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Economics and Economic Policy in the Third Quarter of 1925.

(Concluded up to 24. October 1925.)

By Eugen Varga.

I. Locarno.

The Contradictions of the Capitalist World and the Progress of the Soviet Union.

What does Locarno mean? Does it really mean the beginning of a new pacifist era, as maintained by the social democrats? Does it really mean a regrouping of the relations of power in the world?

It means neither the one nor the other!

Locarno is one of the many attempts being made to patch up the ever-increasing antagonism of interests among the European powers. The attempt was rendered necessary by the anxiety to remove all political obstacles hampering the investment of American capital. On the other hand Locarno represents an endeavour to organise a united front of all the capitalist countries of Europe against the Soviet Union, which is now going ahead at truly American speed. If we are to understand Locarno, we must regard it from the points of view of the three decisive world powers: the United States, the Soviet Union, and the British Empire.

The present world economic situation is characterised by a shortage of circulating capital. The loss of fixed capital suffered by Europe during the war was overcome by the transference of wealth, the huge process of centralisation in the inflation period. The capacity of the world's productive plant is greater to-day than before the war. But the whole world, with the exception of the United States, is short of circulating capital.

The economic and political predominance of the United States in the capitalist world is due to its monopoly of free circulating capital. England has prohibited foreign loans: the amounts raised by the small neutral states — Holland, Switzerland, Sweden — are negligible. All States, cities, banks, and industrial undertakings, are compelled to apply to the capitalists of the United States for loans enabling them to cover their most urgent needs in working capital. There is a ceaseless pilgrimage of finance ministers, bank directors, and trust managers, to the promised land of the Dollar.

The bourgeoisie of the United States is rapidly overcoming its one-time shyness of investing capital abroad. In 1924 the discrepancy between productive capacity and actual production in American industry amounted to no less than 15 milliard dollars. The industrial magnates wish to get rid of this surplus abroad. And this they are able to do for the simple reason that they are in a position to let their customers have goods on long credit, and to accept a share in their customers' businesses in lieu of payment. They are thus able to beat every competitor

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in the world's markets. The bank bourgeoisie supports industry by granting loans to foreign countries at high rates of interest and commission.

But if capital is to be invested in a country, the commercial solvency of the particular undertaking is not sufficient security. The political requisites for security have also to be created. Formerly this was effected by transforming the country in question into a colony. But now we are living in the era of the League of Nations, and we no longer speak of a colony. In the case of a capitalistically undeveloped country, we speak of a "Mandate of the League of Nations". And in the case of a capitalist country the process is described as "control".

For the United States the import of Locarno is a higher degree of security for the capital to be invested in Germany and France. For the United States Locarno is a direct continuation of the London Dawes agreement. France is deprived of a pretext for maintaining a large army, since her frontiers are guaranteed by England and Italy, and the path is smoothed for the disarmament conference. The American bourgeoisie will not permit its debtors, Germany and France, to expend the capital borrowed from it in wars.

It might be objected that America has not taken any part whatever in the security pact. She was not represented at Locarno, it is true, but none the less she played the leading rôle there. In fact the first suggestion of a guarantee pact was brought forward, at the time of the Cuno government, by the then American ambassador, Houghten, now ambassador in London. It may be safely assumed that the President of the Reichsbank, Schacht, at present visiting America in pursuit of loans, was informed as early as the occasion offered by the visit paid to

Berlin by **Strong**, President of the Federal Reserve Board, that there was no use reckoning on fresh loans until the Security pact had been agreed upon. It is equally obvious that the same conditions — with the exception of the consolidation of the war debts — were submitted to France and Belgium as terms for new loans. Although the United States had no representative at Locarno, the negotiations were carried on under the pressure exercised by American financial magnates. What could otherwise possibly have induced the German bourgeoisie to submit "voluntarily" to the dictates of the hated Entente.

The position is very different as regards the second world power, the **British Empire**. This mightiest structure in the world's history is showing certain signs of impending dissolution. Its economic basis is shaken. England is no longer in a position to provide her colonies with capital. The **Dominions** — English settlement colonies — are falling more and more under the influence of the **United States**. **Canada** is already completely amalgamated, economically, with the States; the ties binding her to England have become the slightest. The influence of the United States is becoming stronger and stronger in **Australia** and **South Africa**. The inability to export capital is one of the leading causes depriving English industry of the possibility of competing successfully with the United States. The fifth winter of unemployment is approaching. The suppressed peoples: the **Hindus**, **Egyptians**, **Turks**, **Arabs** and **Chinese**, are rebelling. The foundations of the **British Empire** are shaking...

England's insular position, at one time a security against foreign invasion, avails no longer. The South coast of England is within reach of the long range guns of France. The French submarines can, in the event of war, paralyse English shipping at once, the French airships can bombard the cities of England...

The weakening in the economic substructure has evoked a violent fermentation in the English working class. The days of the peaceful and liberal patriotic labour movement are over. There is a Communist Party in England, and great masses of the once so "sensible" English workers are under its influence. The English trade unions, which before the war were the strongest bulwark against any revolutionary movement, now belong to the Left wing of Amsterdam, and are fraternizing openly with the trade unions of the Soviet Union.

English bourgeois politics have lost their traditional security. The English bourgeoisie is groping uncertainly for some means of regaining a firm foothold for the Empire, but fails to find it. Every attempt brings it up against the enemy, the **Soviet Union!** The British Empire is founded on its domination over the peoples of Asia. The Indian Ocean, surrounded by British colonies, is the centre of the British Empire. The policy of the Soviet Union is naturally in favour of the liberation movement of all suppressed classes and peoples. Hence the deadly hate felt by the English bourgeoisie for the Soviet Union and the Bolsheviks.

What do Locarno and the security pact signify for England in this connection? England's aims coincide to a certain extent with those of the United States: the **weakening of the most immediately dangerous military enemy, France.** England is willing to cooperate with America in forcing France, by means of the security pact and the war debts, to limit its armaments, and in hampering its forces by strengthening Germany (Ruhr struggle). In a word, France is to be reduced to the level of a **second rate imperialist power!**

Locarno and the security pact have, however, still another and greater import for England; they signify an attempt at forming a united front of all European states against the **Soviet Union.** France is perhaps more immediately dangerous to England from the military point of view, but France is at least an enemy within the capitalist order of society. Allies can be sought against her, or she can be won over at times by means of concessions (Anglo-French united front against America in the question of the inter-allied debts). At the worst a war with France would not be a question of life and death to the British Empire. The enemy, whose mere existence threatens the foundations of the British Empire, is the **Soviet Union!** For England, Locarno means: a united front of all the capitalist states of Europe against the Soviet Union. But at the same time it is obvious that the English statesmen themselves are not quite clear as to the manner in which this united front against the Soviet Union will work out...

The world political importance of the Soviet Union has enormously increased during the last few years, and it is no exaggeration when we rank it as first class power by the side of the United States and the British Empire.

The Soviet Union, with its 135 million population inhabiting an unbroken stretch of territory, covering one sixth of the land area of the globe, with its enormous natural wealth, fully equals the United States in force and in possibilities of development. In world politics its influence over all oppressed peoples is without doubt greater than that exercised by any imperialist power. The hundreds of millions inhabiting the countries of Asia: China, India, Persia, etc., look to the Soviet Union as their sole ally in their struggle for emancipation from predatory imperialism.

Moreover: the Soviet Union is the stronghold of the proletariat. All revolutionary workers in capitalist countries — not only the members of Communist Parties — are the natural allies of the Soviet Union against the bourgeoisie within the confines of the capitalist countries. The number of these allies is growing from day to day, despite the tendency towards stabilisation within Capitalism itself, and despite many crises within the Communist Parties.

The Soviet Union of today is no longer the poor starving country forced to beg alms from the proletariat of the capitalist countries! The economic power of the Soviet Union is advancing at express speed! It is no longer possible for the bourgeoisie and the social-democrats to intimidate the revolutionary workers with the cry of: The dictatorship of the proletariat signifies starvation, deprivation, economic decay! The proletariat of the whole world believes thees lies no longer. It sees the great sea-going ships, laden with Russian grain, meat, butter, and eggs, destined for European ports. It sees Russian timber, coal, and petrol in the European markets. In the capitalist newspapers it reads of the great purchases made by the Soviet Union.

The proletariat of the world sees that the overthrow of the bourgeoisie demands sacrifice and suffering from the proletariat, but that when the dictatorship has once been gained and established, then the advance is rapid. The legend that the productive forces that have arisen under capitalism can only be controlled by the capitalist class, can only be exploited in a capitalist state of society, has been exploded. The economic advance of the Soviet Union proves the surperfluonsnese of the capitalists!

It is precisely for this reason that the existence of the Soviet Union causes such profound anxiety to all capitalist statesmen. But the extent to which they feel themselves threatened by Soviet Russia varies greatly.

The bourgeoisie of the United States still feels itself quite secure. Capitalist economics are still on the upgrade. The belief of the working class in capitalism remains essentially unshaken, the Communist Party is still weak. America has no common frontiers with the Soviet Union. The American government — the executive carrying out the wishes of the American big bourgeoisie — though it has not yet officially recognised the Soviet Union, and warns its bankers against loans to the Soviet Union, is by no means displeased when the bourgeoisie does business with Soviet Russia. (Harriman concession, cotton, naphtha.) And in foreign politics it is even pursuing in China, a line parallel in a certain sense to that of the Soviet government against the special privileges of the European imperialist powers¹⁾.

Englands' attitude to the Soviet Union is quite different. Despite its vast extent and outward strength, the English Empire is the weakest link in the chain of capitalist countries. In foreign politics it everywhere encounters the spirit of the Soviet Union, the spirit of emancipation among the peoples. At home it is in a most difficult position with regard to the working class. An advancing Soviet Union is fatal for English imperialism...

The Soviet Union is in a similar situation as regards the capitalist countries bordering it. Their bourgeoisies profit by the economic advance of the Soviet Union, but on the other hand the social influence of the Soviet Union, the revolutionary effect of its success, is growing from day to day. The capitalist countries not quite so close to Russia: France, Germany, Italy, see in Soviet Russia a factor of foreign political power which must be taken into account in various ways in the inevitable wars resulting from the clashing of interests among the capitalist powers themselves.

Thus Locarno and the Security Pact have a double aspect: for America they are a security for her West European capital

¹⁾ The actual difference of the policy pursued lies in the different view taken of the future of China. America hopes to control the economics of a united bourgeois China; the Soviet Union hopes for a free China of the workers and peasants, under the leadership of the proletariat.

investments against war; for England they are an attempt at organising a united front against the Soviet Union, and a hope that a favourable opportunity will arise to declare war one more against Soviet Russia.

This would be a life and death struggle! Where defeat at the hands of a capitalist opponent has already weakened the rule of the bourgeoisie in many countries (annihilating it in Russia), a defeat at the hands of the Soviet Union would mean the annihilation of bourgeois rule in the countries involved. The European bourgeoisie is on the horns of a terrible dilemma. If it permits the Soviet Union to pursue its way peacefully towards economic prosperity, until the standard of living of its working class far exceeds that of the capitalist countries, it will not be able to stand up for long against the attacks of its own working class. For why should the European working class endure poverty and deprivation under capitalist rule, when it sees that better conditions can be obtained by overthrowing the bourgeoisie? And if the bourgeoisie resorts to war, then it immediately hazards its own rule, for the vanguard of the European proletariat will fling itself into a victorious fight against social patriotism.

The League of Nations and the Security Pact do not suffice in themselves to form a real united front in the capitalist world. For them to do so would involve the impossible — a renunciation on the part of the separate "state capitalist trusts" of their own special interests, and the establishment of a super-state economic organisation. This is the basic idea of Loucher's proposal of a world economic conference convoked by the League of Nations. The bourgeoisies of the lesser European powers, economically harassed by America and England demand real economic guarantees before they risk plunging into the struggle against the Soviet Union!

Jouhaux, whom we may regard as the spokesman of the bourgeoisies of the lesser powers in this respect, has declared this plainly enough although in veiled terms:

"The economic programme which could be the result of this conference will, of necessity, be extremely democratic and international. It will emphasise the absurdity of economic nationalism, which is no less dangerous than political nationalism and at the same time closely bound up with it. It will counteract certain currents whose strength we are feeling too much already, whose increase would lead to chaos, and whose influence is leading certain governments and certain peoples to regard it an ideal state of affairs for a country to suffice for itself, without demanding anything from its neighbours."

The representative of England however, Lord Cecil, politely declined this "surprising" proposal, observing that he did not think a meeting called by the League of Nations would provide a suitable milieu for dealing with these minute questions.

The American bourgeoisie, strong in its consciousness of power, also declined to recognise such a field of action for the League of Nations, and the "Financial and Commercial Chronicle" declared in its leading article of 12. September 1925 that though it is true that Asia, Africa, and South America are represented in the League of Nations, still it can hardly be seriously maintained that the influence exercised by the League of Nations on the history of any one of these continents is of any great importance, with the exception of the formal control over the colonial mandates in Africa... The "Chronicle" further observes that the League of Nations is the most interesting combination of a gentlemen's club and a debating society existing at the present time, and that those who are permitted to participate in its privileges at the expense of the governments which they represent, may regard this institution as an excellent means of saving time, but that it appears to be of little use as a factor controlling the peace or prosperity of Europe or of any other part of the world.

To sum up:

The Locarno agreement is not a turning point in the world politics. It is a production born of the present plight of the bourgeoisie, one of the many inadequate attempts at patching up the conflict of interests — becoming more and more acute with the tendency towards economic stabilisation — by means of agreements on paper. Its purport is as follows:

1. Security for the American capital invested in Western Europe against war danger; the preparation of a disarmament conference to be conducted by America. The force of the Security Pact in this direction only reaches as far as American pressure reaches.

2. An attempt to organise a European capitalist united front, under England's leadership, against the Soviet Union. In this direction the power of the Pact depends upon the strength of the English pressure, upon the acuteness of the conflict of interests among the European states, and upon the resistance offered by the proletariat.

How very far the capitalist world is still removed from any united super-state organisation is evidenced by the crises in France and Germany, the conflicts in the Balkans, the preparations for war by England and Turkey on account of Mosul, the Moroccan war and the rising in Syria, the national and social fermentation in China, etc.

II. General Section.

No great changes have taken place in the world's economics in the third quarter of 1925 as compared with the previous quarter. There is still no uniformity to be recorded in the development of economic conditions the world over. Whilst a moderate degree of economic prosperity is to be observed in the United States and in the countries of similar economic structure, economics in Europe have, on the whole, rather retrogressed than advanced.

The excellent grain crops in Europe and the great cotton harvest in America will exercise a certain influence on the economic conditions all over the world. Both factors will increase consumption, but at the same time will greatly decrease the value of the goods imported by Europe from America.

It must, however, not be forgotten that though the production of the capitalist world in general, and of Europe in particular, is thus gradually increasing despite the constant relapses, so that it is justifiable to speak of a certain tendency towards stabilisation in capitalism, still on the other hand the production of goods per head of the population in Europe is still far behind pre-war production, a fact leading to very considerable tension between the proletariat and the bourgeoisie in the different countries.

On the other hand the discrepancy between productive capacity and possible markets is leading to severe struggles among the imperialist powers for these markets. So far these struggles have not led to armed conflicts among the imperialist powers, but they are none the less expressed in the continuous armaments and in the colonial wars. The war in Morocco and the colonial war waged by France in Syria have continued with undiminished violence during the whole of the period covered by this report. The revolutionary movement in China considerably disturbs equilibrium in the capitalist world. The Mosul question has not been settled, and the possibility of a war between England and Turkey is being openly discussed. Thus the certain tendency towards improvement in the sphere of production on the one hand is accompanied by an aggravation of inner-political and imperialist antagonisms on the other.

From the point of view of world-economics, the endeavours being made to form international cartels are of considerable importance, although the main efforts in this direction: the Franco-German-Belgian iron cartel, and the Anglo-German coal agreement, have not reached any actual results up to now.

It will be known to our readers that the League of Nations, at its last session, resolved upon the convocation of a general world economic conference at an early date. The aims and objects of this conference have, however, been stated in such a nebulous manner, and the attitude of England and America is so disinclined that it is very doubtful whether this conference will ever meet at all, or what it will accomplish if it does meet.

The Currency Problems.

Currency conditions have been much more variable in Europe during the period under report than in the first half of 1925. The depreciation of the Polish mark, which abruptly fell 10% at the end of July, is of special significance. Despite the endeavours of the Polish government there has been no recovery.

This is the first case in which a currency freshly stabilised on a gold basis has again depreciated, and for this reason the case deserves our special attention.

In our opinion, the main cause of the depreciation of the Polish currency lies in the fact that the military and political super-structure imposes too great a burden upon the weak economic foundation. The reasons for this weakness of economic foundation are mainly the following:

1. The Polish state, patched together out of so many different pieces, does not form an economic unity;

2. Poland has not received any noteworthy foreign loans up to the present, and has failed to work her way out of the general crisis of impoverishment prevailing in Central and Eastern Europe. In foreign politics Poland attached herself entirely to France, that is, to the imperialist power occupying the weakest economic position, and which is itself dependent upon foreign loans and therefore entirely unable to relieve Poland's shortage of circulating capital by means of extensive loans. These circumstances have placed the stabilisation of the currency upon a very weak footing, offering no possibility of resistance against disturbing external events.

The disturbing external event in this case has doubtless been the tariff war with Germany. Poland has always carried on her most extensive foreign trade with Germany. Polish Upper Silesia, in particular, has always sold almost the whole of its coal and iron output to Germany. The whole economic structure of Polish Upper Silesia is still closely bound up with Germany. The tariff struggle has rendered the export of Polish goods to Germany almost impossible, and this circumstance has sufficed to destroy the stability of a currency always shaky.

The Polish government has exerted the utmost efforts to restore the gold parity of the Zloty. It has restricted the issue of bank notes and limited credits, thus bringing about an acute economic crisis. It has raised the bank rate from 10% to 12%. It has obtained a credit of 10 million dollars from America. But all this has been of no avail. The Polish zloty has shown no recovery.

The fate of the English currency is again extremely interesting. After the restoration of the gold standard, gold began to stream into the Bank of England, not by way of the normal payment balance, but by means of agreements made by the Bank of England with other bank note institutions. The maximum influx of gold thus setting in amounted to over 8 million pounds sterling. We observed in our last report that the stability of the English currency would not be tested until the Autumn, when large payments to America would become due. This has since proved to be the case; by the end of September the English currency had sunk beneath the gold export point as compared with the dollar and other currencies with a gold basis. The result was a rapid outflow of gold, so that by the first week in October there were only 2 millions left of the inflow of over 8 million pounds sterling²⁾.

The circumstances leading to this weakening of the English currency, and to the outflow of gold, are of an exceedingly complicated nature. In England there exists a prohibition against loans being granted abroad, in order to check the outflow of gold into foreign countries. This appears to have been made necessary by the adverse trade balance in England, which is growing worse from year to year, and will probably this year amount to the sum of 250 million pounds sterling. This means that the interest and profit gained by English capital invested abroad, as well as the amount represented by "invisible exports" (shipping profits, foreign banks, transit trade, etc.), are completely absorbed, so that England possesses no fresh capital for purposes of investment in foreign countries. On the other hand, there has been a large amount of available cash in England of recent months, so that the Bank of England has twice been obliged to reduce the bank rate, each time by $\frac{1}{2}\%$, down to 4%.

The contradiction between the lack of capital available for foreign investment, and the presence of available funds at home, is to be explained by the fact that the slackness of trade in the country itself releases capital in the form of money from the circulation, but for short terms only. But being free as loan capital only for brief terms, this capital cannot be employed for export.

The lowering of the bank rate has, on the other hand, probably had the effect of driving back to America the short term American loan capital invested in England, thus increasing the payments due from England to America. This has again led to a depreciation of the English pound sterling below the gold export point, as compared with the dollar, that is, it has become more advantageous for the English capitalist to send his gold to America in its natural form — despite loss of interest and higher costs of transport — than to buy dollar bills. In our opinion, it is improbable, that the English pound will

depreciate further for the present, its stability being secured by the agreements made between the bank of England and the Federal Reserve Bank and the Morgan group, commented on in our last report. But that the rate of exchange actually could sink below the gold point shows that England will have to contend against even greater difficulties if she is to maintain the gold parity of her currency.

The French currency remained fairly stable during the period of this report, until October. The rate of exchange was maintained at about 103 francs to the pound. It was not until October, after the failure of the debt negotiations with America, that a fresh depreciation set in. On 7. October in Paris, 105.6 francs to the pound sterling were quoted, on 24. October 117, only 13 points less than the lowest level in the spring of 1924. The French minister of finance has been attempting to combat the depreciation with the threat — in a similar manner to the tactics followed in the spring of 1924 — of employing the Morgan credit, said to be still remaining untouched, for the purpose of stabilising the franc. It is not possible to judge at present whether this threat will be effective or not. It depends mainly upon whether the failure in America bars the way to a large loan in the United States or not. If France does not obtain a large fresh loan within a reasonable time, it is highly probable that the franc will continue to depreciate, despite the favourable foreign trade balance.

The Italian currency rose considerably in value during the period of this report, recovering to a great extent from the depreciation experienced during the period covered by the previous report. But now a fresh depreciation has set in, so that at the present time the rate of exchange of the lira is about 10% lower than it was a year ago.³⁾

The Scandinavian currencies have also experienced considerable fluctuations. The Norwegian and Danish currencies in particular have risen by 30% during the period covered by this report, a fact which has much disturbed economic conditions in these countries.

The German currency has been maintained for the most part at just about parity. There have been days during the last quarter on which as much as 4.30 Marks was given for a dollar note instead of the parity level of 4.19 Marks. This has been ascribed to the speculative purchase of dollar notes in Germany by Poland.

It is further of interest to note that Belgium, after having settled her debt to America, now appears to have the intention of stabilising her currency by means of increased taxation and the taking up of foreign loans in New York, London, and Amsterdam, and thus severing all connection with the French franc. The basis of stabilisation aimed at is said to be, in round figures, one quarter of the original parity, or 100 Belgian francs to the pound sterling.

Finland is also said to be intending to introduce gold currency.

Japan, too, is alleged to have similar intentions. And it is an actual fact that several millions in gold have recently been sent to the United States, for the purpose of establishing a fund in support of the yen.

We give below the comparative rates of exchange on the New York Exchange, quoted for the non-stabilised currencies:

Rates of exchange for foreign bills in New York.
(Cents per foreign unit.)

	Parity	September 1924	January 1925	April 1925	July 1925	12. September 1925	21. October 1925
Belgium	19,30	4,94	5,06	5,02	4,62	4,46	4,56
Denmark	26,80	16,94	17,81	18,78	21,40	25,30	24,50
Finland	19,30	2,52	2,52	2,52	2,52	2,52	2,52
France	19,30	5,29	5,39	5,16	4,70	4,72	4,38
Greece	19,30	1,78	1,76	1,80	1,60	1,47	1,33
Italy	19,30	4,38	4,16	4,06	3,67	4,29	3,99
L dia	48,66	32,43	—	—	36,61	36,87	—
Japan	49,85	40,00	—	—	41,00	41,00	41,12
Jugo-Slavia	19,30	1,36	1,63	1,63	1,77	1,78	1,78
Norway	26,80	13,83	15,26	16,79	18,01	22,46	20,30
Poland	19,30	19,25	—	—	19,20	18,50	—
Roumania	19,30	0,52	0,52	0,47	0,49	0,49	—
Spain	19,30	13,24	14,17	14,53	14,51	14,62	14,34
Czechoslovakia	—	3,00	3,00	2,96	2,96	2,96	2,96

²⁾ Whilst this report was being written the gold outflow has continued: By the end of October a considerable minus will doubtless be reached as compared with the period when gold payment was reintroduced.

³⁾ The rate of exchange has meanwhile worsened again; 122 lire to the pound being quoted on 24. October.

The Price Movement.

The price movement of the last few months has shown two different tendencies. On the one hand we have the falling tendency in the price of grain, on the other hand a general rise in prices for industrial articles. The result is that in those countries possessing a stable currency, there is but little change in the total price index. In France and Italy the price levels are rising at a fairly rapid rate.

We append the usual table of wholesale trade prices. It must, however, be emphasised that the prices stated for the various countries cannot be compared with each other. The table can only be read from the top to the bottom, that is, can only be employed for characterising the price developments in the different countries in point of time.

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

	U. St. A. Bureau of Labour	England Economist	Germany Stat. Reichsamt	France	Italy	Poland	Sweden	Switzerland	Soviet Union Gosplan	Japan	British India	China
October 1924 . . .	152	180	131	497	602	116	167	169	164	213	181	153
February 1925 . . .	161	177	137	515	660	125	169	170	183	210	172	159
March 1925 . . .	161	174	134	513	659	122	168	166	195	204	168	160
April 1925 . . .	156	169	131	513	659	119	163	163	197	202	169	159
May 1925 . . .	155	166	132	519	660	118	162	162	190	199	164	158
June 1925 . . .	157	162	135	543	683	119	161	161	188	200	154	157
July 1925 . . .	160	165	135	557	707	120	161	160	175	199	—	163
August 1925 . . .	160	165	132	557	—	124	159	159	173	200	160	160
September 1925 . . .	—	164	126	555	—	—	—	159	—	200	—	—

We append a compilation showing in gold the international wholesale trade figures during the course of the past year. Generally speaking, prices rose greatly during this year; a fact which may be mainly attributed to the rise in the price of grain. During the first half of 1925, on the other hand, prices fell in general. The sole exception is Norway, an exception obviously due to the strong upward tendency of the Norwegian currency. Unfortunately the data for Poland are lacking.

International wholesale trade index figures in gold.¹⁾ (1913/14 = 100.)

	June 1924	January 1925	June 1925
Belgium	134	150	131
Denmark	130	156	156
Germany	116	138	134
France	128	144	130
Great Britain (Board of Trade)	144	168	158
Italy	137	142	136
Holland	141	161	153
Norway	133	159	164
Austria	128	148	143
Poland	101	120	—
Sweden	156	170	161
Switzerland	159	171	162
Spain	125	140	—
Czechoslovakia	138	152	147
United States (Bureau of Labour)	145	160	157

Unemployment.

Economic conditions having been fairly stationary, unemployment has also maintained very much the same level during the last few months. Data for September are not yet available, and those for August are still incomplete. But it is possible to observe that, in general, there is a tendency for the percentage of unemployed among trade union organised workers to increase; this may be seen in every country publishing current statistics on unemployment. At the present time Germany, of all the great industrial countries, has the smallest percentage of unemployed, whilst England has the largest percentage, or perhaps the United States, which do not issue statistics on unemployment, but merely data on the degree of employment. Among the countries not publishing unemployed statistics in percentages, the number of unemployed appears to have increased in Poland, Austria, Italy and Czechoslovakia.

We append the customary table stating the percentage of unemployed among workers organised in trade unions.

Percentage of unemployed among workers organised in trade unions.

	England	England, of all insured	Belgium	Holland	Denmark	Norway	Sweden	Germany	Germany Part-timers	United States Degree of employment (1919 = 100)
1923 September . . .	11,3	11,7	1,5	11,6	7,7	7,6	8,0	9,9	39,7	—
1924 September . . .	8,6	10,8	3,0	8,2	5,8	5,2	7,0	10,5	17,5	91,2
1925 January . . .	9,0	11,5	6,1	15,1	16,9	11,9	14,8	8,1	5,5	94,4
1925 April . . .	9,4	11,2	7,1	8,1	13,5	9,5	10,9	4,3	4,9	95,9
1925 May . . .	10,1	11,2	6,2	7,9	12,1	8,1	7,8	3,6	5,0	94,9
1925 June . . .	12,3	12,2	5,7	7,7	9,3	8,5	8,2	3,5	5,2	94,2
1925 July . . .	11,2	11,5	—	8,9	8,3	—	7,5	3,7	5,8	93,1
1925 August . . .	11,4	12,5	—	—	9,2	—	—	4,3	6,9	—
1925 September . . .	11,4	12,4	—	—	—	—	—	—	—	—

The World Harvest and the Movements in the Price of Grain.

The data referring to the crops of the northern hemisphere have now been issued, showing that this year the grain crops considerably exceed last year's, and are also greater than the average crops for the five years preceding the war. The most important data are the following:

	Wheat in mill. double cwt.			
	1925	1924	1923	Average 1909/13
Europe (22 countries)	350	277	331	358
Canada and U. S. A.	297	309	346	242
Asia (4 countries)	99	109	111	103
North Africa (4 countries)	29	23	29	26
Total	775	718	817	729
Union of Soviet Republics	180	104	—	186
Total of 33 countries	955	822	—	915

The countries here enumerated comprise in round figures 2% less than the total production of the northern hemisphere.

	1925	1924	1923	Average 1909/13
Europe (20 countries)	219	152	195	234
Canada and U. S. A.	17	20	22	10
Total	236	172	217	244
Union of Soviet Republics	208	176	—	187
Total of 23 countries	444	348	—	431

We see that in this year the crops of bread corn in the northern hemisphere exceed the average of the five years before the war by 55 million double hundredweights. We must add that the barley crop is about 14 million double hundredweights less than the pre-war average, the oat crop about 20 million greater. As compared with last year, there is an increase of 130 million double hundredweights of bread corn.

This increased production is due to a certain extent to the larger area under cultivation, but is mainly owing to a higher yield per hectare. Among the European wheat-growing countries the area under wheat cultivation has only decreased in Spain and Great Britain. Among the extra-European states we find the greatest reduction in the area under cultivation in the United States, only approximately 22 million hectares having been cultivated in 1925 as compared with 23 million hectares in 1924.

The yield of wheat has, however, been considerably greater than last year's in almost every wheat growing country, with the exception of the United States and India, and has also exceeded the average of the last five years. We append the most important data:

	Wheat crop in mill. double cwt.	
	1925	1924
Germany	29,0	24,3
France	89,6	76,5
Italy	63,0	46,3
Poland	15,9	8,8
Roumania	29,0	19,2
Hungary	18,1	14,0
Jugo-Slavia	22,4	15,7
Union of Soviet Republics	131,2	67,2
Union of Soviet Republics (Asia)	48,7	36,6
Canada	106,6	71,3

¹⁾ „Wirtschaft und Statistik“ No. 16, p. 539.

It will be seen that of the large wheat-growing countries it is solely the United States (190 million double hundredweights as compared with 237 last year) and India (88 as compared with 98) in which there has been a falling off in comparison with last year.

The production of rye has very greatly increased: in Germany 77 double hundredweights as compared with 57 million, in Poland 68 as compared with 37, and in the Union of Soviet Republics in Europe 197 as compared with 163.

The world's crops are beginning to approach the level of the pre-war averages. Whilst the Union of Soviet Republics and the Danube states were not able to export last year, in this grain year they will be in a position to satisfy a great part of the requirements of Europe. The European shortage of bread corn, of necessity covered by import from America, has greatly reduced. There is every likelihood that in the present year there will be a surplus of grain on the world market.

The following table gives the amount of grain consumed by the leading grain-importing countries. These are: Belgium, Denmark, Germany, Esthonia, Finland, France, Great Britain, Greece, Italy, Latvia, Norway, Austria, Poland, Sweden, Switzerland, Czechoslovakia, Japan and Egypt. It should here be mentioned that this year Poland has ceased to be a grain-importing country, and that France's requirements also appear to be almost covered. The imports of flour are recalculated into grain:

The consumption of bread corn in the leading import countries.

Year or grain season	Wheat			Rye			Total consumption of Wheat and Rye
	Production	Import	Consumption	Production	Import	Consumption	
			Million double cwts.				
1921 (1921/22) . . .	248	152	400	—	—	—	—
1922 (1922/23) . . .	202	158	360	—	—	—	—
1923 (1923/24) . . .	242	178	420	187	19.8	207	627
1924 (1924/25) . . .	213	166	379	133	14.6	148	527
1925	256	—	—	202	—	—	—

This table shows that the import countries have themselves been able to produce 43 million double hundredweights of wheat and 69 million double hundredweights of rye more than in 1924.

The amount of bread corn required by the import countries enumerated in the above table, the consumption of the season 1923/24 being assumed, is:

169 mill. double cwts.

Requirements of the other import-countries (average of last 4 years) 39 mill. double cwts.⁵⁾

Total . . . 208 mill. double cwts.

The bread corn export of the five largest overseas export countries: Canada, United States, Argentina, Australia, and India, averaged 202 million double hundredweights during the past five years.

The result arrived at is as follows:

Should the crops of the southern hemisphere be approximately up to the standard of the average of the last five years, then the grain requirements of the import-countries will be about covered by the export of the five largest overseas export countries. The North American crop, however, falls behind the average of the last five years by about 40 million double hundredweights. If we assume that the countries of Eastern Europe: Poland, Roumania, Hungary, Jugo-Slavia, and Bulgaria, cover this falling off; if we further assume that the southern hemisphere will place an average quantity of grain on the market this year, it becomes apparent that the export surplus of the Union of Soviet Republics in the world's markets represents a surplus over the probable consumption. Should this prove to be the case, then a further fall in the price of corn must be reckoned with during the coming grain year.

⁵⁾ This total includes the average import of the Union of Soviet Republics for the last four years.

The Developments in Grain Prices.

The excellence of this year's crops has had the effect of greatly reducing the prices of every description of grain during the last three months.

We append a survey of the grain prices in the months of July to October 1923/25 in the chief corn markets of the world. It will be seen that the prices of grain have, for the most part, already sunk to a level below that of October 1924. When comparison is made with 1923, the different kinds of grain show varying tendencies. Wheat is at present quoted at much higher prices than two years ago at this time. The same applies to rye and barley. The price of oats, on the other hand, is about the same as it was in 1923, and the price of maize is considerably lower than two years ago.

As it may be assumed that prices will drop still further in the course of the present grain year, provided there is no failure of crops in the northern hemisphere, we may expect a renewal of the discrepancy between the prices of industrial and agricultural products in the course of the present grain year.

The developments in grain prices in the months of July to October 1923—25.

Date	Wheat		Rye		Barley		
	Winnipeg No. 1 Manitoba, cents per 60 lbs.	Chicago No. 2 winter, cents per 60 lbs.	Liverpool and London, No. 1 Manitoba, sh. per 480 lbs.	Minneapolis No. 2, cents per 56 lbs.	Berlin province, gold mark per double cwt.	Winnipeg No. 4 Western, cents fur 48 bs.	Chicago fodder plus t c. cents per 48 lbs.
1913 average . . .	88,0	90,2	36,0	56,5	16,60	46,0	51,0
1913 September 12.	86,4	93,2	33,5	61,0	16,10	—	67,0
1923 July 13. . . .	107,5	101,5	45,0	61,5	—	46,7	63,0
1923 August 10. . .	109,0	100,5	43,0	61,0	—	50,2	55,2
1923 September 14.	106,0	106,5	47,0	65,0	—	46,5	56,5
1923 October 12. . .	99,5	112,5	43,7	67,5	—	49,5	61,7
1924 July 11. . . .	124,7	120,5	48,7	73,5	13,55	73,7	74,0
1924 August 8. . . .	149,0	130,2	52,2	87,5	14,20	81,5	83,0
1924 September 12.	143,2	130,2	53,5	93,5	18,75	86,5	75,0
1924 October 10. . .	162,0	146,0	68,5	121,0	22,80	90,2	85,0
1925 July 10. . . .	159,5	151,0	58,7	91,5	22,80	89,0	75,0
1925 August 14. . .	164,0	165,0	62,5	104,0	18,40	80,5	76,0
1925 September 4. .	156,4	157,2	55,5	87,5	17,20	69,0	65,0
1925 September 11.	141,4	154,2	55,2	87,0	16,80	65,5	65,0
1925 October 20/21.	127,6	144,0	51,0	—	15,10	65,0	—

Date	Barley		Oats		Maize		
	Liverpool and London, Americ., sh. per 400 lbs.	Winnipeg No. 2 white, Cents per 34 lbs.	Buenos Aires, paper pesos per double cwt.	Liverpool and London, La Plata, sh. per 320 lbs.	Chicago mixed Americ. No. 2, Cents per 56 lbs.	Buenos Aires, La Plata, yellow, paper pesos per double cwt.	Liverpool and London, La Plata, yellow, sh. per 480 lbs.
1913 average . . .	22,0	34,0	5,49	18,0	64,2	5,22	24,5
1913 September 12.	21,0	35,0	5,65	16,5	76,0	5,65	23,5
1923 July 13. . . .	24,5	45,0	7,85	21,5	86,0	8,45	35,0
1923 August 10. . .	24,0	43,5	7,50	20,0	87,5	8,15	32,0
1923 September 14.	27,5	42,5	7,95	20,5	88,7	8,80	35,0
1923 October 12. . .	28,2	44,0	8,10	21,5	112,0	9,55	35,5
1924 July 11. . . .	36,0	44,0	8,00	20,0	106,0	8,75	34,0
1924 August 8. . . .	39,0	54,0	9,00	24,0	115,5	9,90	37,2
1924 September 12.	40,5	59,4	9,85	27,0	123,0	10,35	41,5
1924 October 10. . .	44,0	65,5	10,40	29,0	114,0	11,25	46,2
1925 July 10. . . .	35,2	60,4	8,85	25,0	106,7	8,85	39,5
1925 August 14. . .	36,0	56,4	9,15	25,5	105,7	9,65	43,5
1925 September 4. .	30,7	53,2	8,40	24,7	101,0	9,10	37,5
1925 September 11.	30,7	51,2	8,35	24,5	97,5	9,60	39,0
1925 October 20/21.	—	46,0	7,20	22,4	74,0	8,25	35,0

In the following table we show the developments in wheat prices during the last few months, reduced to gold francs. The tremendous fall in prices which took place in September cannot yet be seen from this table. The rapid rise in the price of wheat in Italy, inconsistent with the general trend of the table, is a result of the duty on wheat decreed by Mussolini.

Wheat prices per hundredweight, in gold francs, at beginning of months.

	Average 1913	June 1924	Sept. 1924	March 1925	July 1925	August 1925	Sept. 1925	Oct. 1925
Winnipeg (Manitoba I) . . .	16,8	20,09	25,80	36,0	29,73	33,12	29,90	22,64
Chicago (Winter II)	17,2	20,6	23,92	35,0	28,18	31,73	29,94	27,13
Minneapolis (North. I) . . .	16,7	21,7	24,37	33,1	28,18	31,80	29,13	26,47
New York (Winter II)	18,5	22,4	26,37	37,0	30,44	33,54	31,56	28,13
Karachi (white)	17,3	20,2	25,56	36,1	27,11	29,92	28,79	28,28
Buenos Aires (Barletta) . . .	19,0	19,7	27,13	36,4	29,34	32,44	30,30	27,18
Import grain in London								
Manitoba I	20,9	23,1	30,26	42,6	33,85	35,82	32,15	27,95
Winter 2	20,7	—	27,34	40,0	30,99	33,02	32,00	28,28
Plata	20,6	22,2	28,67	39,2	30,75	34,18	32,15	28,09
Karachi	20,9	23,6	29,07	39,5	31,28	34,18	33,74	32,15
Native wheat in								
Germany, Berlin (market) . . .	24,3	18,5	26,67	31,9	33,64	31,42	27,41	24,94
Belgium, Antwerp	19,8	—	27,15	30,8	25,80	29,38	25,71	24,18
France, Paris	27,9	—	30,41	37,0	30,43	31,32	30,85	30,65
England, London	19,9	25,3	27,68	33,1	28,96	29,58	28,34	25,03
Italy, Milan (soft)	28,1	25,2	27,17	42,4	28,82	35,89	35,99	36,48
Holland, Rotterdam	21,9	—	—	31,0	—	—	27,85	25,51

It is also worth noting that in Germany grain prices, until October, were far beneath the parity of the world's markets. The cause of this is obviously the urgent need of money among the German farmers, which has forced them to place larger quantities of grain on the market than was justified by the current demand. The shortage of money among mill owners and grain dealers has prevented these from buying up the surplus grain for speculation. With the issue of the export certificates on October 1., the German prices will probably adapt themselves rapidly to the world's market prices, and most likely in such manner that the price of rye will be level with the world's market price minus costs of carriage etc. plus rye duty (a consequence of the export certificates), as Germany obviously has an export surplus of rye this year; the price of wheat, on the other hand, will level at the world's market price plus duty, plus transport expenses, as Germany is obliged to import wheat.

The peculiar development of prices in Germany had already resulted in a discrepancy between the prices of agricultural and industrial products by the months of August/September. According to the wholesale trade index figures issued by the Reichs statistic office, the following were the wholesale trade prices for

	August	9. Sept.
Agricultural products	130	124
Industrial products	135	134

There is no such discrepancy to be observed in the prices in the world's markets in September.

The Cotton Crops and the Demand for Cotton.

At the beginning of October the American Ministry for Agriculture published its latest estimate of this year's cotton crop. This estimate has caused a great sensation, for it calculates the American yield at 14,759,000 bales as compared with 13.6 million bales in 1924, 10.1 million in 1923, 9.8 in 1922, and 8 million in 1921. The figure of 14.7 million bales exceeds even the boldest private estimates. The market has naturally reacted at once by a rapid fall in prices, amounting almost to 10%. It is probable that prices will fall still further in the course of the year.

We shall thus have an opportunity of testing the truth of the assertion made by the English cotton manufacturers, that the slackness in the textile industry of late years is mainly due to the high cotton prices. Should this really be the case, then the present year should witness a greatly increased consumption of cotton, and a revival in the whole cotton trade.

As a matter of fact, there is an actual tendency towards an increased consumption of cotton. At the beginning of September the International Federation of Cotton Spinners published their report, from which it may be seen that the consumption of American cotton amounted to 13.3 million bales in the year ending 31. July 1925, as compared with 11.1 in the year ending 31. July 1924, whilst the total consumption has risen

from 20.4 to 23.2 million bales. The following table shows the countries whose cotton consumption exceeded one million bales in the year 1924/25. The countries are given in the order of the extent of their consumption:

United States	6.13
Great Britain	3.24
Japan	2.46
India	2.44
China	1.34
Union of Soviet Republics . . .	1.24
Germany	1.21
France	1.12
Italy	1.00

We may gather some interesting facts from this table.

1. The Soviet Union occupies the second place in Europa as a consumer of cotton.

2. The consumption of the three Asiatic countries is approximately as large as the collective consumption of the four leading West European countries: Great Britain, France, Germany, and Italy, and is larger than the consumption of the United States.

International Partial Crises and the Formation of International Cartels.

In these reports we have frequently mentioned the fact that of late years the world's economics have been distinguished by a lack of uniformity in the rise and fall of economic prosperity — there has been no systematic cycle of boom, crisis, depression, good business, boom, on a world-scale. Almost every capitalist country has its own special trade cycle. This year has witnessed a change in this state of affairs in so far as a crisis affecting the whole of the capitalist world has broken out in some of the most important branches of industry: coal, iron and steel, ship-building and shipping. This crisis has severely hit the heavy industry of the countries concerned, and has effected their whole economic life in proportion to the importance of the rôle played by these branches of industry in the respective countries.

In England, where coal and iron form the most important "key industries", economic conditions are influenced decisively for the worse by the crisis in heavy industry. This is best demonstrated by the fact that if we deduct the number of unemployed coal miners from the sum total of unemployed at the present time, and at the same time last year, we find that without the miners the number of unemployed has not considerably diminished.

In Germany the general economic conditions have been rendered considerably worse by the crisis in the coal mining industry; the same applies to Belgium, Poland, and Czechoslovakia.

In France, which is dependent on the transport of coal, the output of the home mines did not begin to slacken until August.

As opposed to this, general economic conditions in the countries importing coal and iron — Italy for instance — are favourably influenced by the international crisis in heavy industry: the prices are falling, coal and iron are easily obtained, the competition for customers is keen!

The World's Coal Output.

It is extremely interesting, in the light of present events, to glance again through Keynes' book on the Versailles Treaty. With what eloquence do we find it here expounded that the separation of the Saar area and Upper Silesia from Germany, and the delivery of reparation coal forced upon the Germans, must inevitably destroy Germany's capability of economic existence. Today, after the lapse of five or six years, we see that the amount of reparation coal demanded by France and Belgium diminishes steadily, and that Germany is not only well able to meet her own requirements in coal, but to reappear in the world's coal markets as the most dangerous competitor against England.

The following table gives a rough estimate of the monthly output of coal in the most important coal producing countries; the data are obtained from the "Economist", supplemented by newspaper reports:

Coal output (mill. tons.)

	England	Germany	France	Poland	Belgium	Czecho-slovakia	U. S. A.	Total
1913 monthly average . . .	24,3	11,7	4,5 ^{a)}	3,0 ^{b)}	1,9	1,2	43,1	90,7
1923 " " " " " " " "	23,5	5,2	4,0	3,0	1,9	1,0	49,3	87,9
1924 " " " " " " " "	22,6	9,9	4,9	2,7	1,9	1,2	42,3	85,5
1925 January	22,0 ^{a)}	11,9	5,4	2,8	2,1	1,0	53,8	
1925 March	23,0	11,4	5,4	2,7	2,0	1,0	40,5	
1925 June	18,0	9,9	4,9	2,2	1,8	1,0	40,8	78,5
1925 July	21,6	11,2	4,9	2,2	1,9	1,1	43,7	87,6
1925 August	16,7	11,1	4,9	1,5	1,8	1,0	48,8	85,8
1925 September	17,5	11,4	—	—	—	—	—	—

Frank Hodges, the International Miners' Secretary, gives the following figures for the whole world in the "Observer" of 9. August:

	Million tons		Per cent Increase or decrease
	1923	1924	
Europe	605	540	— 9,1
America	533	512	— 2,6
Africa	8	12	+ 50
Asia	55	71	+ 28
Australia	15	19	+ 28
	1216	1183	— 2,7

These figures show that the coal output in the leading coal producing countries is but very slightly less — 3 to 5% — at the present time than before the war, the lessened output being mainly in England.

But this production exceeds the world's needs.

The reasons for this are as follows:

1. The substitution of crude oil for coal: The production of crude oil has increased tremendously within the last decade; in the navy and in other branches of shipping the transition to oil fuel has caused a great falling off in the use of coal.
2. The substitution of lignite for coal, especially in Germany.
3. The exploitation of water power on a large scale in various countries (Germany, France, Italy etc.).
4. Saving of coal by means of its better utilisation, as a result of improved heating technics.
5. The increased production of coal in the smaller countries possessing coal.
6. A much lower general level of economic prosperity than in 1913.

Under these circumstances there is an excessive supply of coal in the world's markets, further increased of late by the export of coal from the Soviet Union. England and Germany stand opposed to one another as leading competitors. Whilst as late as December 1924 Germany's coal balance was adverse by the approximate amount of 200.000 tons, without counting the reparation deliveries, by January it was favourable again, and since then the German coal mines have striven unceasingly to increase their output. The quantities exported are not particularly large, but the significance of this export is none the less very considerable in view of England's restricted possibilities of export, and is having the effect of causing a general lowering of coal prices. A compilation published in No. 18 of "Wirtschaft und Statistik" shows the coal prices in the most important countries to have been as follows:

Rough coal, price in German Reichs marks per ton:

	Germany	England	France	United States
1913/14	12	10,97	16,61	5,46
1925 May	15	15,12	18,27	7,10
July	15	15,40	16,63	7,10
August	15	14,24	16,59	7,10
Begin. Sept.	15	13,52	16,59	—

If we compare these prices with the general price index figures, we find that the rise in the price of coal is substantially less than the rise of price levels on the whole. This applies especially to England, where the price has fallen by 10% during the last two months. The English prices are lower at present than at any time since 1922.

This fall in the price of coal in England is closely bound up with the subvention granted to the English coal mining in-

^{a)} With the Saar area.

^{b)} With East Upper-Silesia.

^{c)} The figures referring to England in 1925 are rounded off roughly from the data of weekly production.

dustry. The terms of the subvention are such that the English coal capitalists find it to their advantage to sell cheaply. Hence the rapid drop in the price of coal since the agreement arrived at at the end of July.

In the competition between England and Germany, the advantage is greatly on the side of Germany. In England the cost of wages is 60% higher than in Germany. And special emphasis must be laid upon the fact that in the first quarter of 1925 the output per man and shift had almost reached the prewar standard, as may be seen from the following, taken from an article by Franz Raabe, secretary of the (Christian) miners' union, Germany;

Output per man and shift 1913 and I. quarter of 1925, in kgs:

	All workers		Below bank		Hewers	
	per shift	per hour	per shift	per hour	per shift	per hour
1913	934	110	1161	136,6	1768	208
1925	902	113	1123	140,4	2036	255

Under these circumstances it is only natural that suggestions have been made for abolishing competition in the world's markets between England and Germany by means of an agreement. The international miners' secretary, Hodges, discussed the co-operation of the coal industrialists of both countries in an article published in the London "Observer" of 9. August 1925.

His definitive suggestions are to the following effect:

Like conditions are to be created for the coal miners of these two countries. A far-seeing coal capitalism would be acting for its own advantage in striving towards this object. The International Labour Office might render excellent service in this regard, and pave the way for an international control of the coal export trade.

The same idea is brought forward by the liberal big industrialist Mond, in the "Times" of 11. August. He too speaks in favour of an agreement between England and Germany with reference to coal export.

These proposals were followed by negotiations between German and English coal industrialists, but no reports on these negotiations have reached the general public.

Meanwhile, the crisis in the coal mining industry continues. In Germany further mines have been laid idle. A part of the miners dismissed from the mines in the southern Ruhr area have, however, obtained work in the pits in the more northern districts. The collective result is as follows:

	No. of workers mine Ruhr area	Output in 1000 tons Ruhr Upper Silesia daily
1925 January	472,608	374 41,6
April	460,185	340 39,5
July	436,493	316 47
August	408,233	323 51,2
September	400,000	336 53,4

The pithead accumulations have diminished somewhat in consequence of the restricted production and the forced export. This is especially the case as result of the coal import prohibition in Upper Silesia. The Ruhr district appears to have reached its zero production in July, whilst Upper Silesia touched the lowest point of its lessening coal output in April. It still remains to be seen whether the unfavourable business conditions obtaining everywhere this Autumn will not reduce production even further. Output has fallen by 13% since the beginning of the year, the number of workers by 15%. The number of workers employed is already less by 27,000 than in 1913! In the Ruhr area alone 72,000 coal miners have been discharged during the past year. A part of these have again found work in the building trade, which many of them had left during the inflation period, finding work at that time in the coal mines.

These developments in the labour market have, of course, made the capitalists masters of the situation. They demand that working hours be lengthened in the iron industry, in order that a greater market be created for the coal mines.

The following interesting compilation^{a)} gives a survey of German home consumption as compared with pre-war time.

Before the war, the navy used coale as fuel. Coal was the universal fuel for all sea-going and river shipping. Now there is no navy worth mentioning, and the sea-going tonnage has been reduced by half, of which a third uses oil as fuel. The result is:

^{a)} „Deutsche Allgemeine Zeitung“, 12. September 1925.

	Mill. tons yearly
Diminished consumption	6.55
Substitution of increased exploitation of water power	1.80
Substitution of lignite for coal in the large electric works	2.50
Substitution of lignite briquettes for coal as household fuel	6.50
8% saving by means of improved heating technics	6.80
	24.15

When we further recollect the lessened export, it becomes obvious that a great superfluity of coal must be thrown upon the market.

The crisis in the English coal mining industry is notorious. We here append a few interesting figures submitted to Parliament by the Secretary of Mines Department of Board of Trade¹⁰).

	Total No. of workers employed in mines	Coal output million tons
1912	1,068,000	266.3
1913	1,104,400	267.3
1914	1,049,000	265.6
1923	1,203,300	276.0
1924	1,213,600	267.0

The present number cannot be much over a million. A comparison between the number of workers and the total output shows a great falling off in output per man during the year. The employers are anxious to make good the difference by means of longer working hours, whilst the workers are striving for the organisation of production.

The French coal miners are working under quite exceptional conditions. The country is dependent on extensive coal imports, its needs being partially covered by reparation deliveries. It might thus be assumed that it would be but little affected by an international crisis. But in fact this is not the case. The price at which the reparation coal is delivered is the German inland price. But the German coal syndicate is selling coal to France, apart from the reparation coal, at lower prices than the inland price. It is thus difficult to sell the reparation coal. France has been protecting herself since July of this year by a general import prohibition on German coal; only in exceptional cases are import permits for limited quantities granted¹¹).

The output of the French mines also shows a retrogressive tendency, as follows:

	Daily output in 1000 tons	Workers
1925, January	160.4	311,991
July	157.1	306,432
August	154.6	304,764

In the other coal-producing countries the crisis continues undiminished. It has been particularly aggravated in Belgium owing to the prolonged strike in the iron works. The situation has been improved somewhat of late in Poland by the export forced by the currency conditions. In Czechoslovakia the situation is unaltered on the whole.

The struggle for markets is extremely acute. Every available means is being resorted to. France prohibits the free import of German coal, Germany prohibits the import of English, Polish, and Czech coal. The Soviet Union has put in an appearance in the Mediterranean area as a new exporter of coal, to the great discomfort of England, who has hitherto enjoyed a monopoly here.

We give in conclusion an interesting table showing the distribution of coal export among the three leading coal-exporting countries: England, Germany, and the United States. In addition to these, Poland, the Soviet Union, Czechoslovakia, and Belgium, are exporting coal at the present time, though in comparatively small quantities.

Coal export of the most import coal-producing countries¹²):
(in 1000 tons)

Import countries	Export countries					
	England		Germany		U. S. A. ¹³)	
	1913	1924	1913	1924	1913	1924
Belgium	2,064	3,383	5,728	3,352 ¹⁴)	—	—
Denmark	3,083	3,608	221	71	—	—
Germany	9,096	6,934	—	—	—	—
France	12,981	14,768	3,243	4,702 ¹⁴)	—	428
Italy	9,802	6,814	895	2,843 ¹⁴)	—	—
Holland	2,050	2,788	7,218	5,257	—	—
Norway	2,335	1,851	—	—	—	—
Austria	—	—	—	215	—	—
Hungary	—	—	12,152	18	—	—
Poland	—	—	—	10	—	—
Russia	6,094	39	2,112	—	—	—
Sweden	4,636	3,607	185	225	—	—
Switzerland	—	—	1,639	117	—	—
Czechoslovakia	—	—	—	402	—	—
Canada	—	—	—	—	—	11,479
West Indies	—	—	—	—	—	845
Argentina	3,753	3,166	—	—	—	200
Brazil	1,917	810	—	—	—	771
Chile	598	71	—	—	—	56
Uruguay	736	426	—	—	—	62
Egypt	3,213	1,839	—	—	—	—2
Algiers	1,303	1,264	—	—	—	—
Other European countries	4,435	5,818	—	—	—	—
" non "	2,770	3,233	1,005	336	—	774
Total	70,866	60,419	34,398	18,548	16,350	15,512

The Crisis in the Iron and Steel Industry.

The crisis in the iron and steel industry of Europe has become much more acute during the period covered by this report, whilst in the United States an improvement has been observable since August, and has continued up to now. The production data for the most important countries are as follows (the data for Germany are the official statements issued by the "Verein Deutscher Eisen- und Stahlindustrieller" [Association of German Iron and Steel Industrialists], and may be regarded as authentic in comparison with the private estimates hitherto published):

Iron and steel production (in 1000 tons):

	Iron:					
	U. S. A.	England	France	Belgium	Luxemburg	Germany
1913 monthly average	2.601	869	434	207	212	1.400
1923 " "	3.392	630	442	182	117	410
1924 " "	2.634	620	638	234	181	651
1925 January	3.424	584	669	249	197	910
1925 March	3.621	618	689	282	199	991
1925 June	2.716	518	703	213	190	941
1925 July	2.707	501	724	168	203	886
1925 August	2.748	453	713	166	202	766
1925 September	2.779	445	—	—	—	—

	Steel:					
	U. S. A.	England	France	Belgium	Luxemburg	Germany
1913 monthly average	2.564	649	396	205	101	1.467
1923 " "	3.682	719	415	190	100	525
1924 " "	3.103	696	576	238	157	820
1925 January	4.256	615	608	247	171	1.181
1925 March	4.266	696	607	269	178	1.209
1925 June	3.259	595	600	197	171	1.108
1925 July	3.137	600	525	158	184	1.030
1925 August	3.466	485	617	150	174	899
1925 September	3.546	477	—	—	—	880

Steel and iron together:

1913 monthly average	5.165	1.518	830	412	313	2.867
1923 " "	7.074	1.349	857	372	217	935
1924 " "	5.737	1.316	1.214	472	338	1.471
1925 January	7.680	1.199	1.277	496	368	2.091
1925 March	7.887	1.314	1.296	551	377	2.200
1925 June	5.975	1.113	1.303	410	361	2.049
1925 July	5.844	1.101	1.349	326	387	1.916
1925 August	6.214	938	1.330	316	376	1.665
1925 September	6.325	922	—	—	—	—

¹²) Annual report of the Reichs Coal Union. Coke is not included in the calculation.

¹³) Anthracite (1924 = 3.6 mill. tons exported) not included.

¹⁴) Of this the following has been reparation coal: France with Luxemburg 4,269,133 tons, Belgium 3,312,616 tons, Italy 3,797,202 tons.

¹⁰) "Times", 8. August 1925.

¹¹) "Vorwärts", 31. July 1925.

This table shows that production has continued to fall off in England, Germany, and Belgium. In Sweden only 43 of the 59 blast furnaces working in April are now running. The German iron industry is working at 65% of the capacity agreed upon in the cartel agreement. The shares of the iron works in England and Germany are far below par. Production, especially for the foreign markets, is being carried on at a loss.

Under such circumstances it is only natural that strenuous efforts are being made, both nationally and internationally, towards the formation of Trusts. In Germany the period of this report witnessed the complete trustification of the whole iron industry, from crude iron to every description of semi-finished products. And now further negotiations are in progress towards the formation of a huge iron trust in the West German iron industry, so that another great combine will spring into existence within a short time. The iron-working undertakings formerly belonging to the Stinnes, Thyssen, Wolff and Krupp concerns have been negotiating as to the possibility of amalgamating into one gigantic trust with a share capital of about 800 million marks. The amalgamation of such a vast undertaking is, however, no easy matter. Krupp has meanwhile withdrawn his participation, and the other parties are still quarelling over the conditions. It may, however, be safely assumed that this trust will be formed, despite all difficulties.

Whilst the iron works of Western Germany are still negotiating regarding their trust, the three iron work of German Upper-Silesia have already combined to form a united trust.

In France steps are being taken to transform the iron cartel, which bears the innocent designation of "Office du Statistique", into an actual cartel.

In Poland the iron works, after tedious negotiations, have likewise joined to form a cartel.

The formation of cartels encounters the greatest difficulty in England, but nevertheless negotiations are being carried on for the combination of the English iron and steel industrial undertakings into an export syndicate.

We thus see that almost every iron-producing country can boast of trusts or cartels, either already formed or in process of formation. The formation of national cartels is the prerequisite for the formation of an international cartel in heavy industry.

The Crisis in the World's Shipping.

The crisis in the world's shipping has been somewhat alleviated during the period of this report by the urgent consignments of grain to Western Europe. Conditions have, however, worsened again during the last few months.

	1913 = 100	
1925, April		104
May		98
June		92
July		95
August		96
September		98

The lowest point was reached in June 1925.

Thus the statistics recently published show the laid up world tonnage to have greatly increased again during the first half of 1925, from 5.78 million tons to 6.75 million tons. This means that the tonnage laid up (laid idle) has, in round figures, increased in the past half year by one million tons, this representing approximately 170,000 tons monthly¹⁵⁾. In this way the laying up and scrapping of the older ships is carried to correspond with the lessened requirements, whilst the existent tonnage is increased by new ships.

The crisis in the world's shipping is felt with especial severity by the English shipping companies. These are attempting to lower the wages of the seamen, using as an excuse the lowness of the wages paid to German and French seamen. This led to the strike among the English seamen, which however ended in a defeat, mainly owing to the treachery of the trade union led by Havelock Wilson.

The Formation of International Trusts and Combines.

The period covered by this report witnessed multifarious negotiations for the purpose of forming international Trusts. The contradictory character of capitalist development is evi-

denced by the simultaneous existence and alternation of the most deadly competition between the various national Trusts and concerns, and the amalgamation of these same bodies into international monopolist organisations. The international interlocking of capitalist interests proceeds along various lines; on the one hand we find the imperialist powers investing their capital in the undertakings of the weaker countries, and on the other hand we find international Trusts being formed with the object of a common control of the world's markets. (In politics we may observe the same phenomenon: militarism among the imperialist powers on the one hand, and the association of these same powers in the League of Nations and other "peace guarantees" on the other.)

Of the numerous international trusts already functioning or in course of formation, we only mention the most important:

The Anglo-German coal export Trust: We have already discussed this in detail. The negotiations are being quietly pushed forward, the main difficulty being the lack of a suitable English organisation. This will, however, in all probability be now formed by means of the influence won by the State over the English coal industry through the subvention.

The German-Franco-Belgian-(English) Trust. Our report on the first quarter of 1925 dealt in detail with the negotiations towards the formation of a West European iron Trust. After lengthy negotiations, an agreement was actually arrived at between the heavy industries of France and Germany at the beginning of July! This contract provides for an import of 1,750,000 tons of crude iron, semi-finished, and rolled iron annually, provided that the German crude steel combine produces up to 100%. The amount imported is to be diminished in accordance with the percentage of the decreased output of the German Trust. One third of the contingent falls to the Saar area and is duty free; iron from Luxemburg and Lorraine pays half duty; the other half is paid by the German Iron Trust, which is the monopolist buyer of the whole amount permitted to be imported.

On the German side the coming into force of this agreement was made dependent on the bringing about of the Franco-German trade agreement! The negotiations as to this trade agreement having made no further progress (the results of Locarno being obviously waited for!), and neither the Saar works nor the Luxemburg undertakings having shown themselves willing to restrict their production to the 65% required — as in the German Trust — the contract must be regarded at present as having fallen through.

The East European Iron Trust. An agreement is being made among the Czechoslovakian, Roumanian, and Jugo-Slavian iron industries. Negotiations have also been entered into with the Polish iron industrialists¹⁶⁾. Consultations have already taken place between the East European Iron Trust now in process of formation, and the West European Trust still to be created, for the purpose of regulating the markets¹⁷⁾.

The International Rail Trust. The negotiations have made considerable progress, a common basis for the calculation of the quota (crude steel production capacity) having been found¹⁸⁾.

International Benzole Agreement. Negotiations have taken place between the German and English benzole industrialists. The main obstacle is the lack of combines in France and Belgium¹⁹⁾.

International Match Trust. The centre of this Trust is the Swedish match trust and its daughter company the International Match Corporation of America. These two concerns have combined to gain the monopoly of match manufacturing in Poland. They have formed a close combine with three Japanese factories²⁰⁾. This trust produces about one third of the world's output of matches²¹⁾. In September an agreement was concluded with the German "Union"²²⁾.

The Australian State Wool Export Organisation. The 20% decline in the price of wool during the past half year has led to the mooted of a plan for the revival of the State controlled wool export organisation which existed during the war.

¹⁶⁾ "Berliner Börsen-Courier", 3. August 1925.

¹⁷⁾ "Bergwerkszeitung", 28. August 1925.

¹⁸⁾ "Frankfurter Zeitung", 8. September 1925.

¹⁹⁾ "Bergwerkszeitung", 18. August 1925.

²⁰⁾ "Berliner Börsen-Courier", 7. August 1925.

²¹⁾ "Times", 22. August 1925.

²²⁾ "Frankfurter Zeitung", 16. September 1925.

¹⁵⁾ "Börsen-Courier", 10. October 1925.

But whilst at that time the English bourgeoisie was, for military reasons, greatly in favour of this State control, it is now as greatly opposed to it for commercial reasons²³⁾.

* * *

We must now deal briefly with the line of action adopted by the Caoutchouc Trust, already mentioned in our report on the first quarter of 1925. The price policy pursued by this Anglo-Dutch trust has become a trial of strength between the United States and England.

The number of motor cars in the United States has increased by such leaps and bounds during the last few years, that the demand for caoutchouc (rubber) has increased enormously, but the supply has not kept pace, owing to the existence of the "Stevenson restriction system"²⁴⁾. Hence the extremely high world market prices for rubber. The American government calmly instructed its ambassador in London to enter a protest to the English government against the continuance of this state-organised restriction!

This took place on 26. July 1925.

This action aroused the greatest indignation in the English press. The "Times" of 29. July 1925 expressed itself in the strongest terms, declaring that a new terror to existence would be added if it became a diplomatic custom for one country to protest against the high prices charged in another country for its products, as the Washington government has done in permitting itself to be induced by the American Rubber Association to enter a protest, through the American embassy in London, against the measures taken in Malaya and Ceylon for the restriction of the rubber output. The "Times" further observes that speculation in cotton and wheat is not unknown in America. The American producers cannot be accused as a rule of selling their products under the highest obtainable price, and it is not to be expected that international relations will be improved if it becomes customary for one country to protest against the high prices of the other.

All the same, the English government raised the export quota by 10% up to 75% on the 1. August, in accordance with the stipulations of the Stevenson system, as the government was careful to emphasise. Besides this, it gave permission for 6000 tons of rubber and 6% of the export from the Malaya states, reserves in the hands of the dealers, to be released for sale before the usual time. It thus acceded — despite all official denials — to the demands of the United States. The desired result followed. The prices paid for an English pound of plantation rubber have been as follows, in shillings and pence:

End of February 1925	1/6 ¹ / ₂
End of May	3/0 ¹ / ₂
Beginning of July	3/9
Middle of July	4/6
Middle of August	3/4

It is true that this fall in price did not continue long; at the present time prices show a strong tendency to rise again. It is not unlikely that America will make another advance against England before long, with the object of lowering prices again...

Reparations and Inter-allied Debts.

The first reparation year closed on 31. August. The report of the Reparation Commission shows Germany to have punctually fulfilled the obligations undertaken under the London agreement. She has paid 1000 million gold marks to the reparation agents, who for their part have succeeded in remitting this sum to the Entente, with the exception of 107 million gold marks.

We spoke in our last report of a crisis in the Dawes plan. This crisis still threatens. This year the reparation payments are to be met out of the inland revenues of the republic! The deficit has increased rapidly during the last few months. Germany will have great difficulties in raising this sum. It is however not impossible to raise it — even the full amount of 2.5 milliard gold marks can be raised. It only means an increased burden on the German tax-payer, and perhaps such a huge deficit in state finances that the Entente control over German finances will be put into effect.

Even greater difficulties will be caused by the efforts to transfer the rapidly increasing reparation amounts. The pay-

ments in German marks for the needs of the army of occupation are becoming less and less, the demands for delivery of reparation coal are diminishing day by day. An ever increasing part of the payment has to be met out of surplus yielded by the foreign trade balance. But such a surplus simply does not exist. On the contrary, the deficit for the first nine months of this year amounts to three milliard gold marks. Even if we assume that the German foreign trade statistics are extremely unreliable, still we must estimate the year's deficit at two milliard gold marks. It is an absolute mystery how it will be possible to transfer 1 to 2¹/₂ milliard gold marks yearly out of a deficit of two milliards. Thus the crisis in the Dawes plan becomes evident, despite the good results of the first year.

That even the Entente Powers are already convinced of the impossibility of carrying out the Dawes plan, is best proved by the fact that the debtor countries are exerting every effort, during the negotiations on the consolidation of the inter-allied debts, to have the amount of their payment obligations made dependent on the actual receipt of the German reparation payments provided for by the Dawes plan, whilst the creditor countries firmly refuse to acknowledge any such connection. Nobody believes any longer in the possibility of carrying out the Dawes plan.

The Consolidation of the Inter-allied Debts.

Serious attempts have been made, during the period of this report, towards the settlement of the question of the inter-allied debts. The common ground for the readiness of the European debtor countries to negotiate is the necessity of obtaining fresh loans from America. The American government has, however, plainly hinted that no debtor state can hope for a new loan until the war debts have been consolidated²⁵⁾. Thus all the European states have, one after the other, submitted and sent negotiating commissions to the great creditor. Among the smallest debtors we find Latvia, Hungary, etc., and among the most important ones now negotiating we find Belgium anti France.

The Belgian-American agreement was concluded on 18. August, after brief negotiations. The government of the United States showed a special readiness to meet Belgium. The Belgian debts were divided into two categories:

	Million dollars
Debts before the armistice	171,78
Debts after the armistice	246,00

In accordance with the promises made by Wilson on the occasion of the peace negotiations, this first sum is freed from the payment of interest.

3.5% interest is calculated, as in the case of England, for the debt contracted after the Peace Treaty. Both debts are to be amortised in 62 years. Reduced yearly instalments were agreed upon for the first ten years. The whole of the debt arising from the post-armistice obligation amounts to not quite 10 million dollars. To this must be added 2.9 million dollars yearly for the interest-free amortisation of the debt contracted before the armistice, forming a total in round figures of 52 million gold marks.

This arrangement has afforded satisfaction to the Belgians in general²⁶⁾, the payments being small at first, and not exceeding 15 million gold marks, in round figures, in the first year.

Belgium's desire to cede a part of her claims under the Dawes plan in settlement of her debt to America has been categorically declined by the latter country, although the Dawes plan reserves 5% of Germany's annual payments to Belgium for the settlement of her foreign debts. In this connection it is obvious that Belgium too is endeavouring to place its currency on a sound basis. Reports show that Belgium is floating a large loan in America, England, and Holland for the stabilisation of the currency. As a matter of fact; the rate of exchange of the Belgian franc, after following that of the French closely for years, parted from it during the first days of October. By the middle of October the Belgian franc was several points higher than the French!

²⁵⁾ A correspondent of the "Rheinisch Westfälische Zeitung" of 14. July 1925, quotes an extract from the "Wall Street Journal" clearly to this effect.

²⁶⁾ See for instance "Le Peuple". 24. August 1925.5

²³⁾ "Times", 8. September 1925.

²⁴⁾ See our quarterly report for the first quarter of 1925.

The French Debt Negotiations.

One part of the salutary financial reform carried out with so much political advertisement by Caillaux has been the consolidation of the inter-allied debts. A fresh foreign loan is unobtainable until the debts are consolidated, and without a loan there can be no thought of a stabilisation of the currency. Certain sections of the French bourgeoisie, being in favour of further inflation, have regarded Caillaux' action with disapproval.

Another section of the French bourgeoisie headed by Caillaux, is in favour of a settlement of the inter-allied debts as a preliminary condition for floating a large foreign loan. Thus the negotiations with England were begun.

England's position is the same as before. She desires neither financial profit nor loss from the war. She has to pay approximately 40 million dollars to America annually, and wants to have this sum reimbursed by Germany and the Allies. Or failing this America is to reduce the amount to be paid to her! England is not inclined to accept a share in the reparation payments from France in lieu of cash.

The result of the negotiations will be known to the reader. Churchill demanded that the sum owed by France, in round figures 600 million pounds sterling, should be paid at the rate of 20 million pounds sterling yearly, which would mean interest at the rate of 2% and amortisation by 1% yearly. Churchill reduced his demand to 16 million pounds sterling yearly; Caillaux offered 10 million. Churchill again lowered his demand, to 12.5 million, with a partial moratorium for the first five years. Caillaux took note of this offer, undertaking to submit it to his government for decision.

A very important condition however is attached to the English offer.

The offer is only to be valid if the United States grant equally favourable conditions to France at the impending negotiations. If France has to pay higher interest to America, then she must pay higher to England too!

The import of this agreement is clear enough: **England and France have formed a united front against the United States!** England grants extremely favourable conditions of payment to France, in order thereby to force the United States not to impose severer conditions on France. And on the other hand England is given the possibility of asking for a revision of her agreement with the United States, for it is not permissible that a debtor who has immediately and voluntarily acknowledged his debt, and has begun to pay, should have to pay more than the tardy debtor...

The Agreement with America.

The Belgian-American and the Franco-English agreements are the bases upon which Caillaux has mainly attempted to build in his negotiations with America. The argument that the Americans themselves have greatly reduced Germany's burdens by means of the Dawes Plan has been made to play an important part.

The views held on the problem in America continue to be extremely contradictory.

Moulton's book on "The French Debt Problem"²⁷⁾ may here serve as a scientific basis. This careful study comes to the final conclusion that if the French debt is consolidated on the same basis as the English, this would lead to the ruin of France. It would of course be possible to squeeze certain payments out of France, but the consequence would be the creation of conditions in France similar to those in Germany before the Dawes Plan. He therefore proposes a 2% rate of interest for the whole international debt, and demands that the French budget should be balanced before payments are commenced, etc.

This idea has been opposed by the official leaders of American politics with the objection that it is impossible to say at the present time what France's paying capacity²⁸⁾ will be in 20 to 50 years time! Nothing binding should be entered into.

²⁷⁾ "The French Debt Problem". Published by the Carnegie Institute. The same author has written two excellent studies on the solvency of Germany and the debt problem in Russia.

²⁸⁾ "L'Information". 26. September 1925.

The course taken by the negotiations was briefly as follows:

Caillaux first proposed:

1. The combination of the war debt with the debt for the American war stores left in France (France has up to now paid the interest and 20 million dollars regularly every year for this latter debt).

2. The annulment of the accumulated interest of the political (war) debt (on the Belgian pattern!)

3. An annual payment of 90 million dollars during a period of 62 years, the annual payments however to be only 25 million dollars the first year, 30 during the next five years, and 60 for a further period of ten years²⁹⁾

This proposal was declined by the Americans, even as a basis for discussion.

The note remitted to the French delegation by Mellon²⁹⁾ pointed out that this offer is lower than the terms offered by France to England.

The proposal made by the American commission was as follows:

1. The sum total of the French debt, including the interest accumulated up to 15. June 1925, calculated at the rate of 4.5% instead of 5% as hitherto, to be fixed at 4227 millions dollars.

2. Amortisation of the whole debt in 62 annual instalments.

3. The interest to begin with 1/2%, rising by 1/2% annually up to 3 1/2%.

The bargaining then commenced, and by the 1. October it appeared as if an agreement had been arrived at on the following basis, proposed by the French representatives:

All debts to be consolidated. Instalments of 40 million dollars to be paid during the first five years, 60 million during the next seven years, and 100 million for the following 56 years. The French delegation was, however, informed on the same day that the American commission declined to entertain this proposal.

The American commission observed that the difference in the proposals was occasioned by the varying judgments formed on the future paying capacity of France, and proposed that France should pay unconditionally for the next five years the 40 million dollars which she herself lays down as being within her capacity. After the lapse of these five years both governments can renew their inquiry into France's paying capacity.

Caillaux took cognisance of this proposal, and undertook to submit it to his government. This ended the negotiations.

What is the Import of this Situation?

France has received two advantageous offers, one from England and one from America, without having undertaken any obligations as yet. The American offer is advantageous, because it includes the debt for the remaining war stores, on which France has already paid 20 million dollars yearly interest, and thus cancels the obligation to pay off the principal within a short term. The negotiations may thus be regarded as a relative success for France.

But on the other hand, the united front between England and France against America has been rendered ineffective for lack of a final arrangement, and this is a success for America! And on the other hand again, the acceptance of the proposal made by the French delegation for the first five years, and for the first five years only, signifies that the American statesmen are pursuing a double aim:

1. They wish to prepare American public opinion for the abandonment of the 3 1/2% interest basis for the war debt.

2. They wish to retain the power of political pressure against France until such time as she submits, like Germany, to American demands with reference to disarmament, etc.

If France accepts the American and English propositions, her financial position will suffer considerably. 50 million dollars to England, and 20 million to America (the payments already made being subtracted), mean in round figures 1500 million francs at the present rate of exchange. France's financial position, unstable enough as it is, will be further shaken by these fresh burdens.

²⁹⁾ See the literal wording given in the "Times" of 7. October 1925.