the moment to give an exhaustive answer to this question. The main reason is that in view of the strong antagonisms between the various sections and groups of the bourgeoisie arising as a result of their struggle for the limited market, it is not possible to pursue a policy which would satisfy all these sections and groups simultaneously. Let us take a look at the main factors:—

The great captains of industry à la Ford are absolutely opposed to any State interference with regard to their relationship to their workers. They want to be completely "masters in their own house."

The smaller capitalists are dissatisfied with the various provisions in the codes which further the formation of trusts, as they feel that such provisions hand them over bound hand and foot to the dictatorship of the monopolies. The opposition of these sections of the capitalist class was expressed in the Darrow Report.

On the other hand, in certain branches of industry there are monopolist undertakings which have won such a strong position that they hope to be able to destroy their competitors completely, and these monopolist undertakings are therefore opposed to coming to any sort of terms with their opponents.

The "international bankers" are opposed to the currency experiments of the "New Deal," because such experiments endanger New York's position as an international bank centre; for instance, foreign emissions which proved so extremely profitable to the New York banking houses ceased almost entirely with the advent of the "New Deal."

Further, bank capital is dissatisfied with the new laws which place a certain curb on inland emissions and make it more difficult to fleece the small speculator, etc., etc.

However, despite this opposition on the part of various capitalist sections and groups it is quite clear that objectively, and no

matter what the subjective intentions of its protagonists may be, the "New Deal" favours monopoly capital at the expense of the workers.

THE SPECIAL CHARACTER OF THE DEPRESSION

As a means to overcome the economic crisis, the "New Deal" has failed completely. The general crisis of capitalism prevented the development of a normal period of depression as the basis for a later boom after the lowest point of the cyclical crisis had been passed. The period which followed was a depression of a special character, and despite the measures of the "New Deal," United States capitalism made no better progress than that of any other big industrial country, as the following figures show:—

Index of Industrial Production (1928=100)

	U.S.A.	Canada	Ger.	Gr. Bt.	France	Italy
July, 1932	52.3	63	60	82.8	72.4	73
July, 1933	89.2	70.1	70.6	91.8	82.2	84.9
July-Aug., 1934	68.5	84.7	86.6	104.6	76.4	86.6

These figures are comparable in their dynamics only. They show that whilst all other industrial countries, with the exception of France, were able to raise the level of their industrial production during the course of last year, the United States suffered a sharp reverse which is still in force. The "Annalist Index" shows the development of industrial production in the United States during the past few months (the September figure is my own forecast) as follows:—

	May	June	July	August	September
1934	80.2	77.2	73.1	70.5	68.1

As a "new method" of overcoming the economic crisis the "New Deal" has failed utterly.

The cause of this is quite clear. In a country like the United States, with its great abundance of capital, that surplus of constant capital characteristic of the general crisis of capitalism naturally makes itself felt with particular intensity. As a matter of fact there was no extension of constant capital and no investment activity during the period of the "New Deal," although there was more than enough of the necessary money or loan capital. This can be seen best of all from the figures for building activity in the United States published in the "Bulletin of the League of Nations." The figures given for "other buildings" refer chiefly to municipal building being carried on with State support and not to the building of factories:—

Index of Building Activities in the U.S. (1928=100)

	1930	1931	1932	1933	1934
Housing	40.5	33.5	13	12.8	12.1
Other buildings	60.5	43.3	20.5	18.2	21.7

The figures for 1934 are for the first seven months only.

As there was no extension of basic capital worth speaking of as the inflation caused only a very small expansion of exports, and as the income of the working masses was increased only very little by the N.I.R.A., the first inflationist boom which led to an increase of production came to an end rapidly in 1933, immediately the urgent replacements of constant capital which had become necessary during the crisis had been carried out, immediately the commercial undertakings had replenished their empty warehouses, and immediately the well-to-do classes had satisfied their postponed demand for automobiles, furniture, etc., in expectation of an inflationist rise in prices. The reverse then came about and for a year now the United States economic system has been unable to struggle beyond the dead point at which it has arrived.

For the moment there is also no sign of any fundamental improvement. In individual cases there is a certain renewal of basic capital taking place, but that is all. Technical progress never stands completely still under capitalism. At the moment one technical improvement is hurrying on the heels of the previous one on the field of destructive armaments, and this is naturally not without its effect on the general technical level of industrial production. However, the introduction of technical improvements in the present depression of a special character requires special preliminary conditions.

* United States Exports (In Millions of Dollars)

Monthly Average		First Eight Months	
1932	1933	1934	1934
131	137	164	164

Reckoned in gold dollars the export trade in 1934 was less in volume than the export trade of 1931.

As the surplus of constant capital in the United States is very great and as wage levels are very low owing to the pressure of over 10 million unemployed workers, only such technical improvements can be introduced which guarantee a very considerable reduction of the costs of production, that is to say, technical improvements which dispense with large numbers of workers, as this is the only circumstance which would make it worth while to create new constant capital, despite the existence of so many superfluous undertakings.

This surplus of constant capital is a particularly strong hindrance to technical progress, and in so far as such technical progress is actually taking place it is coupled with the dismissal of large numbers of workers, that is to say, with a further reduction of the purchasing power of society. This means a further intensification of the general crisis of capitalism, despite technical progress and precisely on the basis of this technical progress. The renewal and extension of constant capital will proceed in the next few years within very narrow limits, and precisely for this reason there is no prospect of the opening up of any new phase of prosperity. The policy of the "New Deal" tends all along the line to limit production by compulsion both in industry and in agriculture.

THE "NEW DEAL" POLICY AND THE CRITICISM OF IT

The failure of the "New Deal" is beginning to make itself felt politically. The personal popularity of Roosevelt is still very great, but the opposition to his policy is becoming stronger and the limits of the old bourgeois two-party system are beginning to crack. There are supporters and opponents of the "New Deal" policy both in the Republican Party and in the Democratic Party. At the same time the big strike struggles which are taking place in the United States are producing a deep-seated change in the working-class movement. The highly-skilled workers, the American aristocracy of labour, have seen their position weakened by increasing mechanisation and automatization and in particular by the increasing use of the conveyor, and they have received a very heavy blow by the levelling tendency downwards introduced into the wage system by the industrial codes. In other words, the economic basis of reformism and opportunism in the United States is being shaken.

The radicalisation of the American working-class masses is unmistakable. The tremendous strike struggles are taking on a more and more political character. The way for the formation of a mass Communist Party in the United States has been made free. On the basis of the rapid intensification of the general crisis of capitalism a historic possibility exists in the United States that the period of the reformist mass party of the working class might be eliminated.

To sum up: we see therefore that the general crisis of capitalism has by no means spared the richest capitalist country in the world. At a time when the peoples of the Soviet Union are marching confidently towards the establishment of a classless society and triumphantly celebrating the anniversary of their original victory, the bourgeois politicians and economists of the United States are wringing their hands helplessly in the face of the great problems which the crisis of capitalism has thrown up, one quarter of the entire population is dependent for its very existence on charity, millions of people are wandering about the country homeless and without work, unemployed workers are huddled desperately against the walls of centrally-heated blocks of dwelling houses in which half the flats are empty, and all the time the indignation of the masses is rapidly rising against a system of society which produces commodities in superfluity and nevertheless lets great masses of its members wander about hungry, cold, homeless, and lets men and women die on the streets of hunger and cold in the midst of plenty.

II. Germany

CONFESSIONS OF HITLER

Almost every day the "Leader" delivers a new speech. The contents of such speeches are almost invariably the same: the revolution is at an end, there is no necessity for a second revolution, the class struggle has been abolished, Marxism has been destroyed, unemployment is being abolished, the standards of life of the people are rising. "There will be no more revolutions in Germany for the next thousand years," declared the appeal of Hitler issued in connection with the last congress of the National Socialist Party in Nuremberg. And if Germany is not yet a para-

dise on earth, then that is the fault of the former "Marxist" governments and of the enemies of Germany who refuse Germany its place in the sun.

However, the speech which Hitler delivered on October 3, as a send-off to the new "Winter Relief" campaign, deviated sharply from the generality of his speeches. He admitted that misery, impoverishment and hunger were rampant in Germany:—

"The assurance that the German people will once again have bread and work may be a comfort for many, but its future realisation is no consolation for those who are calling for immediate succour in present misery and misfortune. . . . Even in normal times a part of the existing misery is not the fault of those who suffer from it, but in the bitter circumstances which have prevailed during the past few years misery has been the undeserved lot of millions of Germans. . . . This misery is made particularly tragic by the fact that it has descended not only on individuals but on whole areas. What we Germans have known for over a century only from reports from foreign countries is now present in our own country. Whole areas of the Reich are suffering misery and hunger without our being able at the moment to find any effective economic remedy."

Hitler thus admits that under his regime "whole areas of the Reich" are suffering misery and hunger and that he is incapable of offering them any effective assistance. And because, allegedly, no "effective economic remedy" can be found for misery and hunger, Hitler appeals in the name of "the people's community" to the rich to contribute alms to alleviate this misery and hunger.

And now Goebbels is hard at work as last year with a tremendous amount of advertisement and demagogy to collect clothes, potatoes and coal for the poor, and as was the case last year, the workers and lower officials, the small tradesmen and the lower middle class will have to bear the brunt of the sacrifices. In strident tones Goebbels announces that last year 358 million marks in cash and kind were collected and distributed and that 17 million persons were assisted, figures which show that throughout the winter months 21 marks in cash and kind were distributed per head, even if one does not make any deduction for the tremendous administrative expenses and the corruption which was and is notoriously flagrant amongst the national socialist officials. Goebbels declared that 1,657,730 pairs of boots and shoes were distributed, or in other words, every tenth person in need of support received one pair (not a new pair by any means!); that 2,651,673 eggs were distributed, or in other words, every sixth person in need of support received one egg to last him about six months; that 5,969,106 litres of milk were distributed, or in other words, every third person in need of support received a litre of milk to last him through the winter; that 6,526,600 pounds of sugar were distributed, in other words, every third person assisted received a pound of sugar; and that 12,333,960 loaves of bread were distributed, or in other words, not even a loaf of bread per head for the whole of the winter. That is the truth about "the great work of winter relief" as demonstrated by Goebbels' own figures.

Neither Hitler nor Goebbels have anything to say about what they stole from the working people in the same period, and in particular from the unemployed workers. In former years the State expended large sums for unemployment relief, but the Hitler government has so whittled down unemployment relief that the Institution for Unemployment Insurance now shows a large surplus fund. The fund accumulated from the surplus contributions is placed at the disposal of the capitalists at a low rate of interest. The following table, which contains only official figures taken from the official "Reichsarbeitsblatt," Nos. 21 and 24, shows this clearly:—

Unemployment Insurance Surplus in Germany

(In Millions of Marks)

Period	Income	Expenditure				
		Unemployment Insurance and Social Insurance	Transitional Benefit	Short-time Support	Together	Surplus
1st Quarter, 1934...	395.8	67.8	186.7	4.1	258.6	137.2
2nd Quarter, 1934...	377.1	30.3	135.1	2.2	167.6	209.5
						Total 346.7

By the end of the year the surplus will rise to about 700 million marks, all filched directly from the unemployed workers. Taken together with the rise in the prices of staple foodstuffs, the direct and indirect wage cuts and the numerous "vuntary" contributions and impositions, this strips the blatant demagoguery away from Hitler's policy, which robs the workers systematically, gives millions to the capitalists and Junkers and then sheds crocodile tears about the inevitably resulting misery and hunger.

THE "NEW PLAN"

On August 3, Schacht, the President of the Reich Bank, was given the leadership, provisionally for a period of six months, of the Reich Economic Ministry and of the Prussian Economic Ministry. Schacht thus received the personal monopoly of the leadership of the economic policy of Hitler's "Third Reich." He is the all-powerful representative of the interests of German monopoly capitalism.

A few weeks later Schacht delivered a speech in Leipzig* in which he sketched his future economic programme. This programme has since been fulsomely praised through the press of national socialist Germany as the "New Plan."

The essence of the "New Plan" is as follows:—

(a) Instead of the previous system of a percentage limitation of the supplies of foreign means of payment for foreign purchases, each individual transaction will have to obtain the necessary sanction direct from the State. Only if the particular transaction meets with the approval of the currency authorities and if the necessary currency permit is issued can the would-be importer hope to obtain the necessary means to pay for the goods required;

(b) Instead of imported foreign raw materials, which cannot now be obtained owing to the lack of foreign means of payment, the home production of such raw materials is to be furthered with all possible means;

(c) Instead of imported foreign raw materials, foreign or home substitutes which are cheaper are to be widely used; and

(d) Supplementary imports of foreign raw materials are to be permitted in cases where payment is made not by means of currency, but in "compensation transactions," that is to say, with the export of German goods which could not be exported "in the ordinary course."

The "New Plan" is thus revealed not to be a plan at all, but nothing more than a declaration of Germany's bankruptcy towards its foreign creditors. Schacht did no more than draw the inevitable consequences from the situation which had arisen in Germany: as a result of the passivity of Germany's balance of foreign trade and the resultant passivity of Germany's balance of foreign payments, the amount of foreign means of payment allotted to German importers had to be cut down from the originally fixed fifty per cent. of the demand successively to five per cent. As a consequence, Germany's foreign trade debt grew so rapidly that no German importer was able to obtain credit abroad for his purchases.

How did fascist Germany involve itself in such a desperate situation? Schacht and the whole of the national socialist press declare unanimously that the situation was caused exclusively by the reparation payments: the tremendous burden of foreign debt which the capitalists of Germany shouldered in the period from 1924 to 1929—approximately 25 milliard marks—went chiefly, they declare, to the payment of reparations. This debt taken on by Germany alone made possible the transfer of reparations payments.

There is no doubt that reparation payments represent one of the chief causes of the international bankruptcy of Germany. However, Germany's foreign creditors declare with justification that fascist Germany, and in particular its economic representative Schacht, has deliberately swindled them. Whilst refusing to allot foreign means of payment to liquidate Germany's foreign debt, to pay the interest on the Dawes and Young Plan loans and even to pay the dividends of the Reich Bank itself, the German government provided individual German capitalists with the possibility of purchasing the bonds of Germany's long-term foreign debts abroad at a knock-down price and provided the necessary means of foreign payment for the forced import of armament materials into Germany.

Further, there is absolutely no doubt about the fact that the Hitler regime itself: the persecution of the Jews and the Catholics,

* Schacht's speech at the opening of the Leipzig Fair on August 27, 1934.

the blood-bath of June 30, which revealed the internal weakness of the fascist regime, and the open preparations of the Hitler government for a new war, has frightened foreign financiers and capitalists and caused them to refuse Germany any further credits.

In any case, however, the debt question is of secondary importance and the decisive fact is that Germany is bankrupt towards foreign countries. In a speech delivered in Bad Eilsen and reported in the "Berliner Boersen-Zeitung" on August 31, 1934, Schacht demanded a long-term and complete moratorium together with the striking off of a great part of Germany's foreign debt altogether:—

"Therefore nothing will remain but to grant Germany a complete moratorium for a number of years in order to permit it to recover. At the same time it will be necessary to reduce the burden of foreign debt to an amount which Germany will be able to bear after the lapse of the moratorium."

Only under these circumstances, declared Schacht, would it be possible to bring Germany into the circle of world commerce once again. But if Germany were compelled to fall out as a purchaser of raw materials on the world market then it would be impossible to overcome the world raw material crisis and the world economic crisis itself.

However, Schacht's arguments have made little impression on the American, British, Dutch and other foreign creditors of Germany. They are capitalists who want their money or at least the interest on it, and they can't get it.

THE REGULATION AND DISLOCATION OF GERMANY'S ECONOMIC SYSTEM

In order to put the "New Plan" into execution 25 "control offices" have been established in Germany. These control authorities will decide in each individual case whether this or that application for import permits shall be granted or not. They will control all agricultural commodities, all raw materials and all finished goods. However, there is a considerable difference in the competence of these institutions. Twenty-one of them "control" only the import of raw materials and finished goods and leave the movements of these commodities once inside Germany perfectly free, whilst the four institutions which cover agricultural products control, not only imports, but the whole of home production as well. These are the four "Reich Offices" for:—

- (1) Grain, fodder and other agricultural produce;
- (2) Live stock and animal produce;
- (3) Dairy produce, oils and fats;
- (4) Eggs.

The peasant is forbidden to place his produce on the market himself. He may sell his goods only to the agents of the Reich Office at fixed prices and according to bureaucratic regulations. This regulation applies to potatoes, small stock, eggs and everything else. As in war-time everything is controlled by the authorities.

However, the internal logic of the "regulation" inevitably causes the "control" of imports to develop into a bureaucratic control of all home trade. This consequence is recognised even by German bourgeois economic experts.

The introduction of State regulation cannot make up for the shortage of foreign raw materials. In order to secure a "planned distribution" the raw materials of the same sort produced at home must also be equally controlled. State control of the imported raw materials leads in a direct line to complete "raw material control."

The shortage of raw materials is rapidly leading to increased prices, and in order to prevent the whole price system from collapsing and the export trade coming to a complete standstill, the State is compelled to extend its system of State regulated prices more and more. This situation leads inevitably to illicit trading and the development of a double price system: the prices fixed by the State and the prices at which the same articles can be had illegitimately. Naturally, every trader prefers to dispose of his goods at the higher "free" prices, and in order to maintain the prices fixed by the State the latter must introduce compulsory delivery of goods. This has already been partly introduced, for the peasant is compelled to sell 30 per cent. of his harvest to the State at fixed prices.

Thus one cog-wheel fits into the other and the whole machine comes into ponderous movement: the goods "disappear" from the open market, the rich buy up foodstuffs without any consideration for the needs of the poor, food cards have to be introduced to assure the masses of at least a minimum, and one

again the old war-time system of organised hunger is at work. That is the prospect opened up for Germany by the "New Plan."

"Economic Regulation" on a capitalist basis is made necessary by the extreme dislocation of the capitalist system, and it inevitably leads to still further dislocation. A "planned economic system" is possible only under socialist conditions, and as long as the means of production are in the hands of the capitalists all such attempts must lead inevitably to still further economic dislocation. Further, "economic regulation" is naturally exploited by monopoly capitalism to increase its profits at the cost of the working masses. As a result, the purchasing power of society is still further reduced whilst in consequence of the prevailing high prices and the shortage of raw materials the export trade must decline still further. Under such circumstances a serious reverse must come about, production must fall and unemployment be increased.

The "regulation" of the economic system has already led to a tremendous increase of the bureaucracy. The complicated nature of the regulations being issued and the rapid changes being made increase the power of the bureaucracy. The monopolist capitalists have their own representatives in high places, and these men see to it that the regulations drawn up are in accordance with the interests of their masters. The "Reich Offices" are occupied by creatures in the pay of monopoly capitalism, and the "independent" officials are made complaisant by generous bribes. On the other hand, the power of the new bureaucracy is wielded mercilessly against the smaller capitalist, particularly if he happens to be a Jew. In this way the bureaucratic regulations become a lever for the intensified centralisation of capital and the starting point for further dislocation.

RAW MATERIAL SHORTAGE AND RISING PRICES UNDER THE "NEW PLAN"

Schacht has put forward the theory that the compulsory limitation of Germany's imports of raw materials will intensify the world economic crisis, whereas Germany itself will be able to produce the necessary raw materials or substitute raw materials at home:—

"When you ask me how we are going to maintain our internal trade in view of the expected limitations of our imports, I must point out that we shall further the home production of raw materials with every possible means. The fact that we can produce these home raw materials only at a higher cost and that we must make capital investments in order to produce them cannot cause us to abandon this policy, because whether we support our unemployed workers with public funds or set them to work producing more home raw materials amounts to the same thing financially."

Thus, Schacht intends to continue the old system of letting the unemployed workers work for nothing, of making labour slaves out of them. But even in this case the home-produced raw materials will be more expensive than the foreign products, and many of these foreign products cannot be replaced at all.

The following table shows the most important raw materials imported by Germany during the past five years, the figures having been taken from the "Statistisches Jahrbuch des Deutschen Reiches," for 1933, and from "Wirtschaft und Statistik," 1934:—

(In Millions of Marks)

Year	1929	1930	1931	1932	1933
Foodstuffs and beverages	3,823	2,969	1,970	1,493	1,082
Raw and half-finished goods	7,205	5,508	3,478	2,412	2,420

The very considerable reduction of the imports total is due to four factors: a fall in prices, the using up of existing supplies, the increase of home production (particularly agricultural production), and the compulsory limitation of consumption as a result of the shortage of foreign means of payment.

Let us take a look at the most important commodities in the first group. We will take 1930, because the subsequent years were not typical owing to the crisis and currency difficulties:—

Most Important Foodstuffs Imported in 1930

(In Millions of Marks)

Wheat	232
Butter, cheese, milk	472
Fruit	203
Mixed dried fruit	255
Coffee, cocoa, tea	389
Eggs	228
Meat, bacon, fats	330

The increase of agricultural production in Germany itself

and the fall in the purchasing power of the masses have made the import of foodstuffs into Germany more or less dispensable. The current year is exceptional in this respect, and as a result of the bad harvest last year it is possible to avoid the import of grain only by considerably deteriorating the quality of the bread. There will be a shortage of fodder, but if the consumption of butter, eggs and bacon on the part of the working masses continues to be throttled then it will be possible to do without imports. The imports of fruit, mixed dried fruit, coffee, cocoa and tea can also all be throttled, apart from the demands of the well-to-do, without any particular direct difficulties arising.

The situation is very different with regard to raw materials. These raw materials can either not be replaced at all by home production, or only at much higher prices and much lower quality ("substitutes").

Most Important Raw Materials Imported in 1930 and 1933

	Quantity in thousands of tons		Value in millions of marks	
	1930	1933	1930	1933
Wool and animal hair	187	460	266	
Cotton	433	581	307	
Flax, hemp and jute	183	113	66	
Hides	130	197	114	
Furs (raw)	6	176	70	
Animal fats and blubber	176	97	39	
Oil fruits and oil seeds	2,316	646	269	
Building timber	3,507	300	70	
Woodpulp, cellulose, etc.	2,400	146	46	
Mineral oils	3,271	403	128	
Iron ore	13,889	266	59	
Copper ore, manganese, etc.	1,450	107	88	
Copper	211	251	103	
Lead, tin, zinc, etc.	220	130	70	
Cotton and woollen yarns (import surplus)	29	153	50	†
Total		4,616	1,775	

† Estimated

The raw materials enumerated above represent the most important ones required by German industry and they are used up chiefly in the finished goods which Germany exports. Which of these goods can Germany (a) produce at home, and (b) replace by substitutes?

The answer is easily available. Mineral oils, timber, oil seeds, flax, hemp and wool can be produced in Germany having regard simply to the natural conditions for their production, but they can be produced only at much higher prices than those current for the foreign commodities and in part at the expense of other necessary natural products—for instance, the extension of sheep rearing at the expense of cattle and pig breeding. On the other hand, however, cotton and jute cannot be produced in Germany. The production of hides, furs, iron ores, non-ferrous metals and other ores can be increased somewhat at home, but not sufficiently to make up for the lack of foreign imports.

As far as substitutes are concerned, iron ore, copper and other ores cannot be replaced by anything at all, and hides and furs hardly. With regard to the production of new fibrous materials made of a mixture of wood, wool remnants, artificial silk, etc., there is much talk in Germany at the moment about this possibility, but no one has sufficient courage to suggest the use of such stuffs for export purposes. Imported textile materials of the usual quality are to be used exclusively for export purposes. On August 15 the Reich Economic Ministry issued the following order:—

"The foreign sales of German industry amount to about 10 per cent. of its total production. The quantity of foreign raw materials necessary for this export trade is therefore of no decisive importance for the total requirements of German industry. Limitations in the use of foreign raw materials will apply therefore solely to that part of German production which is intended for the home market. Therefore the necessary quantities of raw materials for the export trade will be supplied promptly, and any doubts as to the thoroughly satisfactory carrying out of foreign orders by German industry are completely without foundation."

* The year 1933 cannot be taken as typical, because the import trade had already been greatly limited by currency difficulties. The quantitative figures for 1933 are not yet available.

These arguments of Schacht will hardly convince the foreign purchaser. Whoever is thinking of importing wool stuffs from Germany is not in the least interested in the fact that only 10 per cent. of Germany's industrial production is exported. All he is interested in is in securing **woollen** stuffs for his money, and not substitutes. However, Schacht will keep his word in all probability. The cloth and clothes made of good imported foreign raw materials will be exported, whilst, as was the case in war-time, the masses of the people will wear clothes made out of paper substances, etc. The fear of the German buyers that they will soon be able to obtain nothing but substitutes led to a considerable revival of the textile trades during the summer months. The following index of textile production, figures taken from the "Bulletin of the League of Nations" in September, 1934, show this. 1928 equals 100:—

April	May	June	July
103.3	105.1	109.8	104.6

Production was thus even higher than in 1929, which showed a yearly average of 90.6.

There is no doubt that the shortage of raw materials will lead to further big increases of prices on the German market. Under the fascist regime price levels in Germany have risen considerably. The wholesale index was 91 in January, 1933, and 100.1 in August, 1934, representing an increase of 10 per cent. in eighteen months of Hitler rule. The compulsory substitution of foreign raw materials by more expensive and inferior German products will force up prices still further and still further decrease the competitive capacity of Germany's industry on the world market. In addition, there are the expenses necessary to equip Germany's factories for the production of new home raw materials. Under the circumstances, therefore, most employers regard the situation with very considerable scepticism.

Another factor which makes for increased prices is the "compensation transactions" previously mentioned. In order to secure foreign raw materials in exchange for commodities without the medium of currency, the German capitalists are inclined to pay far higher prices than those prevailing on the world market. This "compensation" manoeuvre opens up the way to the import of luxury goods into Germany by natural exchange for German export goods.

Parallel with the increase in prices openly admitted and officially registered there is a concealed rise in prices as a result of this international "compensation" business and as a result of illicit buying and selling. Owing to the shortage of the means of foreign payment German capitalists are compelled to buy their raw materials in those countries in which they do not need foreign means of payment for the purpose. They pay higher prices, but cause still further dislocation of the world market.

The rise in price levels which is taking place in Germany as the result of the shortage of raw materials is undoubtedly of an inflationist character. The actual depreciation of the mark abroad, which was cloaked by Germany's practical bankruptcy towards foreign countries, by the prohibition of the export of German mark notes, and by the regulation of all currency transactions, is now breaking into German public life in the form of the payment of excessive prices for foreign goods imported with the avoidance of the currency control.

The results of the "New Plan" of Schacht must, therefore, be a rise in price levels by leaps and bounds, in particular a rise of the prices prevailing in illicit trading, and the transformation of the latent inflation into a more or less open one.

The problem of supplying Germany with the necessary raw materials and at the same time maintaining the gold parity of the mark is aggravated particularly by the geographical distribution of Germany's foreign trade. Germany has an active balance of trade as against the Western European industrial countries, but a passive balance of both trade and payments as against the overseas supplies of raw materials:—

Germany's Balance of Foreign Trade in 1933 (in millions of marks)

Active Balance	
Holland	361
Switzerland	270
France	211
Great Britain	167
Belgium	139
Sweden	88

Passive Balance

U.S.A.	237
Australia	88
Dutch East Indies	73
China	73
Argentine	49
British West Africa	53

The above figures were taken from "Wirtschaft und Statistik" 1934.

In 1933 Germany had an active trading balance of 1,520 million marks as against Europe and a passive balance as against all overseas countries of 846 million marks. The situation was similar in former years.

Just those countries to which Germany sells more goods than it buys—Holland, Switzerland, Great Britain and France—are at the same time Germany's creditors. These countries have, therefore, the possibility of compelling Germany to pay the debts and interest as they fall due by ordering that all importers of German goods shall pay for them not direct to the suppliers in Germany, but into a central fund in the hands of the government, which can then deduct a certain percentage from the sum of each transaction for the payment of debt and interest due from Germany and put forward the remainder to Germany. The German exporters are helpless in face of such a clearing process. They are not in a position to boycott their last foreign markets. Where else could they sell their goods? A threat on the part of these countries to institute such a central clearing system proved sufficient to compel Germany to grant them exceptional treatment in the question of debt and interest payments.

Schacht's attempt to exploit Germany's passive balance of payments towards the United States in order to extort new credits or new market possibilities for Germany's finished goods was energetically repulsed. In an interview given to the correspondent of "The New York Times" in Berlin, Schacht declared:—

"Unless the United States can find ways and means of purchasing more German goods we shall have to close our doors to all imports from the United States with the exception of those quantities of raw materials and other goods which are not greater than the amount of goods which we purchase from the United States."*

The next day "The New York Times" answered Schacht with unusual acerbity:—

"It is difficult to say which was the more astounding feature of the interview with Schacht which we published yesterday: the arrogance of its tone or the stupidity of its content."†

A German proposal to exchange German finished goods for wheat and cotton from the United States was rejected by Hull, the Secretary for Foreign Affairs of the U.S.A. The attitude of the United States government towards Germany is influenced by Anglo-American rivalry. The United States is not prepared to tolerate a situation in which the British government succeeds in exercising pressure on Germany to obtain favoured treatment in the debt and interest question whilst Germany refuses to pay the interest due to the United States. On the other hand, British financiers seem determined to grant Germany no new credits unless such credits are granted in company with United States financiers.

Unless Germany can obtain sufficient foreign means of payment to purchase the supplies of raw materials it needs from the United States, Australia and Africa out of the surplus of its exports to the Western European countries, then it will be unable to obtain the necessary supplies of raw materials or it will have to pay higher prices for them by obtaining them indirectly, not from the countries which produce them, but through the mediation of the other countries.

However, even this indirect method of obtaining raw materials is becoming increasingly difficult. As is known, a clearing system was established between France and Germany up to the end of the present year. This clearing system resulted in a most peculiar situation for Germany. For the first time for many years Germany's export surplus as against France turned into an import surplus. Up to September 25, 1934, Germany's imports from France totalled 274 million francs, whilst in the same period (not quite two months) France's imports from Germany totalled 209 million francs. The French importers were then warned by their

* "The New York Times," August 26, 1934

† "The New York Times," August 27, 1934.

government to go slow because there was no guarantee of payment on the part of the German importers.

To sum up: no matter from what angle we examine Germany's economic situation, we find that the prospects are rising prices, inflation, the further dislocation of Germany's economic system and a rapidly approaching economic catastrophe.

PRODUCTION UNDER THE "NEW PLAN"

The figures for production issued by the official German statistical bureaux still show a rising tendency despite the shortage of raw materials. For instance, although hours have been limited to 36 a week in the textile industry, this is the very industry which shows a particularly big rise in production. The following figures have been taken from the "Bulletin of the League of Nations" of August, 1934, and the "Wochenbericht" of October 10, 1934. These two sources show fairly exact agreement:—

Index of German Industrial Production (1928=100)

	1934			1933		1932
	May	June	July	Aug.	Aug.	Aug.
General Index	88.8	88.3	89.8	86.6	70.7	58.5
Means of Production ...	82.4	81.0	83.3	83.1	59.0	47.5
Including: Machinery	61.5	69.0	—	—	47.6	38.6
Automobiles	128.8	138.5	140.5	—	67.9	—
Consumption Goods ...	98.5	99.2	99.6	91.9	88.3	74.9
Including: Textiles ...	105.2	103.8	104.6	—	96.6	74.7

This table reveals the following important facts:—

(a) In August, 1934, industrial production in Germany was approximately 50 per cent. higher than it was two years ago and approximately 25 per cent. higher than it was a year ago;

(b) The increase of industrial production has come to a standstill during the past few months. In August a sharp reverse supervened. During the next few months the reverse will undoubtedly continue to make itself felt;

(c) The increase of the production of the means of production is to a great extent more apparent than real, for it is the big increase in the production of armaments which falls under the head of the production of the means of production. For the most part the engineering factories are at work on "machine parts" which are in fact parts of big guns, machine-guns, rifles, etc. The production of tanks obviously accounts for the big increase which is registered under the heading of "automobile production"; and

(d) The production of consumption goods has been maintained as a whole recently owing to the increased production in the textile industry. This increased production was caused by the efforts of everyone with any ready money in hand to lay in stocks in order to escape having to buy the much-praised "substitute" stuffs. Wholesale cloth dealers are trying to lay in stocks of good materials in order to sell them later at greatly enhanced prices when the market is flooded with "substitute cloths." The boom in the textile industry naturally cannot last very long. As soon as the supplies of the good cloths are exhausted the boom will sag

THE SITUATION OF THE WORKING CLASS

On no question does the Hitler government carry on such demagogic and lying propaganda as concerning the question of the situation of the working class. Every month figures are proudly published showing that unemployment has again decreased by so and so many, although in fact the decreases are obtained by the simple expedient of striking thousands of workers off the lists of those receiving support. We have often dealt with this question in our quarterly reports and we have no intention of dealing in any detail with the matter again now.

However, it will be interesting to take a look at the development of the numbers of workers engaged in "normal" industrial production in recent years. We can safely ignore the number of workers engaged in supplementary activities, for instance, in the labour service camps, as land workers and task workers, for these categories of workers are almost exclusively employed in agriculture, the building of roads, etc. The following figures are taken from the "Vierteljahrsheft," No. 4, and from the "Wochenbericht" of September 12 and October 10, 1934:—

Number of Regularly Employed Workers and the Index of Industrial Production	1929	1930	1931	1932	1933	1934
	In July					
Regularly employed (millions)	18.7	16.9	15.0	12.7	13.2	15.1
Index of industrial production	101.8	86.5	78.2	60.4	70.6	88.8
Wages, 2nd quarter (milliard marks)	11.4	10.5	8.8	6.6	6.5	6.9

When we compare the development in the number of workers employed and the volume of production during the past two years from July, 1932, to July 1934, we come to the following results:—

The number of workers employed increased by 18.9 per cent.

In the same period the volume of industrial production increased by 46 per cent.

There has thus been a considerable increase in the intensity of labour per worker. In the period in question almost no technical improvements have been introduced into German industry; in fact, the introduction of such improvements is strictly prohibited in many industries. The development of the past two years in Germany has therefore been one of greater labour intensity and of greater exploitation of labour-power. Let us take a look at the development of wages; that is to say, the earnings of the workers, clerical employees and officials. The total of wages increased from 6.555 million marks in the second quarter of 1932 to 6.936 million marks in the second quarter of 1934. Thus, even according to fascist statistics the increase in the volume of wages was no more than 5.8 per cent. The "Wochenbericht," of August 15, 1934, reckons an increase in the wage total of 17 per cent. for the second quarter of 1934, but it takes the first quarter of 1933 as its comparison, that is to say the period of the maximum seasonal unemployment. This is a procedure which is contrary to all scientific methods of comparison and serves purely demagogic purposes.

However, even the increase of 5.8 per cent. needs a certain amount of correction:—

1. The official cost of living index was 80.1 in July, 1932, and 81.0 in July, 1934, representing an increase of 1.1 per cent. The increase in the wage total is therefore reduced to 4.7 per cent. In this respect we are ignoring the faking of the cost of living index by the fascist authorities, a point with which we have often dealt;

2. The deductions from wages increased considerably during the course of the two years in question: the workers contributions to the unemployment funds were increased by 1.5 per cent., the contributions to the crisis funds were increased by 1 per cent., a marriage tax on all unmarried workers of 2 per cent. was introduced, winter relief contributions, collections, dues to the "Labour Front," subscriptions to the fascist press, etc., altogether not less than 5 per cent. When we take the sums which those workers who are still employed actually receive after all deductions have been made, we find that nothing at all remains of the alleged wage increase;

3. The wage total includes the wages of the workers, clerical employees and officials, but under the fascist regime the numbers of the officials has increased by leaps and bounds, whilst the salaries of the middle and higher fascist officials have been greatly increased. It is obvious, therefore, that the nominal income of the workers has increased proportionally less, and certainly less than the average increase. Unfortunately we have no figures on which we could reckon out this difference.

Summing up we can say the following on the basis of the official fascist figures: The number of workers exploited has increased in two years by 2.4 millions, or 18.9 per cent. Industrial production, that is to say, the labour production of the industrial working class has increased by 46 per cent. The workers received a nominal increase of 5.8 per cent. in wages, but, in fact, owing to the increase in the cost of living and to the increased deductions from their wages they are receiving actually less than they did two years ago. The capitalist class of Germany is thus receiving 46 per cent. more work from the workers than two years ago, and that for nothing. That is the net result of the fascist regime.

The extra output of the workers is the source from which the tremendous overt and covert armaments are being financed through varied channels. The "economies" with regard to unemployment insurance support and social services of all kinds represent a supplemental source.

This greatly increased exploitation of the German working class was made possible by the destruction of all the trade union organisations of the working class and by the enslavement of the German workers. This process of enslaving the German workers is proceeding along various lines. The agricultural workers are forbidden to seek employment in industry. Migration to such centres as Berlin, Hamburg and Bremen is prohibited. Almost a million workers are subjected in one form or another to forced labour, etc.

The decline of industrial production which is already proceeding in Germany will increase in rapidity as the existing supplies of raw materials are exhausted, and during the next few months a rapid increase of unemployment will take place. In order to give the inevitable dismissals a socio-political cloak and to split the ranks of the working class, the decree of August 10 instructs all employers to go through the lists of their workers by October 1, 1934, in order to replace all workers under 25 years of age by older workers who are unemployed.

There is no doubt that Germany's economic system is about to deteriorate rapidly. Hitler himself was compelled to admit this in the speech he delivered at Bueckeberg on September 30. Utterances such as: "We are not the sort of people who are cast down by reverses or misfortunes," or "When I speak of our troubles I am not thinking of capitulation," show that the seriousness of the situation can no longer be completely concealed.

III. Special Section

FRANCE

The course of the depression in France is considerably different from that in most of the other countries. For over a year now industrial production in France has been steadily declining. Since June, 1933, the economic situation of France has been growing steadily worse, and this process was even accelerated in 1934. Production and sales are steadily declining and the volume of foreign trade is shrinking. According to a report of the French Labour Minister Marquet to Doumergue, the number of unemployed workers in France is higher at the moment than at any time since the war.

The following figures show the worsening of the economic situation of France:—

Index of French Industrial Production (1928=100)

	General	Machinery	Motor cars	Textiles
July, 1932 (maximum)	88.2	82.6	73.8	77.8
April, 1934	85.1	72.5	75.4	69.7
May, 1934	79.5	71.7	74.8	66.7
June, 1934	78.0	71.0	74.8	62.6
July, 1934	76.4	71.7	75.9	58.6
August, 1934	76.4	72.5	77.1	55.6

The decline of industrial production during the course of one year from July, 1933, to July, 1934, was 11.8 points, or about 14 per cent. During a century of normal capitalism the drop in industrial production in the actual periods of crisis was generally less than the drop in production during the period of depression.

The causes for this unusual situation of the French economic system are many and varied:—

(a) The crisis in France has not yet exhausted itself. The renewal of constant capital in French industry which took place after the stabilisation of the franc went on into the years 1931-32.

When we take into consideration the tremendous fortifications on the Eastern frontiers of France and the armament expenditure in general, the building of canals, the electrification of great stretches of railway line, the extension of the electrical works (even in 1933 about a milliard francs was newly invested in electrical construction), etc., then it becomes clear why the crisis affected Section I in France less sharply than in most other countries.

However, this explains also why, now that the renewal of basic capital is at an end and that it is making its labour-saving effects fully felt, there is a strong and protracted reverse and why unemployment at the moment is greater than at any time throughout the whole course of the crisis.

The depth of the crisis is seen from the fact that at the moment industrial production is below the level of 1913:—

Index of Production Issued by the Statistique Générale (1913=100)

	July, 1933	July, 1934	Aug., 1934
General Index	112	97	97
Engineering	114	99	100
Iron and steel	90	80	81
Textiles	77	58	55
Mining	99	102	100
Building	92	80	80
Leather	107	96	96
Paper	140	157	149
Rubber	991	856	856
Automobiles	450	463	470

The individual branches of industry show no uniform development. The production of automobiles, and in this connection the production of rubber, has increased greatly. The textile industry on the other hand, is hard hit. The great drop in the production of the textile industry indicates the decreased purchasing capacity of the home market as a result of unemployment and the greatly reduced income of the working masses. The following figures show the production and sales of the French cotton trade:—

Cotton Production and Sales Figures

	1934			
	April	May	June	July
Spinning production (average per spindle in kilogrammes)	1,552	1,593	1,453	1,370
Sales	1,520	1,608	1,411	1,364
Stocks	2,626	2,634	2,423	2,482
Uncompleted orders	5,373	5,126	4,568	4,459
Weaving production (average per loom in 100 metre pieces)	5.18	5.00	4.95	4.49
Sales	4.43	4.43	4.25	4.30
Stocks	8.88	9.62	9.09	9.87
Uncompleted orders	5,373	5,126	4,568	4,459

The increase of the stocks of finished cloths and the decrease of the number of uncompleted orders indicate the prospect of further deterioration in the coming months. The data is taken from "The Economist" of September 22, 1934.

The peculiar price situation in France, the high general level of prices, the great discrepancy between wholesale and retail prices and the relatively high prices for foodstuffs limit the purchasing capacity of the home market for industrial consumption goods still further.

Price Movements in France (1913=100)

	Wholesale Prices			Cost of Living in Paris
	Total	Home Goods	Foreign	
September, 1933	387	433	300	516
January, 1934	388	434	305	526
August, 1934	363	405	288	522

The discrepancy between the prices of home and foreign goods is the result of the thorough-going system of protectionism and benefits heavy industry and agriculture. The discrepancy between wholesale and retail prices is largely due to the high taxes placed on consumption and to the enormous middleman's profit obtained by commercial capital. In any case, it is clear that falling money wages plus large unemployment figures, taken together with the fact that there is no State unemployment insurance system and that even according to official figures the cost of living is rising must mean a greatly diminished purchasing capacity of the home market.

The high internal price level and the intense agricultural protectionism prevailing in France have led to increased difficulties for the French export trade in industrial commodities because many countries have retaliated against French agricultural protectionism by making it increasingly difficult for France to export industrial goods to them.

On this basis strong differences have developed between agrarian capital and the rich peasants, on the one hand, and sections of industrial capital on the other. As a result of the establishment of a united front between the socialists and Communists in France the French bourgeoisie fears the proletariat more than ever—the French bourgeois press almost foams with rage when it discusses the united front—and, further, large sections of the poorer peasants are dissatisfied and sympathise with the Communists. The bourgeoisie is therefore not in a position to pursue a policy which would antagonise the middle and large peasants.

We must not forget that despite the strong development of industry in the Eastern areas and in Central and Western France there are still large areas which are entirely agricultural, and that even now, according to the last population census, about one-half of the population live in towns with a population of less than 2,000. The bourgeoisie is not in a position to risk displeasing the broad section of comfortably-off peasants, and this explains the measures for artificially maintaining prices, particularly the price of wheat. The French wheat surplus amounts to about 21 million double cwts., and about 3 million are exported to Great Britain, whilst the French Government supports wheat exports to other countries by special premiums.

As is known, fixed prices have been established by the State for wheat, and the millers must pay these prices and the prices which the workers in the towns have to pay for their bread are proportionately high. However, the peasants, and in particular the small peasants, never receive the full price fixed. The difference goes to enrich the grain dealers, the usurers and the speculators.

The vice-president of the French Millers' Association describes the situation on the French wheat market as follows, in an article in the "Temps," of September 6, 1934:—

The official price of wheat to-day is 108 francs, but it is difficult to find purchasers even at 80 francs.

The disparity between the 70 or 80 francs which the peasant receives for his wheat and the 108 francs which the dealer receives is tremendous. However, even a price of 80 francs per 100 kilogrammes is very high compared with the prices prevailing on the world market. In Amsterdam the price of 100 kilogrammes of wheat is 3.5 Dutch florins, or 35 francs. Thus, even the price of 80 francs is more than double the world market price, if one can speak of a "world market price" at all. There is a similar over-production of wine in France, and a considerable portion of this year's vintage has been poured into the rivers.

The high internal prices levels, together with the retaliatory measures taken by other countries against French protectionism, are a further hindrance to the export of French industrial goods.

French Foreign Trade (in Billiards of Francs)

	Import	Export	Import Surplus
April, 1934	2.03	1.47	
May	1.96	1.37	
June	1.96	1.45	
July	1.71	1.35	
August	1.67	1.39	
1st 8 months, 1934 ..	16.00	11.54	4.46
1st 8 months, 1933 ..	19.46	11.88	7.58
Decrease	3.46	0.34	3.12

The passivity of the French balance of trade has grown less, but this was the result of very considerably reduced imports, because owing to the worsening of the French economic situation the import of raw materials diminished considerably.

As a solution the abandonment of the gold standard is being demanded with increasing frequency and a devaluation of the franc along the lines taken by Czechoslovakia recently. The improvement which set in in the economic situation of Great Britain after the abandonment of the gold standard represents a great temptation for French industrial capital. The devaluation of the franc was proposed in the French Chamber of Deputies for the first time last August by Paul Reynaud, a former Minister of Finance. However, the proposal was rejected indignantly by the French Government and the French press.

Like the blunt refusal to lower agricultural import duties, the blunt refusal to abandon the gold standard has chiefly political reasons. The French bourgeoisie is afraid to rob the "small-saver," that is to say, the petty-bourgeoisie in town and country, which lost four-fifths of its hard-saved money during the first inflation; again, because the bourgeoisie needs the masses of the petty-bourgeoisie in the struggle against the proletariat. Further, it is also of economic importance that the small-saver should not be fleeced again, because he supplies the enormous sums contributed to the French State loans. The French Government, therefore, turned down Reynaud's proposal with great energy and sang the praises of the small-saver.

In order to facilitate the maintenance of the gold standard a conference of the gold standard countries was held a little while ago in Brussels, and it was decided to do everything possible to increase the volume of foreign trade between the gold standard countries by at least 10 per cent. However, this decision is not of any great significance.

The French bourgeoisie is seeking a way out of its embarrassing economic situation in another direction. Following the example of Great Britain, it is now doing its utmost to bind the Colonies still stronger economically to the "Motherland." In November a conference, along the lines of the Ottawa Conference is to take place in France between the representatives of the French economic system and the Colonial economic system. However, the parallel with the Ottawa Conference is superficial, because the British Colonies and Dominions are more or less independent States, with a white British population (with the exception of South Africa),

whereas the French Colonies are chiefly classic Colonies oppressed by French imperialism and with a small French population only. The aim of the conference is to extend economic relations between the Colonies and the "Motherland."

Twenty-seven per cent. of the volume of French foreign trade is accounted for by the French Colonies. During the first seven months of 1934 the passive balance of French foreign trade was 4 milliard francs, whilst the passive balance with the Colonies was only 175 million francs. This almost stable balance of trade with the Colonies tempts the French bourgeoisie to adopt the plan of a French Empire, protectionist against all countries outside the empire, but free trading inside its own boundaries. That is the latest plan for a solution of the economic difficulties of French capitalism. The plan in this form is absolutely impossible of fulfilment. An increase of the agricultural imports from the Colonies into France is out of the question, owing to the acute agricultural crisis which already prevails in France. On the other hand, the purchasing power of the impoverished Colonial population is not sufficient to cause any increase of the export of French finished industrial goods.

In reality, however, the French bourgeoisie is after something quite different from this ideal picture of a French economic empire. The fact is that of late American and Japanese capitalists have broken into the French Colonies, and the French Empire Conference, which is about to take place, is intended to find ways and means of combating this economic penetration.

In conclusion, we shall deal briefly with the question of unemployment in France. According to official figures, unemployment in France is now higher than it has been at any time during the post-war period.

Officially Registered Unemployed

Third Week in August	1932	1934	Difference
Paris	90,123	88,372	-1.9%
Paris suburbs	59,876	68,269	+14%
Provinces	116,724	169,082	+44%
	266,723	325,723	

We must point out, however, that these figures, which have been taken from a memorandum of the Labour Minister Marquet, embrace only a small fraction of the number of workers actually unemployed. To give an example: the French mines employed:—

In January, 1927 (maximum) ..	333,150 workers
In December, 1933	243,000 workers
Decrease	90,150 workers

About 8 million workers are employed in France in industry, including mining, and transport. Even if we assume that the average level of unemployment throughout industry as a whole is only half of that prevailing in the mining industry we arrive at over a million fully unemployed workers. Many of the foreign-born workers have been compelled to return to their native countries, and widely prevalent short-time work reduces the number of completely unemployed workers. In any case, the total number of unemployed workers in France is many times more than the figure given by the Labour Minister Marquet.

GREAT BRITAIN

Now, as before, Great Britain is the one country amongst the big industrial countries which has made greatest progress in overcoming the cyclical crisis, although this has been done on the basis of a very low level of production before the outbreak of the crisis determined by the general crisis of capitalism. The improvement in Great Britain was brought about by an improved utilisation of the home market by British industry, made possible by the final adoption of protectionism in all its forms: protective duties, import quotas, and direct State subsidies.

The British banking system, whose backbone is formed by the Big Five (Barclays, Lloyds, Midland, Westminster and the National Provincial), has come through the crisis less damaged than that of any other country. At no time during the crisis was there any danger of a bank crash in Great Britain. One of the most important reasons for this was the "conservatism" of the banking policy of the big banks, the fact that they have developed together with industrial capital into finance capital by means of share holdings to a much smaller extent than was the case in the United States, Germany and Italy.

However, it would now appear as though the crisis has caused a considerable change in this respect also. The funds of the big banks are now invested to a much greater extent than formerly in securities, although they are obviously chiefly in government securities.

The alteration in the status of the five big banks during the crisis can be seen in the following table which includes all five:—

	Middle of the Year		
	1929	1933	1934
	(millions of pounds sterling)		
Acceptances	183	95	97
Discounted bills	199	312	207
Advances	904	700	685
Securities	232	497	498
Cash	237	245	232

From this table we see that the sums accounted for by the traditional commercial purposes: acceptances, the discounting of Bills of Exchange and advances on commodities, greatly diminished during the crisis, whilst the sums invested in securities more than doubled. Thus British capitalism is approaching nearer and nearer to the general type of capitalism with regard to its banking system also: bank capital allies itself with industrial capital and develops into finance capital.

The improvement of the economic situation in Great Britain is based completely on the home market. The depreciation of the pound sterling did at the utmost no more than stop the shrinkage of foreign trade, but produced no extension of foreign trade. Further, the rise in the price of foodstuffs caused by protectionism introduced a new factor into Great Britain's industrial difficulties and led to struggles between the bourgeoisie and the proletariat over the question of whether the increase of ground-rent should come from wages or profits.

However, even in Great Britain signs are beginning to indicate that the increase of industrial production is encountering the limits of purchasing power, above all of the home market, as is the case in the United States. The various indexes would seem to support this view:—

Board of Trade Index of Production (1924=100)

	2nd qtr.	1st qtr.	2nd qtr.
	1933	1934	1934
Mining	71.5	89.0	78.8
Iron, steel and rolled goods	78.5	104.7	104.3
Non-ferrous metals	104.5	117.1	142.1
Engineering & shipbuilding	97.0	108.1	114.4
Chemicals	101.3	107.9	109.8
Textiles	86.9	96.3	91.1
Leather and boots and shoes	114.2	110.7	108.1
Foodstuffs and tobacco	102.3	99.7	107.4
Total index	96.7	109.5	110.3

It is true that the total index is 0.7 per cent. higher in the second quarter of 1934 than in the first quarter of 1934 and 14 per cent. higher than in the second quarter of 1933, but if one takes a closer look at the individual items one can recognise the special character of the economic improvement in Great Britain.

(1) Mining and textiles, the two great export industries and at the same time the two weakest points in the economic system of Great Britain, show a fairly considerable reverse from the first to the second quarter of this year.

(2) The disparity between the iron and steel trade figures and the engineering and shipbuilding figures is striking. From the first to the second quarter of the present year production in the engineering and shipbuilding industries increased considerably. This was chiefly due to the armaments orders placed by the British government. In particular the improvement in the shipbuilding industry was due to armament orders.

One would suppose that an increase such as was recorded for production in the engineering and shipbuilding industries would correspond with a similar increase in the production of the iron and steel trades, but this was not the case. It would seem, therefore, that the previous fairly considerable increase in the production of the iron and steel trades had been chiefly for stock purposes. At the annual meeting of the United Steel Company on October 4, 1934, the chairman of the concern, Jones, gave the following figures showing the development of steel production in Great Britain in recent years:—

Steel Production in Great Britain (in tons)

1929	9,636,200
1932	5,261,400
Year ending June 30, 1933	5,757,000
1933	7,002,800
Year ending June 30, 1934	8,327,300

Two facts arise from this table: (a) that the improvement in the production of steel began only in the second half of 1933; and (b) that despite the high import duties on iron, that is to say, that despite the fact that the greater part of the home market was reserved for British producers, and despite the new big armament orders, steel production in the year ending June 30, 1934, was still about 1.3 million tons, or approximately 15 per cent. less than it was in 1929. Without the iron import duties and without the armament orders it would be much more below the level of 1929.

Up to the moment only the data of the "Economist" Index are available for the third quarter:—

"The Economist" Index of Business

(Monthly Average of 1924=100)

	1934					
	May	June	July	Aug.	Sept.	Sept.
Consumption of:						
Coal	80	85	75	87½	86	80.5
Electricity	123	124	126½	125	127	110.5
Iron and Steel	96	84	95	85	79	57
Cotton	93	97	93	97	91	104
Raw Material Imports	108½	135	129	751	119	124
Finished Goods Exports	69	76½	71	70	78	73
Railway Goods Traffic	62	66	62	—	—	66
Building	191	226	197	219	180	187
Total Index	105.6	111.3	106.9	110.0	107.4	103.3
Three-monthly Average	107.5	108.2	107.9	109.4	108.2	102.2

The above figures show that with the exception of exports and the consumption of electricity all factors showed a decline in September, and that it is chiefly the building trades which keep up the existing level of economic activity. The other branches have stagnated during the past few months, whilst the export of finished goods tended rather to decline.

The question which causes anxiety to the British capitalists is that of securing an increase of the British export trade. There is general agreement that the home market alone is not sufficient to maintain the improvement which has been obtained and that any further improvement is impossible without an increase in the export trade. On the other hand it is also realised that any further protectionist monopolisation of the home market for the benefit of British industries is not feasible owing to the fact that it would inevitably produce retaliatory measures on the part of foreign countries and cause a decline in the export trade, so that, far from rising, the total sales of British industry would fall.

The movement of British foreign trade during the past few months is shown in the following figures (in millions of pounds sterling):—

	Exports	Imports	Import Surplus
	(Re-exports deducted)		
May	32.8	56.9	24.2
June	32.1	56.9	24.7
July	33.2	53.9	20.7
August	32.1	56.7	24.6
September	34.0	54.5	20.5
First nine months, 1933	268.4	450.5	182.1
First nine months, 1934	289.0	497.1	208.8

These figures offer no basis for optimism. It is true that in the first nine months the export trade increased in volume by 20 million pounds sterling, or by 8 per cent., compared with the first nine months of 1933, but at the same time the imports increased by 47 million pounds sterling, or over 10 per cent. The excess of imports over exports therefore rose accordingly by 26 million pounds sterling, or 14 per cent.

This situation raises two important problems for the British bourgeoisie:—

(a) What is the position of the British balance of foreign payments? And:

(b) How can British industry be organised so that it may follow the example of its competitors and carry out organised dumping on the foreign markets? Or in other words, the problem of the monopolist concentration of British industry in the struggle for the world market.

With regard to the first question, the best-known authority on

the matter, R. Kindersley, provides us with the following picture of the situation (taken from "The Economist" of September 20, 1934, the figures for 1933 being not final):—

Income from Capital Investments Abroad (in Million Pounds)					
	1929	1930	1931	1932	1933
Total	231	209	169	156	155
Including Loans to States and towns	64.7	64.7	65.9	62.4	62.5
British Undertakings Abroad with H.Q. in Great Britain	86	76.5	48.8	42.5	40.6
British Undertakings Abroad	61.7	51.0	40.8	39.2	39.6

This table shows us a number of interesting facts:—

(a) The income from all capital investments abroad has fallen from year to year. In 1933 it was £78 million less than in 1929.

(b) The decrease chiefly concerns the income from industrial undertakings abroad (plantations, mines, factories) as a result of the economic crisis; and

(c) The revenue from State loans has remained almost unchanged. In view of the widespread non-payment of foreign debts this is an unexpectedly favourable result. According to Kindersley the total amount of payments falling due but not honoured was no more than 19.3 million pounds sterling in the three years from 1931 to 1933. This piece of good fortune was due first of all to the more solid and experienced usages of the big British banking houses when making emissions, as compared, for instance, with the usages of their American colleagues, and secondly to the fact that the depreciation of the pound sterling proportionately reduced the burden of debt owing in sterling to Great Britain.

Closely connected with the question of the British balance of foreign payments is the question of the future of the pound sterling rate. The last few months have shown a further tendency for the pound sterling rate to fall:—

Depreciation of the Pound Sterling as Against Gold

(On the Basis of the Franc)

January	July	September	Middle of October
34.56	38.44	39.74	40.48

The prevailing tendency is a falling one although minor fluctuations are taking place. The rate of the pound sterling is steadily approaching the old parity with the U.S. dollar.

The causes of this depreciating tendency are not clear, particularly as no details are published concerning the use of the stabilisation fund. However, there are various indications that the stabilisation fund has been used freely to slow down the depreciation tendency. There is no doubt that a further depreciation of the pound sterling is in the interests of the export industry of Great Britain and that interested circles are striving to re-establish parity with the U.S. dollar.

Another means to strengthen the competitive capacity of British industry on the world market is the increased tendency towards monopolisation. Although recent years have produced considerable developments in this respect in Great Britain there is no doubt that the level of cartel formation and thus the possibility of organised dumping on foreign markets as the result of high home prices is lower in Great Britain than in Germany, the United States and France. There is also no doubt that the next few years will see still bigger efforts in this direction in Great Britain.

The export of capital is also being subordinated to the interests of the British export trade. The small amount of capital which is still being exported has a new and special character. It serves chiefly conversion purposes; for instance, the loans to Australia and Canada, the strengthening of the sterling block, and, finally, conversions coupled with concessions on the part of the debtor countries. For instance, on the part of the Argentine where the Government had to agree to use the liquid Peso funds chiefly to finance British imports into the Argentine.

Loans made to the Scandinavian countries also served to strengthen Great Britain's influence there. For instance, the loan which was granted in April, 1933, to Denmark for the construction of a great bridge of British steel, and the recently floated conversion loan of the Norwegian "Union Company," a big paper and pulp producing country, which had to agree to use the whole of its export revenue, including export to countries other than Great Britain, for the direct benefit of its British creditors.

On the other hand, British capital has succeeded in increasing its rate of profit in recent years. The following index, drawn up by J. C. Stamp, shows the sum of profits (but not the utilisation of capital as the capital sum has increased since 1924). The 1924 level equals 100:—

	1929	1930	1931	1932	1933
Total capital	106.8	92.8	77.9	75	81
Share capital (after deduction of loan interest)	114.3	94.4	74.3	71.4	82.6

The lowest point would seem to have been in 1932, and the result for 1934 will undoubtedly be still more favourable. According to the statistics "The Economist," of October 13, 1934, the profits for 1934 are greater than those for 1933 by:—

1st Quarter, 1934	2nd Quarter, 1934	3rd Quarter, 1934
5.8 per cent.	18.2 per cent.	27.7 per cent.

In the hope of still further increases new capital is streaming into British industry. New emissions for British industry ("mainly home industries") in the first nine months of 1934 were 40 million pounds sterling as compared with 33.7 million pounds sterling for the whole of 1933.

The improvement in the utilisation of British capital has not caused any improvement in the position of the British working class. A number of categories of workers (railwaymen, textile workers and teachers) have concluded new agreements with their employers, but the minor concessions which they have obtained are more than cancelled out by the increase in the cost of living, and in particular by the increase in the price of staple foodstuffs. The new agreement in the textile industry even depresses the wages of some sections of the textile workers. The number of workers employed continues to increase, but only very little more than the normal increases in the volume of labour available as the result of boys and girls leaving school, so that the level of unemployment as a whole shows very little change.

THE UNITED STATES

The decline in industrial production, which began in June, has continued since to an increasing extent. Economic developments this year are very similar to those of last year, except that this year the decline began earlier and is not so steep, owing to the fact that it began on a lower level this year than last.

"The Annalist" Index of Business

("Normal" = 100)

	1933	1931
June	83.3	77.2
July	89.3	73.1
August	83.5	71.0
September	76.4	66.1

In September production was 10 points lower (approximately 15 per cent.) than the year before, and only from 10 to 12 per cent. higher than the lowest point of the crisis in the middle of 1932 or in March, 1933, the month of the big bank crash. In comparison with last year it is the iron and steel production and the consumption of cotton which show the biggest decline.

The degree of utilisation of the capacity of the U.S. steel works had sunk to 19 per cent., or almost down to the lowest level of the crisis. In October a small improvement to from 24 to 25 per cent. took place. The market difficulties are becoming increasingly great.

The great decline in the production of the heavy industries in the United States is the direct result of the stagnation of investment activities. One of the biggest customers of the heavy industries, the building industry is almost completely at a standstill with the exception of the building financed by the Government:—

Monthly Building Contracts (in Millions of Dollars)

	Public		Other	Total
	Building	Housing	Building	
May, 1934	56.8	24.8	52.8	134.4
June, 1934	57.4	26.6	43.1	127.1
July, 1934	39.1	19.9	60.8	119.8
Aug., 1934	50.6	16.6	51.0	118.2
Sept., 1934	50.0	17.9	42.4	110.3
Sept., 1933	60.7	21.5	37.8	120.0
Sept., 1932	68.7	22.8	36.0	127.5

The table shows us that building activity is declining and that in September it was even less than in September, 1932, the worst year of the crisis.

The automobile industry, the second great customer of the heavy industries, also shows a declining tendency, as the figures given in the index of "The Annalist" show. In September production fell below the pre-war level and in October the decline continued. There is little likelihood of any improvement before the end of the year.

The engineering industry, another big customer of the heavy

industries, also shows a declining tendency. "The Annalist" of October 19, 1934, gives the following figures:—

1934				1933
June	July	August	September	September
27.5	29.5	21.8	23.6	26.7

Engineering orders are below the level of last year. No improvement in the iron and steel industries is therefore to be expected in view of the fact that its biggest customers, the building industry, the automobile industry, the engineering industry and the railways all show a declining tendency. The scrap prices, which serve as a barometer for the future prospects of the iron and steel industries, are steadily dropping.

The stagnation of investment activity is reflected in the state of the capital market, which is completely dormant. Despite the surplus of loan-capital and despite the inflation there has been no "flight into real values," as the previous figures have shown. The U.S. bourgeoisie is showing no inclination to turn its money capital or its short-term capital, which is producing abnormally low rates of interest, into productive capital. In the month of September, for instance, the sum total of new emissions of capital was 43 million dollars, and of this small sum only 7 million dollars was for joint-stock companies, the rest being for State and municipal undertakings. Thus the emission of ordinary industrial capital was practically nil.

"The Financial and Commercial Chronicle" of October 6, 1934, gives the following figures:—

	1934	1933	1932	1931	1930
Total	1047	507	923	2836	6005
Including State and Municipal	912	365	644	1165	1467

In 1934 no more than approximately 135 million dollars was invested as productive capital, or, compared with 1930, practically nothing, and less even than the sums invested in the same period in 1932 and 1933. In order to ease the situation on the capital market and provide industry with new credit possibilities independent of the banks, the Roosevelt government empowered the R.F.C. and the Federal Reserve Banks to make direct loans to industrial undertakings to a total of 580 million dollars. Practically no use has been made of this opportunity.

The most important reasons for the "frozen" condition of the capital market are the following:—

(a) The surplus of basic capital and the lack of any hope of being able to utilise even to a moderate extent the already existing plants destroy all inclination to make further productive investments.

(b) The great surplus of money-capital which has been squeezed out of the process of circulation by the crisis and has accumulated in the hands of individual undertakings and the banks makes it possible for the big undertakings to finance what little renewal of basic capital is necessary out of their own overt and covert reserve funds without having recourse to the capital market. Despite the inflation, which usually goes parallel with a high rate of interest as a risk premium on the possibility of further depreciation during the term for which the credit is included, the rate of interest in the United States is very low. The bank rate of the Federal Reserve Bank in New York is 1.5 per cent.

(c) The ambiguity of the economic policy of the Roosevelt government, and in particular the fact that the dollar may depreciate still further.

(d) It is probable that a sort of sabotage is playing a certain role. The emission houses are dissatisfied with the new laws which, along British lines, establish a certain control over the drawing up of prospectuses for new emissions and make false statements punishable.

Be that as it may, the undeniable fact remains that although the lowest point of the crisis was reached and passed over two years ago the renewal and extension of constant capital is not making any progress. This is the cause of the great decline in Section I which took place after the most urgent needs for replacements had been satisfied. But for the big armament orders and the State building activities the situation would be much worse.

With regard to the decline in Section II, this was chiefly a

result of the situation in Section I. All the efforts of the Roosevelt government have not succeeded in reducing unemployment to any considerable extent, and this is recognised frankly by even bourgeois newspapers.

The decisive question is whether any economic and political measures will ever be able to abolish unemployment or at least reduce it to a "normal" level under capitalism. We are of the opinion that this is quite impossible with the one exception of the period of a world war. An army of unemployed workers numbering many millions is naturally a great danger to a rich country like the United States. A situation like that demonstrates too clearly to the masses that "poverty in the midst of plenty," is the result of social relations.

The reduction of the number of unemployed workers was in part only an apparent reduction, because short-time was introduced on a large scale and the given work spread over a larger number of workers. Further, retail prices have risen in the meantime as the result of the inflation, so that if the purchasing power of the masses has risen at all in the United States it has risen only very little. If we take the wage sums paid out in large-scale industry as typical for the whole of the working class we get the following picture:—

1934 April	May	June	July	1933 July
68	67	63	63	51

The cost of living figures show a steady tendency to rise. Even the index of the capitalist National Industrial Conference Board shows an increase from 75.2 to 79.1 (1923=100) in the period from July, 1933, to July, 1934. From March, 1933, to July, 1934, there was a rise of 10 per cent., and for foodstuffs alone of 24 per cent. The real increases were even greater. Since then the prices for foodstuffs have risen still further as the result of the bad harvest, whilst wages have fallen.

It is clear that the inconsiderable increase in wages which has perhaps taken place during the course of the past year can by no means offer any basis for a permanent improvement in Section II. We therefore see a new increase in the stocks of finished goods particularly in Section II.

	Total	Textiles
July, 1933	104	123
July, 1934	113	163

The profits of the bourgeoisie have grown rapidly during the period of the N.I.R.A. it is true, but this offers no substitute for the diminished purchasing power of the workers and farmers.

As far as the relations of the United States with foreign countries are concerned there have up to the present been no factors making for any intensification of the inflation. Both the United States trade balance and its balance of payments are still active. In the first eight months of 1934 the gold flow into the United States from abroad totalled over 900 million (new) dollars.

On the other hand, factors making for a real inflation are accumulating in the United States itself. During the period of the "New Deal" the public debt has increased by over six milliard dollars. This sum was obtained chiefly by means of short-term loans. If we take a look at the balances of the commercial banks we see that the overwhelming share of the new State securities are lying in the vaults of the banks and that normal commercial bills are being more and more replaced by "Government subsidies." The banknotes which are issued on this basis are banknotes in name only, and economically considered they bear the character of uncovered State paper-money. Should this development go beyond certain limits then it must lead inevitably to a real and "unregulated" inflation with all the inevitable consequences. Despite the big gold reserve of the United States, despite the fact that both its balance of foreign trade and its balance of foreign payments are active, the situation in the United States is such that at any moment an inflation panic can cause a rush to purchase articles of value.

The prospects for the further economic development in the United States are thoroughly unclear. We are of the opinion that towards the end of this year or the beginning of the next there will be an improvement once again, but that this improvement will not last very long.

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