

- INTERNATIONAL -

Vol 7. No. 49.

PRESS

20th August 1927

CORRESPONDENCE

Editorial Offices and Central Despatching Department: Berggasse 31, Vienna IX. — Postal Address, to which all remittances should be sent by registered mail: Postamt 66, Schliessfach 213, Vienna IX.
Telegraphic Address: Inprekorr, Vienna.

**Economics and Economic Policy in the
II. Quarter of 1927.**

(Concluded up to 15th July 1927.)

By E. V a r g a.

I. Progress of Italian Capitalism.

The development of Italian Capitalism in the last decade contains some factors of particular interest. Italy is that one among the leading Powers of Europe which entered latest upon its modern Capitalistic development; it has, nevertheless, acquired a **pronouncedly imperialist character** in a very short time. This Italian capitalism is best characterised by an unabashed demand for a new distribution of the world and by unconcealed armaments to this end¹).

The second peculiarity in the development of Italian capitalism is the fact that the dictatorship of the bourgeoisie has here assumed the particular form of Fascism. It is the result of the existence of a Fascist system that the re-organisation of capitalistic economy in Italy is proceeding far more pronouncedly at the cost of the working class than in France or Germany. While in the rest of Western Europe the real standard of living of the people in general and probably also of the working class in particular is not essentially worse than before the war, there are definite signs, which we shall later demonstrate, to prove that the Fascist regime has engendered an absolute deterioration in the position of the working class.

1. Favourable and Unfavourable Factors in the Development of Italian Capitalism.

Italian capitalism of the present day developed in the 20th century. Even round the turn of the century, the entire character of Italy was that of a feudal agrarian country, a character it has retained in the south to the present day.

¹) On May 20th Mussolini declared in his Chamber address: "It is our first duty to improve our armed forces. At a given time we shall have to be in a position to mobilize 5,000,000 men. These we must be able to arm. We must augment our fleet and air forces, which must be so numerous that the roar of their motors will make it impossible to hear any other sound, while their shadow will darken the sun over Italy. We shall then be able — and this, I take it, will be between 1935 and 1940, when a turning point will have been reached in European history — to impose our will upon the nations and procure a hearing for our just claims."

I. The Progress of Italian Capitalism.

Favourable and Adverse Factors in the Development of Italian Capitalism.

Italian Agriculture.

The Development of Italian Industry.

The Development of Italian Currency.

The Formation of the Italian Budget.

The State Debts.

Italy's Inter-Allied Debts.

Italy's Foreign Trade.

The Balance of Payments.

The Economic Policy of Fascism.

II. General Section.

The General Business Outlook.

Unemployment.

The Movement of Currencies and of Gold.

International Price Movements.

The Recurrence of the World Coal Crisis.

The World Iron and Steel Market.

The Development of Engineering and the Electric Industry.

The World's Harvest and Attempts to Control the World Wheat Market.

III. Special Section.

Germany.

France.

Great Britain.

United States.

Japan.

The reason of the tardy development of Italian capitalism and Italian industry in particular is the total lack of raw materials for industrial production. Italy has no mineral raw material, neither fuel (coal, petroleum) nor ore (iron, copper or other metals). Even its salt is obtained from the sea. There is also a lack of the organic raw materials of industry, such as: pine forests or textile fibres (with the exception of silk and a little wool). This lack of raw materials caused industrial development to proceed very slowly until the time of the war.

The drawback in regard to raw materials and fuel is faced by an advantage as regards the superfluity of cheap labour. The cheapness of labour, i. e., the low rate of actual wages, is caused partly by natural and partly by social-historic reasons. The natural reason is that, as a result of the southern climate, there is a smaller demand for clothing, fats and meat than in the northern countries, while dwelling expenses are likewise lower. The social-historic reasons are the great density of the population (there being in Italy some 130 inhabitants per square kilometre, just about as much as in Germany despite a far lower degree of economic development), and also the unfavourable distribution of land by which the income from ground rents is concentrated in the hands of a relatively small number of large land owners, as against millions of rural workers possessing no land whatever.

The superfluity of labour has at all times been reflected in the very large emigration figures. The slowly developing industry and the very extensive agriculture in the centre and the south of Italy could afford the population no possibilities of existence. Between 1909 and 1913 there was an average annual emigration of 670,000 people (in 1913, 873,000), of whom 400,000 went overseas and 270,000 to other European countries. As early as 1911 5½ million Italians were registered as living abroad, while a further two million "temporary emigrants" were counted to the home population²).

The vigorous emigration shows that there is always a large reserve of workers in Italy. This, together with the decreased value of labour in Italy resulting from natural causes, creates a position of advantage for Italian industry as regards wages.

We thus see that in the war and post-war periods, those branches of industry have developed best in Italy which — according to Weber's terminology — "labour power is embodied", i. e. those in which a unit of output represents relatively large wages and little of such materials as lose in weight or volume during the process of production (fuel, ore etc.). There has thus in the last decade been a rapid development of ship building, automobile constructions and the artificial silk industry.

Italy's capitalistic development has in the last decade been promoted by two factors in particular. In the first place there was the war which enabled certain industries necessary for the production of war material to develop in leaps and bounds, and in the second place there was the technical progress in the construction of electrical high-tension conducts, which made it possible to convey the electric energy obtained by the exploitation of water power in the Alps to the industrial cities of northern Italy. This has afforded a certain compensation for lack of fuel and is one of the bases of the rapid development of north Italian industry. The importance of this exploitation of water power must, however, not be over-estimated in its relation to the total economy of the country.

The development of Italian capitalism is hindered by the small consuming capacity of the home market caused by the frugality and low standard of living of the broad masses of the agricultural population. Taking an average of the entire country, there are in Italy still some 30 per cent of illiterates, the proportion in Southern Italy and the islands being quite 70 per cent. The low standard of living of the industrial proletariat is an advantage for Italian capitalism in so far as it is a question of wages, but it is a drawback where the consuming capacity of the home market is concerned.

²) The emigration continued in post war times, but the American immigration regulations have hindered settlement in the U. S. A. Since the war, emigration has figured somewhat as follows:

	Overseas	Europe	Together
1920	220,000	190,000	410,000
1921	200,000	80,000	280,000
1922	122,000	157,000	279,000
1923	178,000	218,000*)	396,000
1924	131,000	271,000*)	402,000
1925	110,000	210,000*)	320,000

*) Many emigrated without passports and are therefore not included in these figures.

This insufficient capacity of consumption is one of the reasons which has induced Italian capital to pursue a policy of Imperialist expansion. The contradiction between the productive forces developing in Italian industry and the small possibility of placing goods on the home market induces the Italian capitalists to seek safer markets abroad. Hence the endeavours towards an economic penetration of Albania and the Balkans, the frantic attempts to gain an exploitable Colonial territory. The bombastic speeches of Mussolini on the "Restoration of the Roman Empire" are nothing but the echo of the economic requirements of the Italian capitalists in the absence of a sufficient home market. It is, in short, a frank proclamation (fully in keeping with the chauvinistic and nationalistic character of Fascism) of a policy which is also pursued by other imperialist countries in spite of constant asseverations of a love of peace.

To what extent the rapid development of north Italian industry has changed the occupations of the Italian people cannot be ascertained for want of data; for as far as we know the census of 1921 did not include any statistics of profession. The relative distribution in 1911 figured as follows:

Population according to Occupation
(June 10th, 1911).

Earners.	Total	percentage of all earners.
I. Agriculture, hunting and fishing	9,085,600	54
I. Mining and industry	4,401,800	26.5
III. Trade and traffic	1,465,800	8.3
IV. Professional men, civil servants etc.	1,883,500	11.2
Total of earners	16,836,700	100
Non-earners (members of households, students etc.)	9,743,400	
Population over 10 years	26,580,100	
Children under 10 years	8,091,300	
Total population	34,671,400	

More than half the earners were engaged in agricultural pursuits before the war, and this is believed still to be the case. Hence the great significance of agriculture in Italian economy.

2. Italian Agriculture.

Italian agriculture shows striking differences in regard to its intensity and its entire character. In the broad valley of the Po agriculture is carried on most intensively, the yield per hectare in some places equalling that in Germany, in which regard it must be borne in mind that wide areas are under double cultivation, grain being sown under fruit trees. In South Italy and on the islands, however, the cultivation of the ground is more extensive, while the yields per hectare are almost the lowest in Europe. This is due to deforestation, lack of rainfall, and extensive swamps.

In regard to cultivation, the total area of the country is divided up somewhat as follows³):

	Thousands of Hectares
Total area	31,000
Thereof:	
Unproductive land	2,600
Uncultivated productive land	1,300
Bush	1,500
Together	5,400
Forest	5,600
Permanent meadows and pastures	6,900
Tilled land	13,200

It is characteristic of Italian conditions that there should exist no statistics whatever as to the distribution of the ground; but even without statistics it is generally known that the bulk of the ground is in the hands of big land owners who let it out in small lots to tenants or else have it cultivated by agricultural workers. In southern Italy and Sicily, moreover,

³) Official details from 1925.

there is a system of intermediate tenants, the permanently absent land owners leasing the ground to a general tenant, who sublets it in small lots to sub-tenants. This, is therefore, a system of landed property split up in small farms just as was the case before the war in Russia or Roumania, a system combining the bad qualities and consequences — without the good ones — of large landed property and small holdings. In this way there are in Italy millions of agricultural workers possessing no land of their own. The official statistics⁴⁾ divide the 9,085,597 persons occupied in agriculture into the following categories:

Persons cultivating their own ground or that of the family	1,715,260
Tenants of all kinds	2,305,076
Servants	384,593
Shepherds etc.	238,993
Day-labourers	4,215,648
Gardeners, game-keepers, charcoal-burners, silkworm-breeders, foresters, employees etc.	166,506
Fishermen	59,521
	<u>9,085,597</u>

No great changes are likely to have come about in the meantime, though a small proportion of the tenants grew rich during the war and have purchased ground of their own⁵⁾. It may be taken for granted, however, that practically none of the more than 5,000,000 day labourers, shepherds and farm-hands have succeeded in acquiring land, so that — possibly with the exception of Hungary — there is no country in Europe with such masses of completely landless agricultural proletarians.

This fact lends the Italian agricultural population its particular social characteristic. There is no farmers' class in Italy as there is in France or Germany. The predominating mass of people engaged in agriculture are either day-labourers or sub-tenants whose position is in many cases hardly better than that of the day-labourers. The "peasant risings" occurring so frequently before the war (in reality it was only the labourers and sub-tenants that were concerned) give proof of the revolutionary possibilities within the agrarian population of Italy. Thus, in the earliest fascios the sons of landed proprietors and large farmers played a great rôle.

On the basis of data to hand, it is very difficult to ascertain whether any progress has been made in Italian agriculture in the last decade. The area under cultivation is the same as it was before the war, while the greater extent of ground under grain during the war has again receded.

Area under Cultivation (in thousand of hectares)⁶⁾.

	Average			
	1909—13 ^{*)}	1920—24	1925	1926
Wheat	4,744	4,646	4,724	4,915
Rye	123	122	126	121
Barley	248	223	233	237
Oats	507	478	486	498
Maize	1,608	1,536	1,554	1,521
Rice	145	121	144	148
	<u>7,375</u>	<u>7,126</u>	<u>7,267</u>	<u>7,440</u>
Potatoes	287	331	346	352

*) Former territory.

In the last few years the crops have shown a rising tendency both as against pre-war figures and as compared with the first few post-war years.

⁴⁾ "Annuario Statistico Italiano", 1914, p. 49.

⁵⁾ v. Maurice Pernot, "L'Experience italienne", Paris, 1924, a bourgeois but not uninteresting book.

⁶⁾ Data derived from the year-books of the Roman International Agrarian Institute.

Cereal and Potato Crops

(in thousands of metric centals).

	Yearly average		
	1909—13	1919—22	1923—26
Wheat	49,900	45,400	58,300
Rye	1,400	1,400	1,600
Rice	4,800	4,600	6,000
Maize	25,500	21,800	26,300
Barley	2,200	1,600	2,300
Oats	5,400	4,600	5,700
	<u>89,200</u>	<u>79,400</u>	<u>100,200</u>
Potatoes	16,500	16,300	19,800

Importance also attaches to the returns for wine, oil, fruit, and vegetables crops.

Wine Crop (Thousands of hectolitres).

1909—13	1919—22	1923—26
47,500	37,000	45,500

Oil yield (thousands of hectolitres).

1909—13	1919—22	1923—26
1,830	1,910	1,940

Fruit and Vegetable crop.

(Thousands of metric centals.)

	1909—13	1921	1922	1923—25
Fruit (chief varieties)	22,100	15,600	19,500	19,000
Vegetables ditto	22,000	12,700	12,600	15,700

Seeing that the cultivated area has not increased, there is obviously an increase of the yield per hectare, as is shown in the following table:

Yield per hectare (in metric centals).

	Average			
	1909—13	1920—24	1925	1926
Wheat	10.5	10.4	13.9	12.2
Rye	11.0	11.5	13.5	13.6
Barley	8.9	10.5	12.0	10.0
Oats	10.6	10.1	14.2	11.9
Maize	15.8	15.1	18.0	19.7
Rice	32.8	41.1	43.7	48.2
Potatoes	57.6	49.7	62.4	65.2

The total impression to be gained from these details of agricultural production is that of a very slow progress, in which connection the population increases faster than the agricultural production. The population of Italy, counting the new provinces, has risen from about 35,000,000 before the war to more than 40,000,000 in 1925. Agricultural production has therefore remained considerably behind the increase in population.

The development of cattle-breeding shows the following figures:

	1908	1918 ^{*)}	1926
			(Prof. Fotticchia's estimate ⁷⁾)
Horses	955,900	989,800	1,050,000
Asses	849,700	949,200	980,000
Mules	388,300	484,100	520,000
Oxen and cows	6,198,900	6,239,700	7,400,000
Sheep	11,162,900	11,753,900	12,350,000
Goats	2,714,900	3,082,500	3,100,000
Pigs	2,507,800	2,338,900	2,850,000

*) Not including territory occupied by hostile forces.

Since 1918 there has been no cattle census. The returns of the above table suffice to show that at the end of the war there were more, rather than less, cattle in Italy than in 1908.

⁷⁾ v. "Bulletin quotidien", June 18th, 1927.

Development of Italian Industry.

Much has been said of late in regard to the vigorous industrialisation of Italy. Not a week passes but there are reports on the rapid development of the artificial silk industry, the automobile industry and shipbuilding. Nor is it difficult to compile index figures apparently proving the rapid development of Italian economy. Mortara, for example, gives the following index figures based on 100 to represent the level of 1913*).

	1919	1922	1924	1926
Consumption of coal, mineral oil, and electric energy . . .	92	114	139	163
Steel production	78	112	145	180
Railway transport of goods . .	94	101	131	158
Maritime goods transport . . .	60	74	100	112

These and similar returns, however, only serve to show that Italian economy has got over the results of the war and has since then been on the upgrade just like the economy of any other belligerent country. They are, however, without economic or social value unless investigated as absolute returns and in comparison with other countries.

Certain data for such an investigation are to be found in Italian statistical monthlies and others again in the material submitted to the World's Economic Conference. We shall here deal in detail with the most important branches of industry.

Coal ⁹⁾	In thousands of tons				
	1913	1919	1922	1924	1926
Output	700	1,200	900	1,000	1,500
Importation	11,800	7,200	9,600	11,300	9,700
Consumption ¹⁰⁾	12,000	7,500	10,200	12,400	12,500

We thus see that the coal output has doubled, which is a fine asset in index calculation. But in Great Britain or Germany more coal is raised in one day than in Italy all the year round. Consumption again has not increased, which in itself is a proof that there can be no question of a general large-scale industrialisation. For, in spite of the exploitation of water-power for generating electricity, coal remains the basis of all industrialisation.

Iron and steel ¹¹⁾	Output in thousands of tons				
	1913	1919	1922	1924	1926
Iron	427	240	158	304	520
Steel	989	732	1,046	1,359	1,600

The iron production, therefore, was stationary, while the steel output was 60 per cent above pre-war. The annual output, however, representing as it does, mainly the smelting of scrap and pig iron imported from abroad¹²⁾, amounts to no more than the 6th part of the British, French, or German production.

Engineering. In estimating the degree of industrialization in the country it is particularly significant to observe the development of the means of production in the narrower sense, i. e. machinery. In this regard we find some useful data in the memorandum prepared for the World's Economic Conference by the German Association of Engineering Industrialists.

The value of the Italian Machinery output was as follows:

1913	£ 8,750,000
1925	„ 8,550,000

The number of operatives employed in engineering stood at 30,000 in 1913 and 35,000 in 1925, so that there was practically

⁸⁾ G. Mortara: "Prospettive economiche 1927" Milan, 1927. p. 17.

⁹⁾ v. Mortara.

¹⁰⁾ The consumption in this case does not equal production plus imports; Bunker coal is not reckoned and the size of stocks fluctuates.

¹¹⁾ Mortara, p. 348.

¹²⁾ The imported scrap figured as follows:

1925	958,000 tons
1926	773,000 „

Mortara, p. 359.

no progress at all in this highly important branch of industry. As regards values, the machine construction of Italy in 1925 was not more than 1.2 per cent of the world output.

Nor do machinery imports testify to any vigorous rate of industrialisation. The value of foreign trade as regards machinery, reckoned in pre-war gold lire in an approximate relation to the wholesale price index, figured as under:

	Machinery and apparatus in millions		
	Imports	Exports	Net imports
1913	131.4	25.5	105.9
1923	84	27	57
1924	100	30	70
1925	154	32	122
1926	175	38	137

We may see from the above that the home production and the importation were fairly stationary. These two items together figured in the best year, i. e. 1926, at roughly 300,000,000 pre-war lire, part of which must be taken in replacing the machines used up in the course of the year. How can there be any question of an industrialisation on a large scale, if the value of the annual accretion of machinery and apparatus, plus the compensation for the loss of value by wear and tear, has figured in the last four years between 2½ and 6 million pounds sterling?

Textile industry. The number of cotton spindles was as follows:

1913	4,600,000
1925	4,830,000

Here again there was no appreciable progress.

* * *

We shall now pass on to such branches of industry as show a greater degree of progress.

Electro-technical industry. The value of output in this case rose from £ 2,250,000 to almost £ 7,000,000 in 1925. This is, however, quite an insignificant part of the World's output, figuring in 1913 at 1.2 per cent and in 1925 at 1.9 per cent. A similar proportion obtains for the output of electrical energy which rose from 2,300 million kilowatts in 1913 to 7,600 million in 1925. In 1926 there were roughly 1,000 kilometres of railways, or about 5 per cent, with electric traction. It would, however, be an error to assume that the exploitation of water power, favourably as it has hitherto influenced the development of North Italian industry, means any fundamental change in individual industrial conditions in the future.

Automobile industry. The construction of motor-cars represents one of the few Italian industries which has really developed rapidly since the war¹³⁾. It occupies more than 40,000 workers, 35,000 in the Fiat works alone. In 1925 the output represented a value of almost 1,000 million lire. More than 70 per cent of this value was exported! Exports stood as follows:

No of cars exported:

1918	1923	1924	1925
2,938	12,749	18,989	29,041

Shipbuilding and Navigation. Shipbuilding has developed most vigorously. From roughly 50,000 tons launched in 1913, there was an advance to more than 200,000 tons in 1926, in which year Italy occupied the second place after Great Britain. The tonnage in course of construction at the close of 1926 was likewise second after Great Britain, figuring at 240,000 tons¹⁴⁾.

This rapid development of ship-building is owing to two main factors. By the Treaty of Peace all the larger ship-yards of the former Austro-Hungarian monarchy, such as Pola, Trieste, Monfalcone, and Fiume, were ceded to Italy. The output capacity was thus doubled. Secondly, Italian shipbuilding was and is subsidised by profitable government orders for

¹³⁾ v. "Jahrbuch für Wirtschaft, Politik und Arbeiterbewegung", 1925-26, p. 823.

¹⁴⁾ Lloyd's register quoted by the "Bulletin mensuel de statistique", February 1927, p. 44.

war vessels. Both the automobile construction and ship-building are treated by the Fascist Government with particular benevolence as war industries.

The rapid development of the mercantile fleet is partly also due to military considerations and is attained by means of substantial government subsidies.

Steam and motor vessels.

(Thousands of gross registered tons.)

1913	1920	1922	1924	1926
1,274	2,118	2,699	2,719	3,150

Thus the Italian merchant fleet has outstripped that of Germany (3,049,000 tons) and is close behind that of France (3,303,000 tons); it occupies the 5th place among the nations, viz., Great Britain, United States, Japan, France, Italy.

Artificial Silk. The production of artificial silk has developed at a quite astounding rate. It figured as follows in tons:

1913	1924	1925	1926
150	8,000	14,000	15,000 ¹

In 1925 the Italian output was roughly 1/5th of the world's production. The output capacity is yet far greater, being estimated by Mortara at 40,000 tons. About half the output is exported.

* * *

These details regarding the development of the most important branches of industry show a very varied character and are difficult to place on a uniform basis in the absence of a general index of production.

Seeing, however, that Italy's economy imports most of its industrial raw materials, it is possible to compile statistics of the consumption of the main raw materials, which will then serve indirectly to indicate the development of industry as a whole.

Consumption in Thousand of Metric Centals¹⁵⁾:

	1913	1922	1923	1924	1925
Coal	120,000	102,000	100,900	124,000	115,000
Mineral-oil ¹⁶⁾	1,900	6,500	8,200	9,100	12,000
Electric energy (Millions of k. w.)	2,300	—	—	—	7,600
Iron & steel	13,400	—	13,670	16,120	24,550
Copper	290	350	420	520	650
Lead	319	86	210	348	344
Zinc	—	65	116	166	201
Cotton ¹⁷⁾	2,020	1,780	1,850	2,010	2,400
Jute	414	291	315	456	499
Rubber	25	65	82	91	120

This table will suffice to show that there can be no question of an all round vigorous advance of industry, a fact which will be yet more apparent if we consider the consumption per head of the population (including the new territories).

Per Capita Consumption of Main Raw Materials (in kilogrammes¹⁸⁾):

	1913	1922	1923	1924	1925
Population (in millions)	35.6	39.3	39.7	40.1	40.55
Coal	340	260	254	310	284
Mineral oil	5.4	17	21	23	30
Iron & steel	38	—	34	40	61
Copper	0.8	0.9	1.1	1.3	1.6
Lead	0.9	0.22	0.53	0.87	0.85
Cotton	5.7	4.5	4.7	5.0	5.9
Jute	1.2	0.74	0.79	1.1	1.2
Rubber	0.07	0.17	0.21	0.23	0.3

¹⁵⁾ Sources: "Annuaire international de statistique", "Statistique générale de la France", and material submitted to the World's Economic Conference. There are no returns to hand for 1926.

¹⁶⁾ "Statistique générale de la France", "Annuaire Statistique".

¹⁷⁾ Exports of cotton goods not deducted.

¹⁸⁾ From "Annuaire international de statistique", See above.

On the strength of these returns we can sum up as follows:

1. In spite of rapid progress in certain branches, the general development of industry over pre-war times is inconsiderable if we bear in mind the increase of territory and the relatively greater increase of population. Italy is even at the present time a pronouncedly agrarian country.

2. The progress of Italian industry has been attained under extraordinary circumstances such as, inflation, a violent depression of wages and subsidies on the part of the Fascist Government. The appreciation of the rate of the lira in 1927 has already caused a serious crisis in Italian industry, some of the most successful branches, such as artificial silk and automobile production, having been obliged to cede part of their share capital to foreigners.

3. The natural disadvantages: the lack of fuel has in part been mitigated by the exploitation of the Alpine water-power for the industry of Northern Italy, but this asset cannot be generally applied and has the tendency to decrease in efficacy as time advances.

4. With a stable currency, Italian industry can therefore only hope to maintain its position on the world market if it can capture markets and raw material sources at present monopolised by others. Hence, the desire of Fascism (exceeding that of bourgeois parties in other countries) for imperialist expansion and the frank avowal of the necessity of re-distributing the world.

The Development of the Italian Currency.

The Italian currency has in the war and post-war periods shown a development analogous to that of the French. The most important details in this regard are summed up in the following table¹⁹⁾.

	Bank-note circulation	Advances to the State	Course of Dollar in % of Mint par of exchange	Wholesale Price Index	Retail Price Index
	At end of Year		(Bacchi) 1913 = 100 average for the year		
1914	2,936	735	100	95	94
1916	5,012	2,554	124	200	125
1918	11,750	7,166	144	409	239
1920	19,732	10,743	389	624	452
1921	19,209	8,505	449	578	501
1922	18,012	8,077	406	562	527
1923	17,247	7,754	419	575	518
1924	18,114	7,244	443	585	538
1925	19,350	7,062	485	690	605
1926	18,340	3,782	496	709	657

A perusal of these figures reveals the following facts:

1. An immediate inflation, i. e. the emission of bank-notes for account of the State to cover the deficit in the State budget has not occurred in Italy since the close of 1920.

2. Since 1921 the lira was more or less stable.

3. The stabilisation of the currency is not a merit of the Fascist regime. The basis of this stabilisation, the cessation of the inflationary emission of notes for account of the State, had been created before the Fascist coup. On the contrary, the Fascist regime caused a renewed slow depreciation of currency which lasted until the second half of 1926.

4. During the entire war and post-war period, there was what is known economically as a "scissor" proportion between wholesale and retail prices; this enabled the big bourgeois class to make net substantial profits at the cost of the lower middle class, so that there was a centralisation of capital in the hands of the former.

5. In view of the peculiar position of Italian industry, which is obliged to import almost all its raw materials, the inflation only benefitted Italy's competitive capacity on the world

¹⁹⁾ The returns down to 1926 from C. E. McGuire: "Italy's International Economic Position" and from "Memorandum sur les monnaies" vol. 1. p. 58. (Material for World Economic Conference).

market so long as the wholesale prices at home were considerably above the level of retail prices. Once this ceased to be the case, it was more advantageous for the bourgeoisie to see the currency stabilised. Nor were there any insurmountable obstacles in the way of such a stabilisation, as we shall proceed to demonstrate.

The Formation of the Italian Budget.

The Italian Budget, just like that of any other belligerent State, showed a great deficit in the war and early post-war years, as will be seen by the following figures²⁰⁾.

Revenue and Expenditure of the Budget (in Millions of Lire):

Year ending 30th June	Revenue	Expenditure	Deficit	Surplus
1915	2,700	5,800	3,100	
1916	2,900	12,500	9,700	
1917	5,500	21,700	16,200	
1918	7,700	26,500	18,800	
1919	9,900	33,300	23,400	
1920	15,500	27,900	12,400	
1921	19,300	37,500	18,200	
1922	20,400	37,600	17,200	
1923	19,600	24,500	4,900	
1924	20,500	21,200	700	
1925	20,400	20,000		0.4
1926	20,400	18,900		1.5

On the strength of these figures we can establish:

1stly, that the great deficit of the State finances came to an end in 1922. The Italian Budget has, according to official returns, been balanced for the last 3 years. The stability of the lira is not threatened from this direction.

2ndly, that the State expenditure of the last few years, if computed roughly on the basis of a price index of 600, is only slightly higher than before the war. If we take the increase in territory and population into consideration the advance in the State expenditure is very small indeed when compared with that in other countries.

The tax revenue has moved as follows²¹⁾:

Millions of Lire:						
(Year ending June 30th.)						
1914	1916	1918	1920	1922	1924	1925
2,003	2,403	4,381	7,532	13,995	15,308	16,050

In view of the poverty of the country, this tax onus is, in comparison with the popular income, relatively high. McGuire gives the following returns in millions of Lire²²⁾.

Year	Tax Total	National Income	Per cent.
1925	20,649	100,000	20
1914	2,600	20,000	13

In the above 20,649 million lire, revenue from sources other than taxation is also included.

State Debts.

At the outbreak of the war, Italy had a State debt of 15,770 million gold lire, an amount which may be considered unusually high in view of the poverty of the country²³⁾.

²⁰⁾ McGuire p. 340, figures for 1926 provisional.

²¹⁾ McGuire p. 348.

²²⁾ McGuire p. 456.

²³⁾ The State debts of other countries at the time the war began figured as follows:

Great Britain	717 million pounds sterling
France	33,000 million francs.
Germany	5,400 million marks.

Thus only France had a bigger debt than Italy.

This, however, includes some 7,000 million lire for the expense of construction of 13,900 kilometres of railways belonging to the State²⁴⁾.

The interest service cost the State some 600 millions in 1913.

This pre-war debt was reduced by inflation to about 1/4th of its original extent (taking also into account the lessened purchasing power of gold, to 1/6th).

If we add the budgetary deficits appearing above, we shall get a total deficit of 124,000 million lire for the period from 1914 to 1927. Thus the State debt must now figure at about 140,000 millions.

On the other hand, the statistics of internal Italian State debts present the following aspect:

Millions of Lire:

Funded debts:	June 1924	June 1926
Pre-war debts	12,500	12,500
Long-termed loans	36,100	36,000
Bonds running from 3 to 9 years	11,900	15,000
	<u>60,500</u>	<u>63,500</u>
Floating debts:		
Bank-bills	22,200	17,800
State-notes	2,400	2,100
Bank-notes	7,500	6,700
Current accounts	500	1,200
Total internal debts	<u>93,100</u>	<u>91,300</u>

In 1925, 4,000 million lire were used for the interest service of the international debt. Computed by means of the wholesale price-index, this figure shows that the interest service for internal debts will not cost the state household more than before the war, provided that the re-valuation endeavours of Mussolini are not carried any farther.

If we compare the sum total of the budget deficits with that of the internal debts, a difference of roughly 47,000 millions will result. This is the amount received by Italy from her allies, Great Britain and the United States, in the form of war loans.

Italy's Inter-Allied Indebtedness.

During the war, Italy received big sums from the United States and Great Britain. These figured as under:

	Capital in millions	Gold Lire	Paper Lire (Middle of 1927)
United States	1,648 dollars	8,000 million	30,000 million
Great Britain	477 £ ster.	12,000 "	42,000 "

These figures show that Italy's war expenditure was very largely covered by America and England in the form of loans²⁵⁾. The equivalent of these sums was brought to Italy in the form of various goods, the most important items figuring somewhat as follows²⁶⁾:

	Millions of dollars	Millions of sterling
Foodstuffs (wheat, meat, preserves etc.)	480	57
Metals (copper, steel, barbed wire etc.)	140	24
Explosives	47	12
Railway material	37	—
Fuel	26	39
Chemicals	25	2
Articles of Military equipment	25	17

²⁴⁾ McGuire p. 437.

²⁵⁾ The computation in gold and paper lire respectively is only approximate, since the purchasing power of sterling or dollars at the time when the credits were granted varied considerably and was in general well below par.

²⁶⁾ According to the documents submitted by the Italian Government in connection with the negotiations regarding funding the debts (Reproduced by McGuire p. 377).

The economic effect of these liberal supplies to Italy on the part of the Allies has been that Italy's economy did not suffer through the war and that she has not been impoverished by the war to anything like the extent that would have obtained had she been obliged to fight the war with her own resources.

These debts must naturally be redeemed in the sense of the funding agreement. However, Great Britain and the United States have accorded Italy very favourable terms. To the United States Italy will have to pay for a period of five years no more than \$ 5,000,000 per annum, and for another 20 years from \$ 12,000,000 to \$ 20,000,000 yearly. After which, the yearly payment will rise by \$ 1,000,000 annually to \$ 79,000,000 at the end of 62 years. To Great Britain there will be, after a few years of respite, yearly payments of £ 4,500,000. This means that Italy will for the next two or three decades have to pay no more than a maximum of 200,000,000 gold lire in interest and amortisation for the inter-allied debts, this being 1/3rd of the amount paid out before the war as the interest on its ordinary State indebtedness.

It thus appears that no particular danger threatens the Italian Budget or currency from this quarter. It is only by a continued deficit on the balance of payments that the Italian currency can be endangered.

Italy's Foreign Trade.

It is extremely difficult to form any idea as to the development of Italy's foreign trade, since the manner of recording and grouping the relative statistics has been changed several times, while the currency fluctuations have been considerable.

The following statistics are probably the most comprehensive:

Foreign Trade in Thousand of Sterling²⁷⁾

	Imports	Exports	Import surplus
1913	147,650	101,700	45,950
1923	165,850	106,950	58,900
1924	177,400	131,000	46,400
1925	218,800	152,800	66,000
1926	212,000	152,900	59,100

Even before the war Italy's foreign trade was constantly negative. In the period from 1910 to 1913 the deficit stood at between 1,000 and 2,000 million lire per annum. Nothing appears to have changed in this regard. The total value of foreign trade has likewise changed very little. Taking the lessened purchasing power of gold into consideration, we have the same per capita quota as before the war. In comparison with more intensely industrialised countries the foreign trade is and always has been very small.

The foreign trade figures provide some indication as to whether we are right in our opinion that the industrialisation of the last decade has not changed the economic character of the country very much. To this end we reproduce the percentage returns of the various groups of commodities.

	Imports		Exports	
	1908—1912	1922—1924	1908—1912	1922—1924
Raw materials	37	39.6	14.3	11.3
Semi-finished goods	18.6	17.8	27.9	28.2
Finished goods	24.6	14.5	28.8	35.6

There has undoubtedly been a shifting in the direction of industrialisation, and this has been greater in extent than might be expected in view of our expatriations on the relatively small progress of Italian industry. We must not, however, forget that those branches of industry which made the most rapid progress — artificial silk, automobiles etc. — are pronouncedly exporting industries. We subjoin a few figures in this connection²⁸⁾.

Exports in thousands of tons:

	1913	1925
Woollen materials	3	6
Silk materials	2	68
Cotton materials	53	3
Linen, flax, and jute materials	21	12
Hats (in millions)	22	19
Rubber goods	3	12
Motor cars (thousands of cars)	3	29

The volume of textile exports, subject to considerable fluctuations within the individual groups, has only increased by one seventh; on the other hand, automobile exports have multiplied almost tenfold and those of rubber goods (mainly tyres) fourfold. In view of the small foreign trade totals in general, even small fluctuations figure prominently in a percentage proportion.

**Per capita foreign trade returns²⁹⁾
(in dollars).**

	Imports		Exports	
	1913	1924	1913	1924
Italy	20.31	21.33	13.99	15.75
Germany	39.32	34.72	36.86	24.84
France	41.46	53.56	33.88	55.29
Great Britain	69.81	113.21	55.54	78.96

The International commercial relations of Italy fall very far short of those of the other West European countries.

In summing up we may remark that Italy's foreign trade is relatively small with a tendency in the direction of industrialisation, but still showing an annual import surplus of more than 1,000 million gold lire, just as before the war.

The Payments Balance.

Italy's payments balance is encumbered with the above deficit of the trade balance to the extent of more than 1,000 million gold lire. About one fourth of the imports remains uncovered by export and must therefore be made good by other forms of revenue.

Before the war this surplus was covered by two items, viz., money transmitted from abroad by emigrants, and the expenditure of tourists in the country. For the period 1911—1914, this revenue outside goods traffic figured as follows³⁰⁾:

Emigrants	Tourists	Navigation	Miscellaneous	Together
(in millions of lire)				
450	420	115	200	1,190

In the war years, 1915—1919, there was a very perceptible deficit in the balance of payments, averaging 4,450 million gold lire annually. This deficit was covered by the inter-allied loans.

In the early post-war years the balance of payments continued unfavourable; it was not till 1924 that there was a trifling surplus, mainly due to a very good harvest in 1923 which made it possible to decrease imports of foodstuffs. The balance of payments figured somewhat as follows in millions of gold lire:

Liabilities: Deficit of trade balance	1,000
Interest on the profits of foreign capital, commission expenses, etc.	190
Assets: Emigrants' remittances	540
Tourists	550
Navigation	210
Miscellaneous	85
Balance:	195

In 1925 and 1926, when the commercial balance showed a markedly greater deficit and when payments were already due on the inter-allied debts, the Italian balance of payments was most probably adverse by several hundred millions.

²⁷⁾ "Statistisches Jahrbuch des Deutschen Reiches" (Roughly calculated by us in the case of the 1926 figures).

²⁸⁾ Memorandum II, p. 206.

²⁹⁾ Memorandum I. p. 111.

³⁰⁾ McGuire p. 31.

The Economic Policy of Fascism.

The Fascists' economic policy may be summed up as follows: The development of the capitalist system of economy at the cost of all other classes, and especially by use of terrorism against the working class.

The history of Italy between 1919 and 1922 shows that wherever the working class creates a state of affairs in which the profitable employment of capital is impossible, but does not at the same time overcome the bourgeoisie politically and establish the dictatorship of the proletariat, then the bourgeoisie, by the employment of a ruthless system of terrorism, crushes the working class so as to make possible the economic basis of its system, the profitable employment of capital. A bourgeois state power which does not secure profits for capital is a contradiction in itself, and must yield place either to the dictatorship of the proletariat or to a terrorism on the part of the bourgeoisie.

After the victory of Fascism the line of policy was directed openly towards making the economy of the country subservient to the interests of the bourgeoisie. To this end Mussolini directed all his energies in spite of numerous "anti-capitalist", demagogic catch-words.

The fundamental task was to secure again the production of surplus value, which had been actually held up in the first few post-war years as a result of a lack of class discipline in the works and of strikes, labour meetings, the occupation of factories etc.

This end was reached by the dissolution of trade unions, by strike prohibitions, longer working hours, a reduction of wages and, in short, a far-reaching diminution of the share of the workers in the value produced.

This task has been fully solved by Fascism. The decline of the share of the workers in the value produced and the increase in exploitation are illustrated by the following figures published by Mortara³¹⁾:

	1913/14	1922	1923	1924	1925	1926	1926
		1st half	1st half	1st half	1st half	1st half	Dec.
Cost-of-living index	100	503	495	517	594	653	657
Wages index	100	518	480	474	513	559	584

The accuracy of Mortara's data has been called into question and confronted by the "Association of Lombard Industrialists", by the Statistical Office of Milan and by other organisations, with returns according to which the actual wages are shown to have risen since pre-war times by 12 to 21 per cent³²⁾.

It is possible to check, to some extent, the accuracy of the calculations in question by means of the following figures relative to the per capita consumption of certain important commodities:

	Per capita consumption in kilogrammes ³³⁾				
	1913	1922	1923	1924	1925
Wheat	240.0	201.0	190.0	208.0	175.0
Maize	87.0	62.0	68.0	70.0	73.0
Rice	11.5	9.2	11.1	10.8	12.0
Potatoes	46.0	34.0	41.0	45.0	48.0
Sugar	5.8	7.8	9.0	8.3	8.3
Coffee	0.8	1.2	1.2	1.2	1.1

These calculations are merely approximate, since they do not take the varying extent of transitional stocks into account. Nevertheless they show pretty clearly the tendency of a decrease of consumption in the case of the most important food stuffs.

A considerable decline was noticeable in the consumption of wine. In the 1921—1924 period the consumption per head

of the population was 22 per cent below that of 1903—1913³⁴⁾. Similarly the tobacco consumption per head of the population has declined.

Finally, it may be pointed out that the consumption of cotton materials which figured before the war (1909—1913) at 3½ kilogrammes per head per annum dropped to 2.8 kilogrammes in the Fascist period 1923—1925, this representing a deterioration as regards clothing.

Since the consumption on the part of the wealthy classes has certainly not declined, these figures show a considerable recession as regards the standard of living of the working class as a result of the Fascist economic policy, and fully bear out the accuracy of Mortara's figures.

The forcing down of wages below the pre-war level was the most important service rendered by Fascism to the Italian bourgeoisie. But the interest of the bourgeoisie determined the entire economic policy of the Government³⁵⁾.

The financial policy of the Fascists is characterised by an utterance made by de Stefano, the first Fascist finance minister³⁶⁾.

"A financial policy based on a persecution of capital is nonsensical."

In keeping with these tendencies the law requiring all security holdings to be reported was abolished, while the income tax was reduced and death duties abandoned, save in the case of inheritance by relatives twice removed. High protective tariffs secured the profits of industry. Subventions and subsidies for navigation and ship-building were followed by highly profitable government contracts, for all industries connected with the army, such as automobile, aeroplane and tractor construction, the chemical industry and the like.

It was only in the last two years that this economic policy, so partial to the interests of the bourgeoisie was somewhat modified. In the middle of 1925 the protective tariff was extended to wheat and other agricultural produce so as to benefit the landed proprietors and big farmers and to make them favourable to the Fascist regime³⁷⁾. The stabilisation of the lira is in the interest of the Italian bourgeoisie now that retail prices have been adapted to wholesale prices. What is not in the interest of the industrial bourgeoisie is the "revalorisation" proclaimed and partially effected by the Fascists, i. e. the forcible appreciation of the exchange rate, allegedly up to gold parity. Any such policy would greatly harm the interests of industrial capital in favour of loan capital, plunge Italian industry into a serious crisis (which has in part already come about) and deprive Fascism of its social basis. We believe, therefore, that Mussolini would prefer to leave well alone as regards revalorisation³⁸⁾.

Final Remarks.

An unprejudiced investigation of the admittedly scanty economic material affords the following main facts:

1. Italy's economy, similar to that of other Imperialist countries, has got over the bad effect of the war — the economic damage of which was smaller in the case of Italy since the war was carried on mainly outside the Italian borders and was chiefly financed by foreign credits — and has since the close of hostilities been advancing along a slowly rising line. In

³¹⁾ McGuire, p. 516.

³²⁾ v. L. Gangemi: "La politica economica e finanziaria del Governo and Fascista", Bologna 1924.

³³⁾ Pernot p. 241.

³⁴⁾ The agrarians welcomed these advantages. Thus the "National Council of the Fascist Federation of Farmers" demanded tax reductions, a reduction of the duties on agricultural machinery, the reduction of agricultural machinery prices and a modification of the wages of agricultural labourers ("Times", July 2nd, 1927).

³⁵⁾ Early in July Volpi declared that the rate of the lira was to be stabilised at 90 to the £. The cessation of the lira boom ensued upon the intervention of the leaders of the prominent Capitalist Association who approached Mussolini through the mediation of Turati, General Secretary of the Fascist Party. ("Frankfurter Zeitung", Rome correspondent, July 2nd, 1927.)

³¹⁾ "Prospettive economiche 1927", p. 442.

³²⁾ McGuire, p. 533.

³³⁾ From the data given by the "Annuaire international de statistique agricole", "Annuaire statistique", "Statistique générale de la France", "Materialien zur Weltwirtschaftskonferenz" (Crops plus net imports. Flour included under wheat.).

this connection there has been a certain passing of capital into foreign hands, though in a far smaller degree than in Germany. The stabilisation of the currency meets with no serious obstacle.

2. The industrialisation effected in the north of Italy is far smaller in extent than is generally supposed and has not fundamentally changed the character of the entire country as an agrarian territory.

3. The stabilisation of capitalism has been purchased at the cost of an unscrupulous subjection of all working classes to the economic interests of the industrial bourgeoisie. In particular, the actual wages of the proletariat have been reduced below pre-war level.

4. The poverty of wide sections of the population³⁹⁾ restricts the home market and forces Italian industry to seek markets abroad by strenuous attempts at an "economic penetration" of the Balkans, (Loans to Roumania and Albania) and by the conquest of Colonial territories in Africa, Asia Minor and the Balkans, wherever there are raw materials and possibilities of a market. Hence, the open proclamation of a "Redistribution of the world".

5. Class antagonisms are extremely pronounced in Italy. The class basis of the Fascist rule is very small, for Fascism has not succeeded in "normalising" its regime and returning to the parliamentary form of bourgeois dictatorship. The forcible suppression of the legal Labour Movement and the political parties generally led to a latent revolutionising of the proletariat and the indigent peasantry, to the leading role of the illegal communist party, the only party of the proletariat which has withstood terrorism. It is probable that the Fascist regime is the last form of bourgeois rule to be seen in Italy prior to the dictatorship of the proletariat.

II. General Section.

The General Business Outlook.

The latest factor in the business outlook of the last few months is the circumstance that, for the first time since the war, a prominent European State with a stable currency, i. e. Germany, has attained a phase of exceptional business prosperity. At the same time, the economic position of the other leading capitalist countries of Europe, France and Great Britain, has improved. In other countries again, particularly in Italy, the business position has deteriorated. In the United States the position has remained favourable, though with a slight indication of coming decline.

The fact remains that a uniform progress of business, a cycle extending to the entire world capitalist economy, has as yet failed to materialise. The curves in the individual countries are altogether different. In Germany we have since the stabilisation of the mark witnessed a rapid alternation of business phases, crisis and boom following one upon the other within 2 or 3 years. This causes many observers to conclude that the tendency towards a shortening of profitable business cycles, observable in the 19th century and down to the outbreak of the war, is now continuing in an intensified form.

In contradiction to this we may point out that in the country which is not only foremost but also decisive for present-day capitalism, i. e. the United States, the upward movement and favourable business cycle have now been continuing for almost 6 years, i. e. since the autumn of 1921. There have been two small periods of depression of 3 to 4 months duration in the spring of 1923 and the summer of 1924, but these lasted far too short a time to allow of their being regarded as crises in the old sense of the word. We have in this case the contrary of the phenomena observed in Germany, a long period of increasing or lasting business prosperity.

³⁹⁾ The development of savings deposits was as follows:

	Millions of	
	paper lire	gold lire
1913	4,655	4,655
1926	21,004	4,356

With a population larger by 1/6th, the sum total of savings deposits has receded. Therefore, the rate of interest charged for loans remains high and the power of the few big banks is very great.

The German business boom, with which we deal in detail in the special section, came about so abruptly owing to the fact that German economy is still poor in capital, while it is dependent on foreign loans for the maintenance of its prosperity and at the same time not in a position adequately to develop its exports, seeing that an actual lack of capital prevents the German bourgeoisie from exporting goods in the place of capital, so that Germany is at a disadvantage in international competition in spite of the low wage level obtaining in the country. We, therefore, think that the present business boom will not extend beyond the year 1927.

The improvement of business in Great Britain will, in our opinion, not lead to a pronounced cycle of prosperity. It is partially a phenomenon of replenishment, since the stocks so greatly depleted as a result of the mining lock-out must now be made up. This is quite especially the case in the entire realm of the metal industry. It is obvious, however, that, in spite of the victory of the capitalists over the workers, the coal crisis is by no means solved and is bound to recur at some time in a very acute form. In view of the fact that coal mining is the most important individual industry of Great Britain, normally occupying more than 1,000,000 workers, a period of prosperity is difficult to imagine in the face of any crisis in that direction. Although a certain change has undoubtedly come about in British industry in the sense of a lessening of the importance of the big staple industries and an increase in the significance of the finishing industries, such as automobile construction and the electric and chemical trades, this alteration will not suffice to render possible a generally prosperous cycle in Great Britain in the face of a crisis in mining and difficulties in the heavy metal industries.

In France the actual, albeit, not yet legal, stabilisation has, as we predicted, proved far less detrimental to business than was generally assumed. In keeping with the fact that the deformation of capitalism by inflation was far slighter there than in Germany or other countries which experienced serious inflation, there have been no serious break-downs and no violent disturbances in the sphere of monetary circulation in France. The markedly agrarian basis of French economy, the relatively small population, and the comparatively great importance of high-quality industries in relation to export, have made it possible that while there has been a decline in the activity of those stable industries which work mainly for export purposes, there has been no resulting stabilisation crisis in the actual sense of the word. It is not excluded, however, that in connection with the next general deterioration of the international business position the crisis in France will make itself felt in a more acute degree.

In Italy again the business position has deteriorated as a result of stabilisation, i. e. of the improvement in the rate of the lira. Seeing that the Italian home market is far less capable of absorbing goods than that of France and the capital forces of Italian economy are far smaller, while the local distribution of Italian industry is less favourable, the withdrawal of advantages accompanying inflation are more decidedly felt in the diminution of competitive ability on the world market. The adverse business results of the revalorisation endeavours in Italy have been mitigated by the fact that much foreign capital has entered the country — mainly from America and Great Britain — and also Italian industry itself in the form of acquisition of undertakings by foreign capitalists (artificial silk and motor-car industry).

The economic situation in Poland continues to be highly precarious. The maintenance of the markets for Upper-Silesian coal captured during the British mining lock-out is meeting with great difficulties as a result of German and renewed British competition. The customs war with Germany renders the export of agricultural products difficult. The end of Germany's obligation to supply Poland with scrap iron represents a serious drawback for the heavy metal industry of Upper Silesia. What is worse is the fact that the American loan which has been sought for a very long time has not yet materialised. True, official Polish reports state that the conclusion of the loan, or rather the continuation of negotiations, has only been postponed till the autumn. It is obvious, however, that in view of the war preparations on the part of the imperialist powers against the Soviet Union the American capitalists do not like the idea of investing capital in Poland (there are indications that the rate of American capital exportation is slowing down).

It is a sign of weakness in the general international business position that there is pronounced over-production and a marked decline of prices in regard to quite a number of important raw materials, such as coal, rubber, petroleum, and certain metals. This means that the consuming capacity of the capitalist world in general is again remaining far behind the producing capacity.

Unemployment.

In keeping with the improvement of business in Great Britain and Germany and for seasonal reasons as well, unemployment has shown a declining tendency during the last few months. In Germany various branches of industry have been complaining of a lack of skilled labour, which may, as an exception indeed have occurred. Nevertheless, unemployment could still be put down at more than one million at the end of June, the actual number probably being several hundred thousand above this figure. In France seasonal reasons and the return home of foreign labourers have caused a decrease of unemployment, whereas in Italy unemployment has been on the increase if we disregard the effect of seasonal fluctuations. The following table shows the movement of unemployment in the trade unions:

Percentage of Unemployment among those Organised in Trade Unions.

	Gt. Britain (of insured work.)	Belgium	Holland	Denmark	Norway	Sweden	Germany	Germany (on short time)	United States (Degree of occu- pat. 1919 = 100)
April 26 . . .	9.2	3.2	6.5	16.5	26.0	12.3	18.6	19.1	95.5
January 27 . . .	12.1	7.7	15.6	32.1	30.2	16.1	16.5	6.6	92.4
February 27 . . .	10.9	5.9	13.9	31.7	31.1	15.5	15.5	5.8	93.6
March 27 . . .	9.9	4.9	9.1	26.5	28.9	14.1	11.5	4.4	93.9
April 27 . . .	9.4	5.2	7.1	23.6	22.4	12.3	8.9	3.7	93.2
May 27 . . .	8.8						7.0	2.9	

The Movement of Currencies and of Gold.

The currencies of the majority of countries have remained stable during the last few months. Fluctuations exceeding the limits of the gold import or export points respectively have only occurred in Italy, Spain, Greece, Poland and Japan.

By reason of the fact that, apart from a few exceptions, there has been an actual stabilisation of currencies — whether legally established or not — the question of a distribution of gold stocks has again acquired importance. Regarding the returns concerning the gold stocks in individual countries⁴⁰), we may observe that the gold stocks of the central note banks have increased all along the line:

	End of 1913	End of 1926	
Great Britain	35	151 million pounds	sterling
United States	1,924	4,502	„ dollars
Spain	480	2,557	„ pesetas
Germany	1,244	1,897	„ marks

In a number of smaller countries, too, the gold stocks have greatly increased.

This increase of stocks with the central banks is only in part due to the fresh production of gold, which has indeed been smaller both during and after the war than in pre-war times; the main reason is the withdrawal of gold coins from circulation. Save in the United States and in Switzerland, there is indeed no gold in circulation at all.

During the last few months, the most remarkable phenomenon in banking has been the surplus of foreign bills in France. With a view to preventing the rate of the franc from exceeding the actual stabilisation rate of 123 to the £, the French Government, or rather the Banque de France, has been obliged to buy up a great amount of sterling. These sums were employed in April for the purpose of paying off a debt of the French note bank to the Bank of England to the extent of £ 33,000,000, whereby an amount of gold deposited in the Bank of England to the value of £ 18,000,000 was released.

⁴⁰) "Annuaire statistique international" 1926, pp. 144—147.

In April and May, the Banque de France continued the conversion into gold of the quantities of sterling bills it received, to which end it removed large amounts of gold from the London gold market, i. e., in reality from the Bank of England, and despatched them to the United States for the purpose of accumulating in that country a fund for the payment of the commercial debt of \$ 400,000,000 maturing in 1929. In May, five gold transports of \$ 6,000,000 each were remitted by the Bank of England to New York for account of the Banque de France⁴¹). So as to stem the superfluous influx of gold to the United States, the Federal Reserve Bank has now bought the balance of the £ 18,000,000 worth of gold of France and deposited it again with the Bank of England⁴²).

The question arises, whence this great influx of foreign means of payment to France can have come. It is obvious that it did not accrue from foreign trade or from the current French balance of payments. It can therefore be nothing but the return of fugitive French funds now that the currency has been stabilised, and partly also speculative investments by foreigners in French shares which have been showing an upward trend in connection with the stabilisation. It would thus appear that France has succeeded in stabilising her currency without any particular loans from abroad. The opinion we put forward in these columns a year ago, at the time of the sharpest drop of the franc, that a stabilisation of the French currency would be possible as soon as ever the French bourgeoisie was so inclined (which presupposed the constitution of a big-bourgeois Government) has thus proved perfectly correct.

At the present moment the Italian Government is experiencing difficulties similar to those prevailing in France. Like Poincaré, the Italian Government has not decided to establish a definite limit of stabilisation. From the utterances of Volpi, the Italian Minister of Finance, it would, however, appear that a rate of 90 lire to the £ is to be maintained at least until the autumn. As a result of the large foreign loans, which from America alone are said to have totalled \$ 150,000,000 in the course of this year, the sterling rate dropped to 83 lire and the Italian Government was obliged to effect a purchase of foreign bills so as to reduce the rate of the lira to something like the stabilisation level.

The American loan for Poland under discussion for about a year seems now finally to have been frustrated, although it is formally announced that negotiations will be resumed in the autumn. Merely a small loan of \$ 15,000,000 has materialised. The reason of the failure of the main loan is not quite apparent, but it appears that the Poles refused to accord the Americans full control of their note-bank, while the Americans were obviously afraid of warlike complications between Poland and Russia. Whether Poland will succeed in maintaining the present rate of exchange of the zloty after the failure of the American loan, remains to be seen. For the time being, the zloty is decidedly on the downward grade.

As regards the United States, the gold stocks are reported by the authority quoted above to have remained more or less stable during the last 3 years. Seeing, however, that the balance of trade is again favourable and that the Americans are constantly realising big sums on their capital invested abroad⁴³), there is every probability that, if not artificially impeded, the influx of gold will continue in the near future. In the first five months of 1927, the net influx of gold to the United States stood at \$ 120,000,000.

In genera, the situation may be summed up as follows: Superabundance of gold in the United States; accentuated competition for the acquisition of gold among the other capitalist States of the world.

⁴¹) June Bulletin of the National City Bank.

⁴²) From the weekly report of the Federal Reserve Banks it appears that towards the end of June \$ 135,000,000 worth of gold was lent to "Foreign Note Banks", by which the Bank of England is obviously meant (v. "Economist" of July 9th, New York correspondence).

⁴³) Estimated by T. W. Lamont, partner in the Morgan Bank, at \$ 12,000,000,000 with a yearly revenue of \$ 1,000,000,000. (Speech held on May 2nd, 1927 and reported in the "Berliner Börsen-Courier" of May 30th, 1927.)

The following table shows the currency movements in countries which have not yet fully stabilised their currencies:

Foreign exchange rates in New York.
(cents per foreign unit)

	Parity	June 1926	Jan. 1927	Mar. 1927	Apr. 1927	May 1927	June 1927	18th July 1927	8th July 1927
Italy	19.3	3.7	4.3	4.5	5.0	5.4	5.5	5.45	
Poland	19.3	9.3	11.3	11.4	11.4	11.4	12.0	—	
Roumania	19.3	0.43	0.53	0.61	0.62	0.62	0.60	—	
Greece	19.3	1.2	1.3	1.3	1.3	1.3	1.3	1.34	
Spain	19.3	15.8	16.0	17.4	17.6	17.6	17.1	17.05	

International Price Movements.

There have been no particular price fluctuations during the last few months. The most important event in this respect is the sharp drop in certain prominent raw materials, such as coal, petroleum, and rubber. On the other hand, there has been an increase in wheat prices and in general a lessening of the "scissors". In the countries which have gone over to agrarian protective tariffs, the "scissors" have indeed partly ceased to obtain as regards vegetable products, though they still prevail in regard to cattle accompanied by a continuation of low prices. In the United States a further tendency towards price reduction has been observable for finished industrial goods.

A special feature is the increased difference between wholesale and retail prices, a drastic example being cited in the "Vorwärts" of July 1st, 1927, in regard to the movement of pork prices in Germany:

"In the 1911—13 period the divergence between 'st' and 'shop' prices amounted to 77 per cent. In 1926 there was a margin of about 120 per cent. and in the current year one of 140 per cent. From 1911 till 1913 a pound of pork cost 42 piennigs on the farm, 53.7 pf. on the market (25 per cent. more), 65.5 pf. at the wholesale butcher's (52 per cent. rise), and 76 pf. at the retail butcher's (77 per cent. rise). From 1926 to 1927 (June to May) a pound of pork cost 57.4 pf. at the farmer's, 71.8 pf. on the market (25 per cent. up), 91.7 pf. at the wholesale butcher's (60 per cent. up), and 1.31 marks at the retail butcher's (128 per cent. up)."

"As already remarked, these quotations apply to the period down to the end of May. At the present time a pound of pork can hardly be had in the shop for 1.31 marks, the price charged varying from 1.50 to 1.60, although the initial price has barely changed. It may be said that the difference between the initial price of cattle and the retail price of meat is at present double what it was before the war."

The following table shows the formation of wholesale prices in the most important countries:

Index figures of wholesale prices.
(1913—14 = 100)

	United States Bureau of La- bour	Gt. Britain "Economist"	Germany office National of Statistics	France	Italy, Milan Chamber of Comm.	Poland	Sweden, Com- mercial Coll.	Switzerland, Lorenz	Soviet Union, Gosplan	Japan	British-India	China
1926 April	151.1	159	132.7	752	636	178	150	147	1.97	239	149	163
1927 Jan.	146.9	153	135.9	710	613	195	146	145	1.79	224	146	173
" Feb.	146.4	156	135.5	730	601	197	145	147	1.79	227	142	172
" Mar.	145.3	154	135.0	742	593	200	145	147	1.77	227	146	175
" April	144.2	153	134.8	735	565	206	143	147	1.75	225		
" May	144.1	15	137.1	727	537							
" June	156											

The Recurrence of the World Coal Crisis.

The world coal crisis, which was interrupted last year by the reduction in output of some 120 million tons by reason of the mining lock-out in England, is now, quite apart from any change in the business outlook, again threatening, although the miners' strike in the organised mines of the United States this year has also exercised a favourable influence on the international coal market position. As we have often pointed out, the defeat of the British miners failed to lead to any solution of the

British coal-mining crisis, which is nothing but the world coal crisis in its most virulent form.

The coal crisis is essentially a market crisis, in which those countries are principally involved which are greatly dependent on their coal exports, chief among these being Great Britain. The market crisis is based on three main factors:

a) In view of improvements in combustion technique, less coal than formerly is now needed to produce a unit of energy.

b) Part of the requisite energy is gained from mineral oil and water-power instead of coal.

c) In view of the general efforts of all countries to become self-sufficient and towards restricting the import of goods to the barest necessities, a whole number of countries formerly importing coal have organised coal production on their own account, whereby coal exports have been severely hit.

For a better understanding of the position, it is necessary to give a quantitative indication of the effects of these three factors. The material submitted to the World Economic Conference⁴⁴⁾ and that of the British Coal Report (Samuel Committee) furnish certain data in this connection.

a) The coal consumption in general and per head of the population⁴⁵⁾ shows the following alterations in the leading countries (such as have a consumption of more than 10 million tons per annum):

	Total Million tons		Per capita Tons	
	1909/13	1925	1913	1925
Canada	23	25	4.0	2.6
United States	442	508	5.1	2.4
Germany	159	138	2.6	2.2
Belgium	25	31*)	3.5	3.8
France	61	74	1.6	1.8
Italy	10	11	0.3	0.3
Holland	10**)	12	1.6	1.6
Great Britain	184	176	4.2	3.9
Soviet Union	34	17	0.3	0.4
Switzerland	3	3	0.9	0.7
China	14	20	0.03	0.05
India	15	21	0.05	0.07
Japan	16	31	0.4	0.5

*) including Luxemburg.

***) for 1913.

b) The relative ousting of coal by other sources of energy is treated, for the United States, in the following table:

Consumption (in tons of 2,000 lbs. each) of Coal or Equivalents.

	1911—15 in millions	1921—25	Rise per cent.
Coal	513	540	5
Mineral oil	33	75	125
Natural gas	26	43	65
Totals	752	658	15
Population	96.5	111.7	16

This table shows that roughly 59 million tons of coal more than before the war have been replaced annually by mineral oil and natural gas, this representing 10 per cent of consumption. The ousting of coal by oil fuel in navigation and the influence exercised by the exploitation of water power are well known facts, though the latter should not be over estimated. The energy produced by water power works does not save more than 28 million tons of coal per annum, or 2.3 per cent. of the coal consumption of 1925⁴⁶⁾.

c) The following table illustrates the development of coal production in the more important countries. We here distinguish between coal exporting and coal importing countries.

⁴⁴⁾ "Société des Nations C. E." I. 18, vol. I & II. "Memorandum sur l'Industrie du Charbon".

⁴⁵⁾ Memorandum I, p. 10.

⁴⁶⁾ Memorandum I, p. 7.

	Average		
	1909—13	1913	1925
	(millions of tons**)		
Exporting countries:			
Great Britain	273.9	292	248.1
Germany*)	137.7	160.1	163.8
Poland*)	36	41	29.1
Czechoslovakia	17.9	19.4	16.9
Importing countries:			
France*)	42	44	47.3
Other European Countries	9.5	10.8	18.5
China	12.9	13.8	20.5**)
India	15.1	16.5	21.5
Japan***)	19.7	23.3	31.5
Africa	6.9	8.2	12.6****)
Polynesia	12.2	14	15.3****)

*) Post-war territory.

***) Lignite computed in proportion to hard coals.

****) Including colonies.

****) Rough estimate.

On all hands we see the same tendency of an increasing production in importing, and a decreasing output in exporting, countries. The year 1926 interrupted this line of development, since all exporting countries greatly increased their output to cover the deficiency in Great Britain, but at present the tendency is once more clearly apparent. (An exception must be made in the case of the United States, where, however, exports play an insignificant role, and Canada, whose coal output shows a downward tendency although it is a coal-importing country.) This development continued in 1927 so far as could be estimated from the rough data. (The computation of the various sorts of coal on a uniform basis is rather a complicated process, according to whether the pits' own needs are included or not; the calculation of lignite coal in terms of hard coal likewise causes varying results.) By reason of the coal strike, production shows a generally rising tendency.

The natural consequence of these three tendencies of development is a falling off of coal exports.

The net exportation of the most prominent exporting countries figured as follows⁴⁷⁾: coke, lignite, briquettes etc., being expressed in terms of hard coal:

	Millions of tons.		
	1913	1924	1925
United States	28	23.4	23.2
Germany ⁴⁸⁾	32.7	12.4	25.5
Poland	—	11.5	8.2
Great Britain	99.7	85.5	72.4
Czechoslovakia	—	2	0.9
	159.4	135.3	130.2

Although we have here disregarded the pre-war figures for Poland and Czechoslovakia, the world's total exports have decreased by roughly 30 million tons, or almost 20 per cent. Here we have the key to the coal prices and the reasons why the victory of the owners over the miners in England could bring no solution of the problem.

The crisis affects the countries according to the percentage extent of their coal exports in relation to home consumption. It barely affects the United States, where exports represents not quite 4 per cent. of output and are in many cases directed to easily accessible markets such as Canada or Latin America. Germany and Great Britain, whose exports are roughly 20 per cent of production, are far harder hit. (Great Britain exported 25.54 per cent. of output in 1913 and 28.24 per cent. in 1923; in 1925 the output dropped to 19.6 per cent⁴⁹⁾).

⁴⁷⁾ Memorandum I. p. 25.

⁴⁸⁾ Post-war territory, with Reparations supplies.

⁴⁹⁾ Report of the Royal Commission on the Coal Industry, vol. III p. 90.

Therefore, the coal crisis in both these countries is inevitable. The attempt of the German chemical industry to use coal as a raw material for gaining mineral oil (benzine) is yet in its infancy, and even if it succeeds it will not solve the coal problem, seeing that the amount of coal thus used is far too small. There is nothing left but to introduce a relative restriction of coal output in the two main exporting countries, Great Britain and Germany.

6. The World Iron and Steel Markets.

The materials submitted to the World Economic Conference gives the following aspect of the World iron and steel markets⁵⁰⁾:

World's Iron and Steel Production in millions of tons.

	1909—13	1913	1926
Iron	68.3	78.8	79.2
Steel	65.2	76.6	93.9

We see in the first place a marked shifting in the mutual proportion of iron and steel output. Before the war, the iron output was greater than the steel; now the latter is 15 per cent. in advance of the former.

At the same time, there has been a sharp drop in Europe's share in the world output. The share of Europe and that of the United States figured as follows in percentage proportion:⁵¹⁾

	Iron.		
	1913	1925	1926
United States	39.9	48.5	56.5
Europe	57.9	47.4	40.1
	Steel.		
	1913	1925	1926
United States	41.5	50.8	52.4
Europe	56.6	45.8	44.2

In examining those countries which belong to the International Crude Steel Union (the European steel cartel), we shall see that here again the share in the world output of steel has fallen off, although the absolute output surpasses that of pre-war times. The following figures refer to post-war boundaries:

Output of Steel in Millions of Tons and in Percentage Proportion to World Output.

	1913	%	1925	%	1926	%
Germany	12.24	15.96	12.19	13.43	12.34	13.14
Belgium	2.47	3.22	2.55	2.81	3.37	3.59
France	6.97	9.11	7.42	8.17	8.39	8.93
Luxemburg	1.34	1.74	2.08	2.30	2.24	2.39
Sarre Region	2.08	2.72	1.58	1.74	1.73	1.85
Crude Steel Union ⁵²⁾	25.10	32.75	25.81	28.45	28.07	29.90

Thus, the countries combined in the Crude Steel Union will appear to have surpassed their output of the very favourable year 1913 in 1925—26 but yet to have fallen short by 3 per cent. of their relative share in the world's production.

Foreign Trade in Iron and Steel.

The following table affords a survey of the iron and steel exports of the most prominent countries, here figuring in thousands of tons.⁵³⁾

	Germany	Belgium (1925 & Luxemburg)	France	Gt. Britain	U. S. A.
1913	6309	1573	630	4969	2908
1925	3263	3112	3875	3731	1678

⁵⁰⁾ "Memorandum sur l'industrie du fer et de l'acier", League of Nations C. E. I. 17, p. 10.

⁵¹⁾ *ibid.* p. 11.

⁵²⁾ For the sake of simplicity we may disregard Austria, Czechoslovakia and Hungary.

⁵³⁾ Memorandum p. 32. (Long tons in the case of the Anglo-Saxon countries.)

Disregarding the United States, whose exports are not directed to Europe, we see four relatively equal exporters, three of which are at present combined in the Crude Steel Union, in which connection it is not devoid of interest that the bulk of the French exports (2½ million tons) went to the big steel-exporting countries, Germany, Belgium and the United Kingdom.

Since 1925 no particular changes have come about apart from the peculiar development of iron and steel exportation in 1926 as a result of the British Coal Lock-out.

Iron and Steel Consumption.

The following table gives us a survey of the iron and steel consumption of certain prominent countries. The calculation is somewhat complicated, since part of the crude iron is used for steel production and a double calculation must be avoided.

	Consumption in thousands of tons.		Kilogrammes per head of population.	
	1913	1925	1913	1925
Germany	17,530	12,350	261	197
Belgium (1925 & Luxemburg)	1,450	2,060	190	255
France (1925 & Sarre)	6,400	11,350	151	203
Great Britain (1925 without Ireland)	10,840	9,050	236	200
Italy	1,070	1,940	38	61
Poland	1,170	880	32	28
United States	38,420	55,350	372	468
Japan	1,130	1,400	30	30

The chief interest attaches not so much to the absolute figures, which in part allow of no practical comparison in view of territorial changes, as to the movement of consumption per head. In this connection we see that the four West European Industrial Countries, Great Britain, France, Germany, and Belgium consumed pretty much the same quantities of iron and steel respectively per head of the population in 1925, i. e. about 200 kilogrammes. Very far behind follow Italy, Poland and Japan. On the other hand, the consumption per head of the population in the United States was double that of the big European industrial countries.

The Development of the World's Engineering and Electrical Industry.

It would be an extremely interesting task to pursue the development of the world's apparatus for the production of machinery, since this would admit of safe conclusions as to the evolution of productive forces. Among the material submitted to the World Economic Conference there is an article on international engineering.⁵⁴⁾

Unfortunately, the definition of machinery has never been strictly established in an economic sense. A great number of products which would certainly be classed as machinery in the Marxian sense, such as all electrical apparatus (dynamoes, motors, electric locomotives), then automobiles, ships, motor cycles, steam engines and steam generators, are not included under the heading of machinery. On the other hand, various products which could only be termed machines in the very widest sense of that word have often been counted as such, e. g., fixtures for steam and water conducts (taps, valves, etc.), typewriters and calculating machines and the like. It is naturally a lack of consistent economic reasoning to count steam locomotives to machinery but to refrain from including electric locomotives under that heading.

It would appear natural to class these data together with those of the electricity industry contained in a special brochure.⁵⁵⁾ The returns for the electro-technical industry, however, also include all data regarding electric long-distance communications (telephony, telegraph, wireless), which again cannot be said to refer to actual machinery.

Foreign Trade in Machinery.

The following table shows the main data in regard to the foreign trade in machinery:

⁵⁴⁾ "Die Maschinenindustrie der Welt", published by the Association of German Engineering Industrialists.

⁵⁵⁾ League of Nations, C. E. J. 16, Electro-Technical Industry.

World's Machinery Exports.

	1913		1925		Increase or decrease
	Millions of £ Sterling				
	Pre-war values				
		%		%	%
United States	34.05	26.8	42.65	34.8	+ 25.2
Great Britain	36.05	28.4	29.95	24.4	- 17
Germany	36.9	29	24.5	20	- 33.6
Other countries	19.85	15.8	25.4	20.8	+ 28.1
	126.85	100.0	122.50	100	- 5.25

We see an advance of the United States by 25 per cent, and a very pronounced retrogression in the case of Great Britain and Germany. The total of machine exports has likewise dropped. A closer examination will show that the recession is owing to smaller imports on the part of such countries as produce machinery for themselves.

	1913		1925	
	Millions of £ sterling			
	Pre-war values			
		%		%
Imports of Machine producing Countries	82.95	65.4	68.45	55.8
Other imports	43.9	34.6	54.05	44.2
	126.85	100.0	122.50	100

The share of foreign trade has receded in the last 12 years from 1/5th to 1/6th of the total output value, mainly by reason of the fact that the interchange between the machine-producing countries has lessened.

These are the main results of the investigation, but we must repeat that they refer to an arbitrarily established portion of engineering and not to the whole in our sense.

The production of the electro-technical industry figured as follows:⁵⁶⁾

	Mill on marks	% of total Production	No of workers in thousands	Value of exports million marks	Million marks pre war prices	% of total Production	No of workers in thousands	Value of exports million marks
U. S. A.	1078	28.9	118	112.4	3609	48.1	290	353.2
Germany	1300	34.9	140	330.6	1750	23.3	190	356.5
Great Britain	600	16.0	75	156.2	864	11.5	135	352.2
France	150	4.0	30	30.2	368	4.9	75	78.3
Japan	69	1.9	—	1.6	214	2.9	25	11.1
Italy	45	1.2	—	8.3	139	1.9	—	12.2
Austria	120	3.2	25	10.4	94	1.3	23	34.7
Canada	54	1.4	5	0.3	90	1.2	8	12.7
Switzerland	45	1.2	—	34.7	77	1.0	—	47.6
Various	273	1.8	38	14.1	291	1.0	13	44.7

In comparing the development of engineering with that of the electro-technical industry, we may see that the value of output has doubled in the latter case while in the former there has only been an advance of 10 per cent. We may observe, furthermore, that electro-technical production has been greatly concentrated in the three leading industrial countries, United States, Great Britain and Germany, which together produce 93 per cent of the total. The share of the United States here again amounts to roughly half the world output.

The exports of electro-technical products figure as follows:

	1913		1925	
	Mill on of Pfd. Sterling per cent			
				per cent
Germany	16.55	47.8	17.85	25.7
Great Britain	7.8	22.8	17.6	25.4
United States	5.6	16.3	17.65	25.5
Other countries	4.5	13.1	16.15	23.4
	34.45	100	69.25	100

⁵⁶⁾ "Industrie Electrotechnique", p. 22.

The table shows that Great Britain and the United States have greatly increased their exports, while those of Germany are hardly larger for 1925 than for 1913. Thus, Germany's share in the world's exports has dropped from 48 to 26 per cent. We repeat that in view of the absence of an absolute economic definition of the term "machinery", these returns are of doubtful value, though in any case they serve to give an idea of the general development.

The World's Harvest and the Attempts to Control the World Wheat Market.

The outcome of the harvest is bound to be of great importance for the further formation of the International business position. At the present moment no reliable data is to hand as to the presumable yields. In oversea countries exporting large quantities of grain, there is a tendency to under-estimate crops, while in the Eastern European countries competent quarters endeavour to put the presumable yield and indeed the entire economic position and the creditary capacity of their countries in as favourable a light as possible.

From the returns published by the Roman Agrarian Institute it appears that the area under wheat in certain countries (France, Italy, Yougoslavia), has somewhat increased, while that under barley and oats shows a downward trend in keeping with the low price level for cattle-fodder. Great changes do not appear to have come about in the extension of the cultivated area. The indications as to the status of the crops and the outcome of the harvest point to much the same position in the northern hemisphere as obtained last year.

Grain prices in general and those of wheat in particular have been moving up during the last few months. The endeavour to raise the wheat price artificially, however, has not decreased but is rather increasing as was shown by the May conference of the "Wheat Pool" of Canada, the United States, the Argentine Republic and Australia, a conference which was also attended by a representative of the grain exporting centre of the Soviet Union. The problem of enhancing the wheat price may be solved in different ways according as to whether the country in question imports or exports wheat and according to the role played by wheat exports in proportion to home consumption.

For the wheat-importing countries no international organisation is required for the purpose of raising the price, a measure which may be affected by the introduction or augmentation of the tariffs.

For those countries which export wheat but in which such exports are not decisive in their proportion to home consumption, a procedure may be employed analogous to the dumping carried on by the industrial cartels. This was the idea underlying the McNary-Haugen Bill in the United States. The surplus wheat production exceeding home consumption was to be bought up by central offices with Government aid and sold abroad at the current price, if need be even at a loss. Thus the home price would figure at the world market price plus duty, as is the case in regard to goods enjoying customs protection which are placed on the market by established monopoly-organisations.

The problem is altogether different in the case of such countries or territories as are dependent on a wholesale exportation of wheat, since here the output far exceeds requirements. Normal duties are of no avail in such a case, and a remedy can only be provided if it is found possible to increase the world market price, which is in itself decisive for the extent of the home price in the absence of a cartel-organisation. This is the case in Canada, Australia, and Argentina. For these countries there can only be a question of raising the world market price by an organised control of all, or at least of a decisive indispensable portion, of world market requirements.

So as to furnish a survey of such a control of the world wheat market, we shall here attempt to present to the reader in brief the quantitative circumstances of that market.

There are four wheat-exporting regions, the Soviet Union, North America, South America, and Australia. The exports from these territories figured as follows:

Wheat Exports (Flour, computed in terms of wheat).

	Average 1909—13	Average 1921—25
Millions of metric centals.		
Soviet Union	43	2
North America	52	124
South America	27	36
Australia	14	25
	<hr/>	<hr/>
Other countries	38	8
	<hr/>	<hr/>
Total	174	195

"Other countries", represents the exports of the European countries to one another, in first place those of the Danubian countries to Western Europe. The average figures afford no accurate survey, inasmuch as the exports of the Soviet Union are known to have amounted last year to quite ten million tons.

We may observe that an organised combination of Canada, United States, Argentina and Australia, with a possible co-operation on the part of the Soviet Union, would fully suffice to govern the world market prices.

Geographically speaking, wheat imports are yet more concentrated than wheat exports, i. e., to Western Europe. Of late, it is true, the Far East has figured as a wheat-importing territory, but the imports in this direction are still quite insignificant when compared with those to Western Europe, as may be seen from the following figures⁶⁰:

Wheat Imports (flour computed in terms of wheat).

	Average 1909—13	Average 1921—25
Millions of metric centals.		
Europe (without Soviet Union)	146	156
Asia (without Soviet Union)	4	13
Other territories	17	22
	<hr/>	<hr/>
	167	191

Eliminating the United States, whence wheat exports will presumably cease sooner or later by reason of the increasing introduction of mixed farming, the control of the world wheat market by the wheat-exporting countries would be tantamount to a shifting of the distribution of the social value output among the West European Industrial regions and the big agrarian export countries. The economic decline of western Europe would thus be accelerated.

The World Economic Conference.

Though not the most significant of the economic events of the last few months, the World Economic Conference has certainly been given the greatest share of publicity in the Press. In our last report we had occasion to advise our readers not to over-estimate the importance of these discussions, which, with a full consciousness that no positive results would ensue, were arranged with a view to leading the pacifists to believe that agreements were being arrived at among the Capitalist countries.

On this occasion the political differences between the Imperialist Powers came more or less definitely to the fore. In the main question, as to how the market crisis of the west European Industrial regions could be solved, there were two opposing standpoints. The French point of view amounted to a far-reaching organisation of industrial cartels with a view to regulating competition on the world market while at the same time safeguarding the home markets for the national cartels. This policy was in keeping with the fact that the home market in France is relatively receptive for industrial products, while the French exporting industries include many possessing a qualitative monopoly on the world market. On the other hand, the British programme amounted mainly to a mitigation of

⁶⁰ "Les questions agricoles" p. 42.

customs barriers and other commercial restrictions in keeping with the fact that Great Britain is virtually a free trade country and is under the present circumstances exposed to the danger of seeing its markets swamped by the dumping of the other protected industrial countries. Having lost her predominant position as the leading industrial country, Great Britain is placed before the alternative of free trade for the other countries or a protective tariff for herself.

At the Economic Conference, Great Britain succeeded more or less in putting through her own standpoint. The French plan of a development of international cartels was turned down, the resolution passed in this fashion merely recognising the creation of such cartels as a favourable measure subject to a triple provision. Naturally, the passing of this resolution in favour of free trade is without any real importance.

Special interest attached at the Economic Conference to the participation of Russia, this being the first time that the Soviet Union took part in a conference organised by the League of Nations. The peculiar position of the Soviet Union enabled the Russian Delegation to set forth the contradictions obtaining in the capitalist world without any regard for the general tendency of the League. By this procedure the Russian Delegation placed the numerous representatives of the reformist trade unions in an embarrassing position, since the latter were repeatedly obliged to vote with the delegation and against their capitalist colleagues in questions immediately concerning the working class. The close of the conference naturally found them unanimous with the Capitalists or at any rate not openly in opposition (the number of delegates that refrained from voting not being established).

So as to attain unanimity, the delegation from the Soviet Union was accorded the concession that all those resolutions or revolutionary items for which they did not vote should find no application to the Soviet Union and that a development of economic intercourse among all countries was warmly recommended. The Soviet Delegates were effectively supported in their aims against the firm opposition of the British representatives by the delegation from the United States and in this sense they may be said to have achieved some success.

The entire economic conference, however, was without actual importance as is shown not only by the planned increase of custom tariffs in Germany but yet more by the police raid on the Arcos offices which occurred during the session of the conference. The great antagonisms between the Imperialist Powers and those between these powers and the suppressed Colonial peoples, as also between the Capitalist world and the Soviet Union might be formally bridged over by resolutions but could not be abolished by any form of conference whatsoever.

III. Special Section

Germany.

The economic position of Germany is characterised by the fact that for the first time since the end of the war we are witnessing a highly favourable business position in German industry. This boom extends to practically all branches of industry, but is most prominent in the iron and steel trade. The "Bergwerks-Zeitung" of June 23rd describes the position somewhat as follows:

"The iron and steel industry is provided with orders for months ahead, for the execution of which more and more time is demanded. In many cases, indeed, it is growing doubtful whether new orders can be undertaken or not. The main demand comes from the inland, chiefly from the building industry and the shipyards, whereas foreign business is satisfactory but not exceptional. In June the works were occupied up to 100 per cent. of capacity."

The engineering industry is rather less busy. For the month of May, the degree of occupation in the works is recorded by the Association of German Engineering Institutions as around 70 per cent. of capacity.

The building industry shows a vigorous advance. So does the textile industry.

In October last we discussed in detail the development of German capitalism and arrived at the result that an upward trend was noticeable in general but that the really vital problems as to absorption of a million unemployed by the apparatus of

production, securing to the German working class a standard of living commensurate with pre-war times, and paying the Reparations Debt, had not yet been solved. The question arises as to whether the fact of the present business boom really represents a solution of the problems of German capitalist economy and whether the circumstance that in a large capitalist State of Europe with a stable currency a business boom should have occurred for the first time, may be taken to refute our conception of the merely relative stabilisation of capitalism.

In our aforesaid survey⁶¹⁾ we reproduce certain figures on the development of the apparatus of production and that of working forces. The data since then published of the census of industrial and professional activity in 1925 enable us to repeat on the basis of figures to hand what was then merely a matter of computation. In our opinion the greatest importance attaches to the extraordinary expansion of motoric forces employed in German industry, as will be shown by the following returns:

Productive Apparatus of Industry.

Output of motors and power-machinery used for working industrial apparatus.

(Industry including Mines, building, and handicraft, but without gas, water, and electricity distribution.)

Thousands of h. p.		
1907	1925	Increase
6.223	18.099	184 per cent.

Assuming an increase of 84 per cent. for the period from 1907 till 1913, we have one of a 100 per cent. over the status of 1907 between 1913 and 1925.

What is of greater importance is the increase in the number of productive workers in German capitalistic enterprises, productive, i. e., in the Marxian sense of producing an immediate surplus value. To this category we can count the workers in agriculture and forestry and in industry in its wider sense. The following table affords a survey of the development since the last professional census in 1907:

	Earners ⁶²⁾ (in thousands).				
	Total	Agriculture & forestry	Industry	Commerce and traffic	Household and private, fluctuating wage work
1907	25,155	8,556	10,061	3,266	1,621
1925	32,008	9,762	13,239	5,273	1,643

Workers.					
1925	14,434	2,607	9,781	1,440	254
Increase over 1907 .	2,519	276	2,240	555	—

Employees & officials.					
1925	5,274	162	1,452	2,221	—
Increase over 1907 .	1,900	76	434	1,004	—

These figures show that the number of wage-workers in Germany engaged in agriculture and industry is together no more than roughly 10 millions or 2 millions more than in 1907. Taking into consideration that in the entire post-war period an average of about 1.5 million productive workers were unemployed, it results that in this space of time the number of actually productive operatives creating a surplus value was only one half million above that of 1907. About the same number of productive workers, however, were employed in a productive apparatus using almost the threefold of motoric power. This allows us to draw two conclusions:

Firstly, that the productivity of labour must have risen extraordinarily, and

⁶¹⁾ V. our economic survey of the 3rd quarter of 1926. Special No. of the "I. P. C." of Nov. 30th, 1926, No. 81, Vol. VI.

⁶²⁾ "Wirtschaft und Statistik" 1927, no. 10.

Secondly that the contrast between the expansion of the productive apparatus and the insignificantly small increase in the number of productively active workers has become a permanent phenomenon.

It is interesting and highly characteristic of the new and partly unbound development that, in the face of an increase of workers by only 2.5 millions, the number of clerks and other employees has risen by 1.9 millions. This increase was mainly in commerce but it also affects certain branches of industry; thus in the chemical trade there are twenty clerks per 100 workers.

The relatively small number of productive workers means that the rate of profit declined considerably in general while the rate of surplus value has remained the same as in 1907. If this is actually not the case, it means that the exploitation of labour power by more intensive work is greater than before the war.

A rising productivity as a result of technical progress and greater intensity of work must in this way compensate for the loss of surplus value resulting from the relatively much decreased number of productive workers.

We formerly pointed out that the total level of German economy in 1925-26 had not yet reached that of pre-war times. It would now appear that it is only in the present business boom that the general level of 1913 has temporarily been reached. In the place of numerous individual returns, we here publish those referring to the per capita consumption of coal, iron, and steel:

Per capita consumption of coal in general in kilogrammes (all computed in terms of hard coal)⁶³.

1913	1922	1924	1925	1926 (our est.)	1927, I.
2,666	2,412	2,163	2,212	2,100	2,520

Total consumption of coal (all fuel comp. in terms of hard coal)⁶⁴.

Monthly average in thousands of tons.

1913	1925	1926	1917, I.
12,325	11,335	11,053	12,850

Per capita consumption of iron and steel⁶⁵.

1913	1923	1924	1925	1926	1927 (5 mths.)
261	125	174	197	195	255

Iron output

(Monthly average in thousands of tons).

1913	1924	1925	1926	1927 (5 mths.)
909	631	835	804	1,059

Crude Steel output

(Monthly average in thousands of tons).

1913	1924	1925	1926	1927 (5 mths.)
956	820	1,016	1,028	1,325

These data again, the accuracy of which is not very great (the returns in various publications showing not inconsiderable deviations), show that in the present exceptional business phase Germany's economy has about reached its status of 1913.

Probable short duration of business boom.

If we regard the progress of the business curve in Germany since the stabilisation of the mark, the most prominent fact —

⁶³ "Statistisches Jahrbuch", 1926. Estimated by us for 1926 and 1927.

⁶⁴ "Wirtschaft und Statistik" 1927, No. 11.

⁶⁵ World's Economic Conference, "Memorandum sur l'Industrie de Fer et d'Acier" p. 36. The figures for 1926 and 1927 estimated by us under the presumption of a parallel increase of home consumption with output.

apart from the absence of a uniform process of business, common to all countries of the capitalist world — is the extraordinary brevity of the individual phases. Since the stabilisation we have seen the following sequence:

"Stabilisation Crisis": Autumn 1923 — summer 1924.

Business Boom: Autumn 1924 to Autumn 1925.

"Rationalisation Crisis": Winter 1925—1926 to Autumn 1926.

Improvement of Business: Autumn 1926 to Winter 1927.

Business Boom: Spring 1927.

The question arises as to the reason of this brevity of business phases. We believe that it depends in the first place on the fact that in spite of the constant advance of German capitalism in the last few years the existing volume of circulating capital is insufficient for any longer duration of business prosperity, or in other terms, that German capitalism is poor in capital.

A few facts in illustration of this paucity of capital in German economy. Before the war the total of savings-bank deposits was roughly 19,000 millions; at present it is somewhat over 4,000 millions. The accretion in 1926 was 1,700 million marks, which was more than in an average pre-war year. It must be remembered however, that before the war the savings-bank deposits really represented the savings of individual persons, i. e. income the employment of which was deferred and which was allowed to serve meantime as capital; the present savings-bank deposits, however, consist to a great part of the deposits of corporations and other public-utility institutions which leave their cash reserves to the administration of the savings-bank. These cash reserves can naturally not be turned into industrial capital, seeing that they must be available at short notice in the form of hard cash.

The lack of capital was counteracted down to the turn of 1926—27 by the constant influx of foreign loans and credits. In this way foreign capital entered Germany during the last 3 years to an extent of anything from 5 to 10 thousand million marks. It lies in the nature of these sums that their actual extent should not be recorded. Only the sum total of the publicly invested long-termed loans is known. It figured:

Millions of marks.

1924	1925	1926 ⁶⁶
1001	1244	1516

Added to this, there were ready-money credits, short-termed money credits, purchases of German securities by foreigners, etc.

At the close of 1926, the leaders of German Economy, headed by Schacht, Chairman of the Reichsbank, believed that Germany's capitalism was sufficiently strong to dispense with further foreign loans. Therefore, the negotiation of foreign loans was rendered difficult by the authorities competent to authorise it, while the exemption from profit tax was abandoned and the bank rate of the Reichsbank was put down to 5 per cent, which caused a removal of the short-termed foreign investments. As a matter of fact only 90 million marks worth of foreign loans was negotiated in the first three months of 1927 while in the month of April there were, for the first time for many years, no such loans at all.

These endeavours failed altogether. The insufficiency of German capital was reflected in the Stock-Exchange crash and the necessity of returning, after a short time, to a bank rate of 6 per cent (with a probable further increase towards the end of the boom period), and in the recent re-elimination of all restrictions on the issue of foreign loans.

Stock-Exchange Crisis, Monetary Liquidity, and Lack of Capital.

The leaders of the German Economic policy were deceived in their calculations by the fact that there was plenty of money available in Germany and that it was used very freely for Stock-Exchange speculations. They could not, however, understand that there may be plenty of money available in spite of an actual lack of capital, i. e., that these two facts are by no means incompatible.

In the Marxian sense, this is easily comprehensible. Just because there is a lack of real capital, which means that an insufficient portion of the yearly value output can be established as industrial capital, every individual capitalist must endeavour to retain a relatively large portion of his total capital in the form of money or only invest it in a way which will allow

of its re-conversion into money at short notice. Hence, the abundance of Stock-Exchange funds and overnight advances and the extensive investment of money in securities in general and shares in particular. Just because there is too little real capital in existence in economy in general, the capitalist class is forced to keep relatively large reserves of ready money or to invest them at quite short notice. In this way there appeared to be an abundance of capital in Germany, a fact which led to the prevention of further foreign loan negotiations.

It was on this basis that the boom insecurities ensued which subsequently led, on May 13th and again early in June, to the tremendous Stock-Exchange crash. By reason of a vigorous upward movement of several months' duration, the rates of shares attained a height quite out of proportion to the actual yield, i. e., dividends. While in 1913 the rate of interest on the capital invested, reckoned on the basis of Stock-Exchange rates, stood at almost 6 per cent, it had dropped by the beginning of May 1927 to about 3 per cent. Sooner or later, a wholesale reduction of the inordinately high rates was bound to ensue.

As early as April and May, however, it appeared that there was not enough monetary capital available for the needs of industrial capitalism. Schacht, representing in the first line the interest of the industrial capitalists, therefore attempted to release funds from the Stock-Exchange for the purposes of industry. To this end it was resolved that the hypothecary and contango credits granted to speculators by the banks should immediately be curtailed by 25 per cent. If he wished to keep his securities, the small speculator had therefore either to place an amount of fresh capital with the banks — which was naturally impossible in practically all cases, seeing that he had already invested his entire capital — or else to sell part of his securities with a view to reducing his bank debts with the proceeds. Since the enactment in question placed thousands of small speculators in this predicament at the same time, there ensued the memorable breakdown of the share rates on the German Stock-Exchanges⁶⁵⁾.

The breakdown of the rates occupied the entire bourgeois publicity for several days. There were attacks on Schacht, on the leading banks, and on the Government, but they soon ceased, seeing that the interests of the most important part of the bourgeoisie, the bank and industrial capitalists, were not harmed by these occurrences. Since the banks and many other initiated parties knew of the impending enactment and since any reasonable people — as the big capitalists proved to be in this case — could easily understand the fact that the rates had been increased out of all proportion, it was only the small people that suffered a loss. The banks were well able to buy up the securities at low prices and will again dispose of them to the small investors as soon as the rates advance. The whole Stock-Exchange game, if regarded from a class standpoint, is a perpetual expropriation of the fortunes of small speculators.

It would be wrong, however, to look upon the Stock-Exchange crisis as a suitable result of the manipulations of Schacht and the big banks. It was indeed the outcome of the fact that in the absence of constant influx of foreign capital Germany was experiencing a lack of capital impeding the exploitation of its industrial assets. (All the more so, as, in spite of the scarcity of capital, the German capitalists are obliged to export capital so as to maintain their competition abroad. The Reichskreditgesellschaft estimates the appropriation of the German capital market by foreigners in the first half of 1927 at 100 million marks.) By the restriction of the Stock-Exchange game no less than 215 million marks of capital was released in the case of the leading Berlin banks alone⁶⁷⁾. That this did

not suffice however is proved by the fact that no further obstacle was placed in the way of the influx of foreign capital. In the last few weeks a whole number of new foreign loans has been negotiated, chief among them the following:

Prussia: \$5,000,000 = 21 million marks.

Bavaria: \$20,000,000 = 84 million marks.

Felten & Guilleaume: 22,000,000 (Sw. francs) = 20 million marks.

Karl-Alexander Union. 10,000,000 (Dfl.) = 20 million marks.

City of Berlin: 100 million marks.

A great number of municipal and provincial corporations are at present negotiating for further foreign loans, which they were formerly prevented from receiving by the policy pursued by Schacht⁶⁸⁾.

In summing up we may say that the attempt to emancipate German capitalism from the influx of foreign capital has failed for the time being since German capitalism is still too weak to be able to dispense with this aid for any length of time.

The Business Boom and the Working Class.

The question now arises as to what profit the working class derived from this business boom.

There can be no doubt that the wage income of the entire working class has greatly increased, that short-time work has practically disappeared, that half the unemployed, or rather more than 1,000,000, have again found work, and that overtime is being worked to a considerable extent.

The increase in the total income of the working class is reflected in the greater consumption of cheap textiles and footwear and also of certain not quite indispensable foodstuffs. The report of the Reparations Agents contains the following table in this connection:

Consumption of Foodstuffs.

	Meat (a)	Sugar (b)	Coffee (c)	Tobacco (d)	Beer (e) (thousands of hl)
	(thousands of tons)				
1925 (1st qtr.) . . .	513	297	26	27	8,662
1925 (2nd do.) . . .	497	337	19	29	12,900
1925 (3rd do.) . . .	500	395	28	37	14,111
1925 (4th do.) . . .	581	378	17	24	10,187
1926 (1st qtr.) . . .	560	296	32	25	9,956
1926 (2nd do.) . . .	498	355	21	28	12,414
1926 (3rd do.) . . .	526	405	31	31	14,498
1926 (4th do.) . . .	624	409	21	32	11,267
1927 (1st do.) . . .	609	313	40	28	10,051

a) As recorded in public abattoirs. b) Computed in terms of crude sugar. c) Net imports. d) Estimated and collected consumption returns. e) Estimated consumption.

In judging of the items of this table, corresponding quarters should be compared.

On the other hand, wages in the sense of the actual sum paid per hour of work have not increased.

True, the wages as recorded in Paris have risen somewhat in the course of the last 6 to 8 months. Official indications put the average increase at 8 to 9 per cent., which is probably an over-estimate, on the other hand the cost of living has developed as follows:

1924 July	126.4
1925 April	136.7
1926 April	139.6
1927 April	146.4

We see that the cost of living has continued to increase, moving up by roughly 5 per cent. from April last year to

⁶⁵⁾ In the course of 1927, the rates moved as follows:

Share Index of the Reichskreditgesellschaft.

(Oon the basis of 100 for January 2nd, 1925.)

1926 January	1926 Dezember	1927 May (1st wk.)	1927 June (1st wk.)	1927 June (3rd wk.)
71.4	135.4	173.2	132.2	138.4

Report of the Reichskreditgesellschaft: "Deutschlands wirtschaftliche Entwicklung im 1. Halbjahr 1927" (Germany's economic development in the first half year 1927) the best bourgeois report apart from those of the Reparations Agents.

⁶⁷⁾ "Börsen-Courier" of June 16, 1927.

⁶⁸⁾ *ibid.* June 15th, 1927. The proceeds of the first newly sanctioned foreign loan were to be available in Germany in the middle of July. (Wirtschaftsdienst of July 8th, 1927.) Hence, there was still a marked scarcity of money at the end of June. Advances repayable at several months' notice fetched 7³/₄ to 8¹/₂ per cent., overnight advances at the close of June 10 per cent.

April this year. Thus, for the same amount of work the worker is by no means receiving increased wages. If we take into consideration that the intensity of work has been increased by rationalisation, we come to the result that the exploitation of the working class is greater than it was before.

Of greater importance, however, is the fact that the business boom has by no means put an end to unemployment. In judging of this question we should remember that there are two overlapping factors in the formation of unemployment, viz., the influence of the season and that of the business phase. We, therefore, subjoin two individual tables, the former showing the development of unemployment in the spring of each year so as to eliminate seasonal influences:

Unemployment and Short-time Work in the Trade Unions (1914—1927).

	Total	Productional Trade			Consumption industries	
		Metals	Buildng	Textiles	Apparel	Leather
April 1924 .	10.4	16.9	14.7	2.1	0.9	2.3
April 1925 .	4.3	5.0	5.4	2.7	2.0	4.2
April 1926 .	18.1	18.9	26.8	18.8	22.9	30.0
April 1927 .	8.9	10.9	13.1	4.0	9.3	10.8
May 1927 .	7.1					

Short-time Work.

April 1924 .	5.0	9.9	—	2.1	0.2	1.3
April 1925 .	4.2	4.9	—	12.3	3.4	9.9
April 1926 .	8.9	25.2	—	53.4	21.4	33.8
April 1927 .	3.7	4.8	—	3.4	2.3	7.4
May 1927 .	2.8					

This table shows the important fact that the number of unemployed in April 1927, in fact also in May 1927, was practically twice as great as in the former prosperous business period of April 1925. This means that unemployment here shows a rising tendency in consecutive favourable business periods, which is just the contrary of an absorption of the unemployed through an improvement in business.

If we consider the change in the business outlook purely from the standpoint of the working-class and look upon a total unemployment of more than 10 per cent as a crisis, we can distinguish the following four periods since the stabilisation of the mark:

Autumn 1923 till Sept. 1924: 12 months of "stabilisation crisis".

October 1924 till Oct. 1925: 13 months of good business.

November 1925 till Mar. 1927: 17 months of "rationalisation crisis".

Since April 1927: good business phase.

That the wholesale unemployment has not been eliminated by the trade prosperity is also shown by the following comparison:

Total of Unemployed in Receipt of Dole as per Official Returns.

(Emergency relief and emergency work included.)

Jan. 15th, 1926	1,803,086
April 15th, 1926	2,046,845
July 15th, 1926	1,862,556
September 15th, 1926	1,443,843
January 15th, 1927	2,073,713
March 15th, 1927	1,838,376
May 15th, 1927	1,138,722
June 15th, 1927	953,927

It must be pointed out that the real number of unemployed was still greater, since relatively more of the unemployed were excluded from unemployment benefit without receiving emergency relief either. "Wirtschaft und Statistik" puts the number of these unsuccessful applicants for relief at about 10 per cent, i. e. for June 15th at 59,800. There were thus even officially, more than one million unemployed on June 15th in spite of the business boom.

These 3 tables clearly show that there are no signs of a disappearance of the extreme unemployment in Germany. A certain improvement may still ensue in the course of the boom,

which will synchronise in the next few months with an increased demand for labour on the part of agriculture and building, but there is bound to remain a permanent balance of about 1 million unemployed. The fact that during the present business boom the percentage of unemployed should be greater than in 1925 is obviously due to the rationalisation effected in the meantime⁶⁹⁾.

The Trade Boom a purely Inland Affair.

In our above-mentioned survey we pointed to the fact that, if the Reparations payments were to be made and the increased population of Germany was to be fed, clothed, and housed, on the same lines as before the war, German capitalism needed an increase of exports* to a degree permitting of an export surplus to the value of 4 or 5 thousand million marks.

On the other hand we may observe that the adverse trade balance has increased tremendously during the present period of prosperity. The deficit in this connection stood as follows:

October—December 1926 461 million marks

January—May 1927 1516 million marks

The deficit, moreover, has increased, moving upward in May by 339 millions. The following table shows the formation of foreign trade in the business periods formerly mentioned:

Foreign Trade. (Pure goods traffic.)

	Imports	Monthly average	Exports	Monthly average	Surplus	Monthly average
Jan.—Sept. 1924	5,989	665	4,541	504	—1448	—161
Oct. 24—Oct. 25	13,941	1072	10,103	777	—3838	—295
Nov. 25—Sept. 26	8,519	775	9,047	822	+ 528	+ 48
Oct. 26—May 27	8,513	1064	6,616	827	—1897	—237

This table shows that the import of raw materials and semi-finished products has greatly increased in the present prosperous period. The receptive capacity of the market as regards certain finished products, e. g., textiles has so greatly advanced that the home output could not keep pace with it and finished textile goods had to be imported. On the other hand the export of finished goods has risen neither in absolute values nor in its percentage proportion to total exports, as the following table shows:

Development of Finished-goods Exports.

	Present	value
1913 Old territory	6746	66.8
1924 New territory	5190	79.2
1925 First half	3120	
1925 Second half	3505	6625
1926 First half	3515	
1926 Second half	3453	6968
1927 First 5 months 2923	2923	72.0

Optimists are of opinion that the deficit of the trade balance — now that the apex of the boom has been reached — will soon turn into a surplus, the raw materials now imported being exported in the form of finished goods. It must, however, be pointed out that at the end of the improved business cycle of 1925 the favourable balance of trade lasted for no more than two months and then gave way to a renewed deficit. This optimistic outlook, therefore, is devoid of any sound basis.

The German economy's lack of capital makes itself peculiarly felt in this connection. German industry is certainly in a position

⁶⁹⁾ Koch, German Minister of Traffic, spoke as follows on the consequences of rationalisation at the session of the General Union of Evangelical Labour Unions: "The consequences of modern rationalisation have been hardly less fatal to Labour than the introduction of the first machines. That the number of fully supported unemployed in Germany should have increased by the end of February, 1926 to the tremendous extent of 2.1 millions, is only due to the rationalisation in German Economy." ("Berliner Börsen-Courier" of May 30th, 1927.)

to compete with its rivals as regards the cost of production now that it has effected its rationalisation. But in the present imperialistic era of capitalism it is not only prices but also, perhaps in a greater degree, the possibilities of capital exportation that are decisive. It is only against exportation, that, in view of the limits of the world market and the scarcity of capital of the newly industrialised countries, goods can be exported. The lack of capital, however, hinders German economy from increasing its exports. A certain exportation of capital has ensued, but in comparison with pre-war times, in comparison with the foreign capital acquired by the German capitalists, and in comparison with the capital exportation of Great Britain and the United States it is ridiculously small.

In this way a peculiarly vicious circle ensues. The lack of capital prevents the German industrial capitalists from extending their foreign markets. The absence of sufficient foreign markets again prevents the business boom, based as it is purely on home sales, from lasting any length of time.

As a matter of fact, we believe that the present boom will come to an end before the close of the year. Whether this will be the case, moreover, is not of decisive importance. What matters, is that the boom, as such, represents no real recovery of German economy and is not calculated to render possible either the absorption of the unemployed in the productive apparatus or the necessary expansion of the foreign markets required by German capitalism. The fact of the boom is, therefore, neither a proof against the relativity of capitalist stabilisation in general, nor does it mean that the particular problems of German capitalism are in any way likely to be solved.

France.

The position of French economy has in the last few months shown signs of a slow deterioration, the beginning of a stabilisation crisis⁷⁰). This cannot be accurately proved in view of the absence of reliable data. True, there exists a privately compiled index of production, issued by the "scientific" centre of the "Comité des Forges", the "Société d'Études et d'Informations Économiques". This index, however, only mentions coal, and iron (steel) output as elements of production, its other returns being in regard to the export of textiles and motor cars, the import of fuel, textile raw materials, then customs, revenue, traffic returns, (Railway, navigation, air service), bill-discounting figures, etc. each of the twenty odd items also being reckoned for the year 1913, the relative figures applied to the turn of 1914—15. For entire years this index may serve as a certain criterion for a formation of economy in general; for individual months it seems to us insufficiently reliable. The returns of this index afford the following survey⁷¹):

1924	1925	1926	1926	1926	1927	1927
2nd qtr.	2nd qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	April
111.3	109.3	120.8	122.3	121.8	125.8	122.2

There appears to have been a rise of almost 25 per cent over the first months of the current year.

On the other hand, the deterioration of the business position is by no means critical. Neither a sharp drop in prices, nor wholesale unemployment, nor pronounced business failures have occurred. The stabilisation crisis has set in at a very slow rate.

The price formation figures as follows:

Wholesale Index
(on the basis of 100 to represent 1913).

Maximum	Average	July	January	February	March	April	May
1926	1926	1927	1927	1927	1927	1927	1927
703	836	622	632	641	637	629	

A pronounced reduction of the inflation prices having ensued in second half of 1926, the prices in the opening months.

⁷⁰) "A slowing down ('ralentissement') of business is certainly noticeable, though it is not yet very marked." ("Information financière" of June 17th, 1927.)

⁷¹) "Bulletin Quotidien" of June 25th, 1927.

of 1927 remained more or less stable without any indications of a crisis⁷²).

So far as results from the returns regarding unemployed in receipt of relief (the actual number being considerably higher), unemployment is not great and shows a declining tendency. The peak was 82,000 on March 16th; in the middle of April there were 65,000 and in the middle of May 47,000. The favourable result was due to the continuous return home of foreign workers (a few thousands weekly) and to extensive short-time work.

The position of coal-mining is precarious. The general crisis in the European coal industry is also felt in France, although the country imports great quantities of coal⁷³).

Millions of tons.

(Coke, briquettes etc., in terms of hard coal.)

	1913	1924	1925	1926	1927
	(1st 4 mths.)				
Output	40.8	45	48	51.4	18.1
Net imports	22	30.1	28	—	—
Consumption	64.7	77	76	—	—
Tons per capita	1.63	1.96	1.92	—	—

The home production shows a continuous rise. In the first four months of 1927, 1.3 million tons was produced in advance of the first four months of 1926. This has led in the last few months to a serious crisis. 1½ millions tons of coal had to be stocked at the pit-heads in the north. There is a serious market crisis.

The question might be raised as to how a market crisis is possible seeing that one third of consumption has to be covered by imports. The explanation is that the most important French coal mines are in the north-east corner of the country close to the Belgian frontier and have a very bad access to the sea. Thus, they cannot enter into competition with British coal in the coastal regions, although wages were recently reduced, as were also railway freights⁷⁴). In the middle of June, therefore, the Government prohibited the importation of British coal in general, making it subject to the grant of an import license. This will not be of great avail, seeing that the capitalists in the regions hitherto using British coal (the west and south of France and the coastal districts) will certainly not submit to a pronounced increase in the price of coal. It has already been announced that the Government will permit one million tons to be imported monthly. An extension of the international coal crisis to France, albeit a coal-importing country, may safely be predicted.

The iron and steel output has shown no very important change in the last few months:

	Output in thousands of tons.				
	Monthly average.	March	April	May	
	1925	1926	1927	1927	1927
Iron	706	786	801	774	794
Steel	618	699	704	681	712

The output has been greater than the average output of 1926, a year which was particularly favourable in view of the

⁷²) There is however, as was the case in Germany, a very pronounced occurrence of "scissors" as regards animal products, and this has grown more acute in the last few months. The price-indices (on the basis of 100 to represent 1914) figured as follows:

	End of May	End of March
Total index	642	655
Vegetable foodstuffs	666	633
Animal foodstuffs	552	596
Industrial raw material	665	678

⁷³) Returns down to 1925 inclusive from: "Memorandum sur l'Industrie du Charbon" (League of Nations, C. E. I. 18, vol. II.) 1926 and 1927 hard coal only.

⁷⁴) "Statist" of May 28th, 1927.

British coal conflict. It appears also, that in the automobile industry, in engineering⁷⁶⁾, and in certain branches of the textile industry⁷⁶⁾, there has undoubtedly been a deterioration of business.

Nor is the position of agriculture at all satisfactory. We have just mentioned the low prices for animal products, partly an outcome of the poor harvest of 1926 which led, last month in particular, to considerable imports of grain and cattle-fodder. As a result of the low cattle prices, stocks of cattle have been stationary, figuring at the close of 1926 — with the inclusion of Alsace-Lorraine — even lower than in 1913.

This fact, moreover, is intimately connected with the progressive development of the countryside. The total of population is at a standstill, but the migration from country to town continues. It was only in quite a small measure that this depopulation of the rural districts could be mitigated by settlements of Italians, a step which French public opinion opposed for national reasons.

The fluctuation of population was as follows⁷⁷⁾:

	1913	1920	1924	1925	1926
Total population in millions	41.4	39.2	40.31	40.61	40.75
Increase in thousands	69	160	72	60	53

In many towns of the north the foreign working population is in the majority; thus Bruay has 70 per cent of foreigners, Ostreocourt 75 per cent, and the Moselle mines 66 per cent out of 350,000⁷⁸⁾.

During the last few months foreign trade has shown the first signs of a stabilisation crisis, viz., increase of imports, decrease of exports.

In millions of francs, foreign trade figures as follows:

	1926			1927		
	Imports	Exports	Surplus	Imports	Exports	Surplus
January	4,497	3,859	— 638	4,079	4,709	+ 630
February	5,058	4,422	— 636	4,780	4,597	— 183
March	5,258	4,977	— 281	4,414	4,694	+ 280
April	4,946	4,347	— 599	4,298	4,255	— 43
May	4,430	4,460	+ 30	4,989	4,281	— 708
Total	24,189	22,065	— 2,124	22,560	22,596	— 22 ⁷⁹⁾

It must be pointed out however that the rate of the franc stood in the first few months of 1927 at \$ 3.90 per hundred francs, in the first five months of 1926 at \$ 3.50, and in May 1926, taken separately, at only \$ 3.20. Therefore, the total of foreign trade is at present actually considerably above last year. Whether the deficit of the last few months will continue, is a moot point, seeing that it is an outcome of greater purchases of raw materials and foodstuffs⁸⁰⁾. The next few months will show whether the stabilisation is to lead to any more pronounced reaction on French foreign trade. We doubt it.

The new French customs-tariff draft shows that the French bourgeoisie, in pursuance of the economic programme we set forth in our last survey, intends to safeguard the home market by yet higher duties. The tariff is complete, numbering roughly 4,000 items. We cannot say how high the actual increase of the duties will be when the commercial treaties have been concluded. The tariff is moreover twofold, viz., a "general tariff" and a "minimum tariff". The rates of the latter are one third those of the former, but may be reduced yet further by the commercial agreements. It is provided that these rates may be increased

⁷⁶⁾ "L'Usine", various numbers of June 1927.

⁷⁶⁾ "Information" of June 21st, 1927.

⁷⁷⁾ The second line indicates the surplus in the birthrate; this does not coincide with increase in population shown in the first row of figures, the latter including immigration.

⁷⁸⁾ "Bulletin Quotidien" of June 28th 1927.

⁷⁹⁾ The slight inaccuracy in these returns is a result of rounding off the figures.

⁸⁰⁾ It is remarkable that the net imports of wine in the first few months of 1927 should have figured at more than 600 million francs.

or diminished by 20 per cent, supposing the price index to change in that proportion⁸¹⁾.

Although the rate of the franc has been stable for more than six months and although in our opinion there is nothing in the way of a legal stabilisation, the latter is not being effected, merely because Poincaré desires to remain "indispensable" until after the next Chamber elections. If the stabilisation were legally executed, vacillating petty-bourgeois elements who only put up with him in view of his arrant indispensability for stabilisation, would certainly abandon him in favour of the Left Bloc. By constant vague insinuations to the effect that the present rate is not yet final, he attaches to his cause great numbers of rente-holders who are hoping for a further rise of the franc.

This indcision, however, is causing a great amount of speculation. In our general section we pointed out that in the last few months the French note-bank had to purchase tremendous quantities of foreign currency, so that the rate of the franc should not rise for the time being above its preliminary limit. It is not known what the sum total of these foreign values is. The returns of the notebank are very vague. The stock of foreign bills is not recorded separately, but hidden under the head of "Miscellaneous".

The most important items of the note-bank report show the following developments;

Millions of Francs, 1927.

Jan. 6. Mar. 3. May 5th June 1st June 30.

Gold (at home & abroad), silver	5,548	5,548	5,547	5,893	5,893
Gold, foreign bills ("New purchase")	1,558	1,853	2,086	2,152	2,181
Bills of exchange	5,140	3,656	3,170	2,644	2,494
Advances on securities	2,071	1,945	1,649	1,680	1,602
Advances to the State	35,200	29,700	29,700	27,100	28,850
"Miscellaneous" Assets	5,010	9,075	12,526	19,704	22,321
Note circulation				52,328	52,786

As we see it is the "miscellaneous assets" that conceal the newly purchased foreign bills, though to what extent it is impossible to tell. The "Economist" writes as follows on June 25th:

"As we hear on good authority, the Bank at present possesses 16,000,000 francs in stable currency values or gold purchased against such values. In the last four weeks the purchases totalled 816, 780, 686, and 816 million francs, respectively. In the first half of May they stood at almost 1,900 millions weekly."

The "Statist" of June 4th writes similarly to the effect that there were certain days in May on which the Banque de France was obliged to purchase as much as £ 5,000,000 — in two or three weeks together £ 40,000,000.

From where can these foreign values be derived? From two sources, firstly, from the return of emigrant French capital as a natural consequence of stabilisation and, secondly, from speculative purchases of francs in hopes of a further rise in the rate of the French currency or French shares.

The Banque de France has attempted in various ways to diminish the constantly renewed offer of foreign bills. In the middle of April it reduced its discount rate to 5 per cent so as to render the influx of "vagabond" money from abroad more difficult. At the same time it paid an old debt of £ 33,000,000, thus releasing part of its money deposits with the Bank of England. It also began to use the sterling exchanges it received for the purchase of gold in London and New York instead of allowing them to remain in London.

Although the "Statist" declares on June 4th that "These gold purchases have been effected after previous consultation with the Bank of England and the Federal Reserve Bank", they yet led to a slight drop in the rate of sterling and to a diminution of the relatively modest stock of gold in the Bank of England, which caused great discontent in London.

⁸¹⁾ "Times" of May 13th, 1927.

So as to eliminate the numerous "sight deposits", which, if removed wholesale in case of a crisis, might force the treasury to renew its borrowings with the note-bank, a procedure to be avoided for reasons of prestige, Poincaré has introduced a new 6 per cent loan, redeemable in 50 years and bearing an actual rate of interest of 6½ per cent. Subscription to this loan is now in progress and it is hoped that it will be possible to transform several thousand millions of pending liabilities into long-termed ones, as was the case in regard to the recently concluded subscription of 18,000 millions.

In this connection it must be emphasised that, even if the existence of 9000 millions of sight-deposits may occasionally embarrass the Treasury, it is altogether wrong to speak of a "hidden inflation" in France, since the equivalent of these deposits in the face of a stable note circulation is available in gold or foreign bills. Should a change in the direction of speculation alter the movement of the currency, the note-bank can always maintain the rate by the sale of foreign bills or gold against francs, always supposing no war or other catastrophe to intervene.

In all other respects Poincaré is persistently continuing his work stabilisation. The Budget for 1928 has already been introduced and balances with revenue of 42.2 and expenditure of 41.5 plus a small surplus. It is so cautiously constructed, however, that a larger balance may be presumed⁸²⁾. The revenue and expenditure of the Redemption Fund, the former figuring in the first five months of 1927 at £ 120,000,000, are not included here. As a matter of fact, the Budget for 1926 showed a surplus of 1,500 millions. For the first time for many years, the new budget provides for no new taxes. The State revenue consists to the greater part of indirect taxes. Of the May revenue of 3,147 millions, 839 millions, fell to the share of direct taxes and 2,296 millions to that of indirect taxes and monopolies.

The full weight of the taxes falls on the working population.

Poincaré has, however, not yet succeeded in diminishing the French National Debt. On the contrary, it continues slowly to rise, as is shown by the following figures:⁸³⁾

France's Internal State Debt.

(Millions of Francs.)

Dec. 31st 1924⁸⁴⁾ July 31st 1926⁸⁵⁾ May 31st 1927

Rente Debt	95,600	101,700	101,700
Long-termed debt	58,200	58,200	73,900
Short-termed debt	43,600	37,300	32,900
Floating debt	64,900	55,200	59,300
Bank debt	27,700	43,000	32,500
Total	290,000	295,400	300,300

Percentage share

Rente Debt	33	34.4	33.8
Long-termed debt	20.1	19.7	24.6
Short-termed debt	15.1	12.6	10.9
Floating debt	22.4	18.7	19.7
Bank debt	9.5	14.6	10.8
Total	100	100	100

There has therefore been a shifting in the composition of the debt, inasmuch as there are no longer any short-termed bonds. Out of the proceeds of industrial capital, however, a sum of about 15,000 million francs (not including the foreign debt) must now be used for paying interest on the home debt. If it is not found possible to transfer this onus onto the workers in the form of increased exploitation, the competitive capacity of French industry on the world market will greatly suffer. The present creeping crisis can thereby become chronic. We do not, therefore, believe in the possibility of a further rise in the franc rate.

⁸²⁾ "Bulletin Quotidien" of June 28th, 1927.

⁸³⁾ "Börsen-Courier" of June 1st, 1927.

⁸⁴⁾ Official publications.

⁸⁵⁾ Partly from Official publications.

Great Britain.

"In the spring of each of the last few years there have been hopes of better times, but even before the summer was over the outlook has changed, for wintry weather and unsatisfactory business have returned. The recollection of recurrent disappointments is a warning to be prudent, but in this fifth month of the seventh year of depression there is a definite improvement, be it of shorter or longer duration."

("Times", Leader of May 23rd, 1927.
Retranslated from the German.)

For British Economy in general, the last few months have been a time of improving business. The high level of production was maintained till June, in which month, however, there were already signs that the new orders would fall short of production, and hopes began to droop. "Wintry weather and unsatisfactory business" set in again.

It should be remarked that the deterioration of the business position is noticeable primarily in the old-established staple industries of Great Britain, coal, iron and steel, and cotton, and far less in the "new" industries, electricity, motors, artificial silk, etc., which are in general developing in an upward direction. The industrialisation of agrarian countries naturally concentrates on the simpler forms of industry, leaving the new branches, which work with particularly complicated machinery (chemicals) or specially trained operatives, to a later period.

The following table affords a survey of the most important available returns, culled from the "Monthly Bulletin" of the "Economist":

	Unemployment (per cent)	Production			Electric indus- try	Electricity pro- duction	Issue of capital (millions of Pfd. Sterling)
		Coal (million tons)	Iron (thousand tons)	Steel (thousand tons)			
1913 (mthly Avg)	—	24.3	869	649	—	—	—
1925 do.	—	20.7	528	626	—	—	17
1926 (April)	9.2	—	—	—	87	119	—
1927 (March)	9.9	24 *	683	965	107	147	33
(April)	9.4	20.5	691	864	112	144	13.5
(May)	8.8	20.7	732	897	116	138	29.2

*) 5 weeks.

Down to the end of May the improvement continues, the necessity of executing work postponed during the coal lock-out (house construction, ship-building, engineering) and the repletion of stocks here synchronising with the seasonal improvement in the spring. In June, however, there was a very obvious falling off.

The Coal-Mining Crisis.

The victory of capital in the big conflict brought no solution of the question; the English coal-mining industry is at the commencement of an exceedingly serious crisis. We mentioned this fact in the general section, but may here add a few figures from British sources. The average weekly production, not counting holidays was as follows:

Millions of tons.

1926 Jan.—April	5.24	1927 Jan.—May	5.13
-----------------	------	---------------	------

Average number of workers.

1,106,000	1,013,000
-----------	-----------

"In the first five months of 1927 an army of workers reduced by 8 per cent. raised an amount of coal which was only 2 per cent. smaller than in the first four months of 1926. The average output per worker has risen from 4.75 tons to 5.05 tons per week⁸⁶⁾."

These figures, however, do not fully express the increased exploitation, since there were numerous "idle shifts" which were

⁸⁶⁾ "Economist" June, 1925. Monthly supplement.

naturally unpaid. The average number of days worked per week was as follows:

	1926	1927
January	5.47	5.02
February	5.37	5.11
March	5.30	4.89
April	5.57	5.04
May	—	4.63

If the output is computed according to working days and not to full weeks, there will appear to have been a rise in April not of 6 per cent, but of 16 per cent!

The increase in output, however, has caused a relative rise in the number of unemployed:

Unemployed Coal miners

	1926	1927
January	110,885	200,608
February	100,187	197,857
March	93,582	205,861
April	90,946	218,542
May	—	211,493

The ranks of the unemployed coal miners are therefore growing while the number of employed miners decreases. From the peak on May 14th i. e. 1,013,000, the latter has receded to 1,013,400 on June 18th⁸⁷). Not only was exploitation increased by a greater output in each shift, prolonged from seven to seven and a half hours; at the same time wages were greatly diminished. This process is still going on.

As Cook very rightly observes,

"the economic position is far worse to-day than a year ago. With one shilling off the daily wage and with a weekly income reduced by ten shillings as a result of leisure shifts, with longer working hours and 100,000 more unemployed, it is obvious that the present arrangements must collapse before the end of the year."

The enormous sacrifices imposed on the workers have not improved the position of British coal mining. True, exports have practically regained the level of the first few months of 1926 (subsidised period). Prices, however, are constantly on the decline in view of acute competition⁸⁸).

Exports of coal in thousands of tons⁸⁹).

	1913	1926	1927
January	6,570	4,148	4,093
February	5,570	4,340	4,173
March	5,599	4,703	4,820
April	6,351	4,291	4,118
May	5,930	—	4,803

The sales of bunker coal have also gained the level of last year.

Prices, however, are falling inexorably. We may quote two varieties:

	1926 April	1927 Jan.	1927 March	1927 May	1927 June	1927 July
Admiralty coal.	26/0	26/9	22/6 to 24/—	21/6 to 23/—	21/6 to 22/—	21/—
Durham best gas coal.	19/3	18/0	17/— to 17/6	16/— to 17/3	17/—	13/6 ⁹⁰)

In spite of the great reduction of wage costs many mines are again working at a loss.

The recommendations of the Samuel Committee, now that the workers have been beaten, have been ignored just as completely as were those of the Sankey Committee. Amalgamations have been going on on a great scale, but only on a private basis and in an anarchic manner.

The prohibition of free imports to France threatens this most important market, where Great Britain is already hard pressed by Germany.

In the first four months of the year France's imports of coal were as follows:

	1923	1924	1925	1926	1927
	millions of tons				
From Great Britain . . .	5.66	4.55	3.48	3.15	3.13
From Germany	0.42	1.39	1.65	1.92	2.96

A new crisis is thus preparing; but in view of the great importance of coal mining it is hardly conceivable that such a crisis would be compatible with any general business prosperity. Apart from farm workers and domestic servants there are some 12,000,000 workers in the United Kingdom, and more than one tenth of this total are miners.

Other Branches of Industry.

The iron and steel industry is in an improved position inasmuch as there is an increasing use of steel by reason of the enlargement of the machine plant and the greater employment of steel in the place of bricks and timber in building. For the time being, however the increase in output appears to have come to a standstill.

"The figures recently published by the Association of Iron and Steel Manufacturers in regard to the iron and steel output in May contained the first indications of the fact that the peak of production has now been passed and that a downward grade is to be expected. A great part of the high production of the last few months is due to the arrears that have accumulated during the long coal lock-out of last year. Never before had so much constructional work been left pending for so long a time"⁹¹).

At the end of June reports were already to hand of the damping-down of some furnaces.

In England itself the British steel production is threatened by the competition of the Continental iron industry. On June 20th a Conservative Member of Parliament asked the President of the Board of Trade whether he knew that Lancashire was receiving pig-iron from the Continent at the price of 72/6 per ton, while the same quality of British iron from Scotland cost from 76/— to 77/6 a ton. Also whether this was rendered possible by Government subsidies for Continental works? Samuel, the Parliamentary Secretary of the Board of Trade replied, that the figures were correct, the reasons being lower wages, longer working hours, and indirect subsidies abroad in the form of low taxation and a guarantee of interest. An attack, therefore, on the working conditions of the workers in the heavy metal industries, too.

The cotton-textile industry showed very good exports in May, when more yarn was exported than in any month for the last twelve years and more finished materials than in the last two years. Nevertheless, the output of yarn (of the counts from 32 to 42) had to be reduced by 50 per cent.

Early in June working restrictions had to be introduced in the jute spinning and weaving mills⁹²). The hope of better business in the textile industry entertained in the spring have proved deceptive.

A better progress of business is observable in certain other industries. Ship-building has received some new orders and the electro-technical, automobile, and chemical industries record satisfactory sales.

Speaking generally, the decline of British capitalism must not be looked upon as a uniform process. British capitalism has colossal reserves in the Colonies. British industry is being

⁸⁷) "Board of Trade Journal" of June 30th, 1927.

⁸⁸) The Strike of the American miners has entailed an advantage to British mining only as regards South American business ("Economist" of July 2nd).

⁸⁹) "Economist" of June 25th, 1927, Monthly supplement.

⁹⁰) "Berliner Tageblatt" of July 14th, 1927.

⁹¹) "Economist" of June 18th, 1927.

⁹²) "Frankfurter Zeitung" of June 10th, 1927.

rationalised, standardised, and brought up to date in the form of monopoly-organisations⁹³). The fusion of banking capital and industrial capital is also progressing. Outwardly, this is reflected in the accession of MacKenna, Chairman of the Midland Bank, to the Board of the northern English railways, and that of the prominent industrialist Mond (coal and chemicals) to the Board of the Westminster Bank. The British bourgeoisie is making every effort to stave off its decline.

Foreign trade has developed not unsatisfactorily during the last few months.

Foreign Trade in millions of Sterling.
(Goods traffic only, without precious metals or transit trade.)

	Imports	Exports	Surplus
Monthly average 1913	54.9	43.8	11.3
Monthly average 1925	97.4	64.4	33.0
Monthly average 1926	93.1	54.2	38.9
March, 1927	102.7	62.1	40.6
April, 1927	88.9	52.6	36.3
May, 1927	84.0	63.3	20.7

The exports approach the level of 1925, while the trade deficit shows a falling tendency. The price level, meanwhile, is lower than two years ago, so that exports are actually still greater.

Wholesale Index of the "Economist".

(On the basis of 100 to represent 1913.)

	March	April	May
1925		1927	
159.7	148.1	140.6	139.8

Cost-of-Living Index of the Board of Labour⁹⁴).

	1925	1926	1927
January	80	75	75
June	72	68	63

The cost-of-living index is computed in each year in the summer and refers to the same months from year to year. The reduction in wages, however, exceeds that in the cost of living.

Unemployment has receded during the last few months, but it is still very great. At the end of May the insured and uninsured unemployed together totalled 1,015,000⁹⁵). Of these, 985,500 were in receipt of unemployment benefit. This latter figure is generally quoted in the daily papers, the uninsured, who receive no benefit, being mostly agricultural workers and domestic servants. At the end of June the number of unemployed in receipt of benefit had again passed the million mark.

In conclusion, the number of paupers must also be mentioned. At the end of March there were 1,240,500 paupers in receipt of relief. Of these, 429,000 were insured unemployed together with their families, while 43,000 were unemployed without insurance, 108,000 were such as ordinarily have an occupation; the remainder in receipt of out-door relief amounted to 485,000.

The balance live in poor-houses. The number of paupers has doubled since the spring of 1914.

Taken together, there are very nearly 2,000,000 unemployed and paupers in "Merry England".

Capital and Currency Troubles.

By reason of the difficulties in connection with gold, the export of capital, which is of prime importance to Great Britain, was adversely influenced. The following table shows the development in this connection⁹⁶):

Emissions in the first half year.

(Millions of pounds.)

	1913	1923	1924	1925	1926	1927
Total	120.3	181.3	105.6	112.0	120.7	207.5
Great Britain	20.3	92.4	44.4	78.7	66.5	157.0
Thereof, not State loans	20.3	28.6	33.8	71.7	59.0	89.9
Colonies	43.0	52.2	38.0	28.1	32.7	34.3
Foreign countries	57.0	36.7	23.2	5.1	21.5	16.2

As regards the employment of these loans, it is remarkable that the emissions for private capitalist purposes in Great Britain (minus Government loans) have grown exceedingly, figuring in the first half of 1927 at almost £90,000,000.

Furthermore, the quota of capital export gets smaller and smaller. In 1913 it stood at almost 50 per cent, in 1927 at only 8 per cent. The interested circles, however, are obviously trying to resume capital exportation, as far as it is possible in view of the necessity of maintaining the gold standard.

In regard to economic politics the last few months have been characterised by two events, the Anti-Trade Union Bill and the rupture of diplomatic relations with the Soviet Union, both of which questions have been discussed in detail in the daily press. There is much to be added however. The importance of exports to Russia is not decisive for England, but in view of the present market restriction it is certainly not inconsiderable. Hence, the endeavours of a certain section of the English bourgeoisie to continue trade with Russia in spite of the said rupture.

Confused by the decline of capitalism, the *British bourgeoisie* is split into two parties, the division being noticeable even in the ranks of the Conservative party.

On the one side there are the *Diehards*, mainly composed of land-owners, the heavy metal industry, the Colonial capitalists and part of the leading bankers; their programme being the defence of the Empire if necessary by armed force, hence, war with Russia, besides a closer linking up of the Empire, the introduction of protective tariffs so as to allow preferential rates to the Dominions and Colonies. It likewise envisages a more forceful procedure at home, with a restoration of the rights of the House of Lords, suppression of the Trade Unions, as also of any attempt at a general strike, and on the whole a more open form of the dictatorship of the bourgeoisie.

The programme of the *Liberals*, on the other hand, represents the interest of the finishing industries of commercial capital and some of the banks, its objects, being free trade, a proclamation of peaceful intentions, an apparent pacifism, adherence to the forms of a democratic veiling of bourgeois dictatorship, opposition to the Upper Chamber and to any vigorous anti-trade union policy. Furthermore, class collaboration and a peaceful domination of the proletariat with the help of the reformists.

This second line of action is championed not only by the Liberals, but also by the Reformists, and likewise enjoys the support of some of the Conservatives, as is shown by the fact that 100 Conservative members have opposed a restoration of the rights of the House of Lords, curtailed in 1911.

United States of America.

The economic position of the United States in the first half of 1927 may be described as a continuation of good business with very high output figures, accompanied by a certain, not yet very pronounced tendency towards deterioration, in which regard it is uncertain whether a merely transient depression or the beginning of a critical phase, long overdue, is threatening. There are no very tangible indications of a crisis. Neither the monetary circulation nor the credits required by the Federal Reserve Banks show an upward tendency; on the contrary, they are lower than was the case last year⁹⁷).

Millions of Dollars.

	Circulation	Reserve	Bank credits
	1926	1927	1926
January	5008	5001	1231
April	4806	4758	1159
June	4871	4786	1140

⁹⁷) "Federal Reserve Bulletin" p. 399-400.

⁹⁸) The last figure really represents May.

⁹³) v. Prof. H. Levy, "Deutsche Allgemeine Zeitung" of May 11th, 1927.

⁹⁴) "Labour Gazette", June 1926, p. 215.

⁹⁵) *ibid.* June 1927, p. 216.

⁹⁶) "Economist" of July 2nd, 1927.

The total credits granted by all the Reserve Banks has, we admit, risen from 19,600 millions in May 1926 to 20,400 millions in May 1927.

The following table shows the general characteristics of business development:

	Index of industrial product of F. R. Beard. (1923-25=100)	Index of occupation of workers (1919=100)	Index of wagonloads (1919=100)	New building orders (millions of dollars)	Building index (1923-25=100)
April 1926 . . .	107	96.4	132	571	120
Dec. 1926 . . .	105	94.1	132	537	136
Jan. 1927 . . .	106	92.4	122	384	123
Feb. 1927 . . .	109	93.6	132	394	131
March 1927 . . .	112	93.9	131	621	131
April 1927 . . .	109	93.2	134	604	128
May 1927 . . .	—	—	—	—	126

Contrary to expectation, no diminution has ensued in building activity this year, not, that is to say, to a degree liable to influence business in general, although according to reliable returns, which we recently had occasion to publish, the want of dwellings in the majority of American cities must by now have been satisfied. A detailed survey of American building, however, shows that apart from dwellings the construction of municipal buildings, schools, hospitals, electricity works etc., plays a very great role. At any rate, the continuation of the prospects building era speaks of the tremendous influence of American capitalism.

The fact, too, that in spite of various serious circumstances, such as the drop in the price of cotton, the inundation catastrophe in the Mississippi basin, coal strike, and the super-production of oil, the favourable business position should have continued is proof of the said influence. In the face of these unfortunate occurrences, the general index of production was in April 2 per cent above the corresponding month of 1926. The index of employment, it is true, was 3 per cent lower. Fewer workers thus produce a larger volume of goods⁹⁹).

The following table shows the production of certain prominent branches of industry:

	Coal (mil. tons)	Iron (thous. tons)	Steel (thous. tons)	Motor-cars (thous. **)	Cotton Consumption (thous. bal.)	Oil (mil. barrels)
April 1926 . . .	43.8	3450	4106	384	578	60
Dec. 1926 . . .	59.1	3091	3467	137	605	72
Jan. 1927 . . .	57.6	3104	3786	197	605	71
Feb. 1927 . . .	53.3	2941	3811	261	590	68
March 1927 . . .	60.1	3483	4535	342	694	75
April 1927 . . .	34.7*)	3422	4130	353	619	72
May 1927 . . .	35.4	—	—	352	—	—

*) Strike.

**) Passenger cars, April figures revised.

We may add in the following remark.

The recession in the coal output is a result of the strike. The figures show that the loss was greater than the Press, for comprehensible reasons, made out. Nevertheless, the output is only 25 per cent below the monthly average of 1926 and only about 17 per cent below that of 1925. Seeing that in the last six months before the strike about 50,000,000 tons were produced more than normally, it is probable that there is a great stock; indeed, some reports speak of 80,000,000 tons, which is probably an exaggeration. At any rate, the prospects of a victory

⁹⁹) The index of production refers to the entire output, that of employment only to a definite number of enterprises. The latter index is therefore a good criterion for the progress of business, but is not the right material for the establishment of a numeric conclusion as to the extent of unemployment.

on the part of the miners are very small, since only those organised in trade unions are striking, while the majority in the "non-union" pits continue to work.

The output of iron and steel rose till March but has since then slightly fallen off, though it is higher than the average of the last few years. It figures at about 80 per cent of capacity. Press reports in June speak of a greater regress in production, some furnaces having been damped down in May, and of a rapid fall in prices. The decline in the number of orders received by the Steel Trust cannot be looked upon as symptomatic of a deterioration of business. The time needed for the turnover of capital has in general a tendency to shorten. Purchases are made from hand to mouth, as the Americans say.

Automobile construction, which reached a low-water mark in December 1926, has since then vigorously improved and has in the last few months regained the level of last year. At the same time better and more expensive types are coming into use. Ford is being slightly ousted by the General Motor Company.

The cotton consumption returns represent a record. The low cotton prices in connection with a good degree of occupation result in an increased purchase of textiles.

While in most branches of industry the big output finds a ready market, there is a marked super-production of crude oil, as already pointed out in our last survey. This is accompanied by a relative drop in prices. The biggest average daily output was attained in the week ending June 4th, i. e. 2,507,300 barrels, or 500,000 barrels more than a twelvemonth earlier in the corresponding week¹⁰⁰). In the following week the output dropped off slightly.

Though on the basis of the figures to hand it can hardly be said that a crisis is imminent, a slowing-down of business in May and yet more so in June was certainly apparent¹⁰¹).

All indications point to a declining tendency but, as yet, a higher level than 1926.

In keeping with the good progress of business and the satisfactory liquidity of money, the quotations for securities show a rising trend:

Index of the level of securities.

	198 Indus. Shrs. 1917-21 = 100	31 R'y. Shares 1918-22 = 100	40 bonds
1926 April	139.8	118.5	94.52
December	161.7	135.2	96.05
1927 January	158.4	136.7	96.43
February	163.0	142.1	96.44
March	165.7	143.1	96.63
April	165.1	147.4	97.24
May	174.5	150.5	97.55

("Federal Reserve Bulletin", June 1927.)

Price Movements.

As on former occasions, the great total output was in the last six months again accompanied by falling prices.

¹⁰⁰) "Financial & Commercial Chronicle" of June 11th, 1927, p. 3429.

¹⁰¹) The consumption of electric energy is a good criterion for the decrease output. It figured as follows:

Index of Consumption of Electric Energy

(1913—25 = 100).

	May 1927	April 1927	May 1926
All industries	114.3	116	107
Metal industries	112.7	114.2	105
Steel works	119.3	122.7	—
Textiles	120	124.5	96.5
Leather	96.3	95.7	84

Price Index of the Bureau of Labour
(1913 = 100)¹⁰²⁾.

	All goods	Farm products	Textile raw mat.	Fuel	Metal and met. goods	Building materials
1926 Jan.	156	152	186	177	129	178
April	151	145	177	174	127	173
Dec.	147	135	169	183	126	173
1927 Jan.	147	137	167	180	124	170
Feb.	146	137	169	177	122	168
March	145	137	168	168	123	167
April	144	137	169	161	122	165

The continuous drop in prices is practically uniform in the case of all goods. It was somewhat more marked as regards farm produce, but the "scissors", though still apparent, are inconsiderable in respect of farm products on the whole. Metal goods are far below the general price level, constructional material far above it by reason of the marked building activity. But the downward trend is common to all.

Foreign Trade and the Abundance of Gold.

The foreign trade of the first five months is characterised by larger exports and smaller imports than in 1926.

Foreign trade in millions of dollars¹⁰³⁾.

	Exports		Imports		Surplus or deficit	
	1927	1926	1927	1926	1927	1926
January	414	397	357	417	+62	-20
February	373	353	311	387	+62	-34
March	409	374	379	443	+30	-69
April	415	388	376	398	+39	-10
May	394	357	346	321	+68	+36
	2010	1869	1768	1966	+241	-97

We see an increase of exports and a decrease of imports. As against a deficit of 97,000,000 dollars in the first five months of last year, we have a surplus of 241,000,000 dollars. It must be borne in mind, however, that prices have fallen, so that the exports were really still greater. The decline of imports is due to a cheapening of certain raw materials, rubber in particular.

We are thus again faced with the fact that a country which has invested from 12 to 13 thousand million dollars abroad, from which it derives more than a thousand million dollars of revenue, also possesses a surplus in its trade balance, for the further continuation of which the high, and sometimes prohibitive, industrial tariffs provide.

The result is a renewed vigorous influx of gold. In the first five months of the year there was a surplus of gold imports to the extent of \$120,000,000, which sum does not include the 60 millions of gold Dollars recently purchased in Europe by the Federal Reserve Bank. With this latter sum, there is a total of 180 millions.

Thus, the gold reserves in the United States have again surpassed the peak of 1924. The attempt at, and hope of, a decrease of gold holdings have proved fallacious. The sum total of the gold concentrated in the United States now figures at 4,600 millions while the gold stocks of all note-banks of the world outside the U. S. A. total 4,000 millions.¹⁰⁴⁾

Naturally, such a tremendous stock of gold is superfluous for currency purposes; indeed, part of it has actually been eliminated from employment as cover for the circulation. Besides various bank-notes in the actual sense of the word, totalling about 2,600 millions, there are in circulation "gold certificates"

to a total value of \$1,012,000,000. These are, economically speaking, proof that the equivalent amount of gold is in the hands of the Federal Reserve Bank. Economically, they are not bank-notes but form a kind of gold circulation, only that the gold does not circulate in its actual metal form but in the form of certificates, which are not to be taken as means of circulation based on credit but merely purport a protection of the gold against depreciation by usage.

Thus, the Federal Reserve Bank would without any danger to the currency be in a position to lend from 1 to 2 thousand million dollars worth of gold to other note-banks for the purpose of re-introducing a gold currency. But even if the gold is superfluous for the United States, it can, according to the laws of capitalism, only be handed on against adequate interest, only, so to say, in the form of capital — a value producing fresh values. Since the balance of trade and that of payments are both favourable, it is not possible, in spite of a great exportation of capital to stem the influx of gold to the U. S. A.

Capital Emission and Exportation.

In the first five months of 1927 these two factors showed a further rising tendency. The following returns¹⁰⁵⁾ refer only to the loans issued publicly in the United States.

New emissions in the first five months in millions of dollars.

	1927	1926	1925	1924
Total	3361	2999	2626	2288
Thereof:				
Canada	108	96	93	26
Foreign Gov. Loans	326	160	84	175
Foreign Companies	152	163	145	8
American Colonies	2	7	4	5
Total Capital Exports	588	426	326	214

The increase from year to year is apparent.

The actual capital exports have increased, securities also having been bought abroad. The total amount of capital invested abroad is estimated, with slight deviations and without the inter-Allied debts, at something between 12 and 13 thousand million dollars.

In summing up we may say that, although the capital invested abroad and the revenue accruing therefrom are at present only a small portion of the total capital and profit, their importance is increasing very rapidly. The dependence of the rest of the world on American capital secures to the exported capital a higher rate of interest, with the result that private capital has an interest in capital exportation. A favourable balance of trade and of payments accompanied by a super-abundance of gold afford the United States the economic possibility¹⁰⁶⁾ of developing into the leading capital-exporting country, whereby it will attain the full degree of imperialism and slowly assume the character of a "rentier" State.

Japan.

In March and April Japan experienced a bank crisis of extraordinary severity which shook the economic life of the country to its foundations. This has been the third serious crisis since the end of the war, viz., earthquake disasters in 1920—21 and 1923—24 and the banking crisis in 1927. Thus, Japanese capitalism has experienced one blow after another since the war.

The reason of these rapidly succeeding crisis is the weak natural basis of Japanese capitalism; in its own territory it produces too few foodstuffs, insufficient coal, very little oil, no ore at all, no textile raw materials with the exception of crude silk, and no chemicals. The big Japanese industries are in a certain

¹⁰⁵⁾ Statistics of the "Financial & Commercial Chronicle" of June 4th. 1927. p. 3417.

¹⁰⁶⁾ In the last few weeks there have been signs of a satiation of the American market with foreign loans. Several emissions could only be placed to a small degree with the "public". According to the "Journal of Commerce" of June 22nd, 250 out of 450 million dollars have hitherto remained unsubscribed, the figures in question relating to foreign emissions. This is, however, only a temporary matter.

¹⁰²⁾ "Federal Reserve Bulletin" 1927.

¹⁰³⁾ "Financial & Commercial Chronicle" June 1927.

¹⁰⁴⁾ "Federal Reserve Bulletin" June 1927. p. 391.

sense an artificial growth, based primarily on the severe exploitation of very cheap and skilled labour.

It is a consequence of the poor supply of raw materials that, even at its birth, Japanese capitalism assumed a pronouncedly imperialist character. It was in the nature of things that this tendency towards imperialist expansion should develop on the opposite side of the Yellow Sea, since all other territories were far too distant. Indeed, the period of "original accumulation" was realised to a great extent on this Oversea territory.

As the final result of its imperialistic aspirations, Japan has acquired a respectable Colonial Empire:

	million inhabitants
Corea	19.5
Formosa	4.0
Kwan-tung	0.7
Sachalin	0.2
Manchuria	22.0
	<hr/> 46.4

These territories are purely imperialistic colonies and by no means settlement-areas for the surplus population, as is repeatedly maintained. The Japanese settle nowhere in their Colonies as workers or peasants. They cannot enter into competition with the yet cheaper Chinese labour. The Japanese capitalists make use of their Colonial territories for the purpose of investing capital, obtaining raw materials and marketing monopolised industrial goods, just as the white imperialists powers do. This appears from the following figures showing the foreign trade of the two leading Japanese colonies.¹⁰⁷⁾

	Millions of Yens			
	Exports		Imports	
	To Japan	To other Countries	From Japan	From other Countries
Corea (1924)	307	22	212	98
Formosa (1924)	211	43	87	43

We can see how completely the raw material exports of these Colonies are governed by Japan.

The gains Japan derived from the war extend not only to an expansion of her Colonial territory and to the accumulation of gold, but have also rendered possible a quicker development of productive forces in Japan herself, as appears from the following figures:¹⁰⁸⁾

	Development of productive forces.		
	1913	1920	1926
Length of permanent way (kilometres)	10,525	13,636	16,500 ¹⁰⁹⁾
Merchant fleet, steamers, and motor-boats in thousands of tons	1,500	2,996	3,968
Ship-building, thousands of tons launched	65	457	52
Cotton spindles, thousands	2,300	3,690	5,573
Coal output, thousands of tons	17,885	29,245	31,495 ¹¹⁰⁾
Naphtha output, millions of barrels	1.9	3.2	1.8
Pig-iron output ¹¹¹⁾ thousands of tons	240	721	900
Steel output, thousands of tons	240	811	1,250
Cooper output, thousands of tons	66.5	67.8	65.7
Silver output, tons	145	152	125
Crude silk, tons	14,080	21,876	28,650 ¹¹⁰⁾

¹⁰⁷⁾ Corea and Formosa are treated in Japanese Statistics as Japanese territory. These figures appear as a footnote in the "Memorandum sur les Balances de Payement" 1911—25, vol. II. p. 447, published by the League of Nations.

¹⁰⁸⁾ These figures have been compiled from the indications in the "Annuaire Statistique International 1926", Geneva 1927, published by the League of Nations.

¹⁰⁹⁾ For 1924.

¹¹⁰⁾ For 1925.

¹¹¹⁾ With Corea.

These figures show an undoubted advance of output and of productive forces since 1913, the rate of this advance being obviously greater between 1913 and 1919 than from 1920 to 1926. Even at present Japan is less industrialised than other imperialist countries. The coal consumption in 1925 was only 500 kilogrammes per head, one eighth of the consumption of Great Britain or Belgium and one fifth that of Germany¹¹²⁾ The iron and steel consumption is 30 kilogrammes per head per annum, one sixth that of Great Britain or Germany¹¹³⁾. The consumption of machinery stood at a value of 6/5. per head in 1925, this being one sixth of the consumption in Germany and less than that of the Latin American States.¹¹⁴⁾ Home engineering is still in its infancy. On the other hand, the small extent of arable land obviates the possibility of expanding agricultural production, so that a development of the home market is very limited, as will be seen by the following figures:

	Agricultural Output.								
	Tilled area (1000's hectares)			Yield (1000's hectares)			Yield per hectare		
	1900-1913	1920-24	1925	1900-13	1920-24	1925	1900-13	1920 to 1924	1925
Barley	1,290	1,106	998	20,864	18,098	19,915	16.1	16.4	19.9
Wheat	477	497	465	6,434	7,260	8,040	13.5	12.5	17.3
Oats	45	113		715	1,551		16.0	13.7	
Maize	54	58		869	950		16.2	16.4	
Rice	2,924	3,113	3,128	90,875	105,500	107,965	30.7	33.9	34.5
Potatoes	69	103		6,733	9,607		98.2	93.3	
Tea	—	—	—	321	353	383	—	—	—

Cattle-breeding, which is insignificant in Japan as in all thickly populated countries of Asia, shows no tendency to expand.

As we see, Japanese capitalism still lacks the basis of modern industry, the heavy metal and engineering industries. It is an artificially fostered capitalism, based on the exploitation of very cheap labour and oppressed colonies and has an extremely speculative character. This is the reason why Japanese capitalism has passed in post-war times from one crisis to another. The internal weakness of Japanese economy, however, is not a hindrance, but rather a stimulus, to further imperialist expansion, for it is only thus that fresh crises can be deferred. Hence, Japan's obstinate policy in China, the neutral field for the expansion of Japanese imperialism.

The weak foundations of Japanese capitalism remain, in spite of the tremendous profits pocketed by the Japanese bourgeoisie. In the war years, down to the first half of 1920 the average profits of the 97 leading joint-stock companies were 60 per cent of capital, in the first half of 1925 18.1 per cent and in the second half of that year 15.9 per cent¹¹⁵⁾. It may well be imagined how great the exploitation of Japanese labour must be and how weak the foundation of Japanese capitalism is if in spite of such gigantic profits one crisis follows hard on the heels of another¹¹⁶⁾.

The Banking Crisis of the Spring of 1927.

In post-war times Japanese capitalism has passed through three serious phases of crisis, the first being the great international post-war crisis of 1920—21, which curiously enough started in Japan. After this crisis the commercial balance of

¹¹²⁾ "Memorandum sur l'industrie de charbon", submitted to the World Economic Conference, vol. I. p. 10.

¹¹³⁾ "Memorandum sur l'industrie de fer et d'acier".

¹¹⁴⁾ These returns, from data furnished by the Roman Agrarian Institute, do not altogether tally with those of the "Financial & Economic Annual of Japan".

¹¹⁵⁾ v. "Japan Chronicle" of April 26th, 1927.

¹¹⁶⁾ The strongly imperialist character of Japanese capitalism is also demonstrated by the scheme of forming a trust of all Japanese cotton spinning mills in the Shanghai district. Fifteen factories are to be united, creating an enterprise with a capital of 100 to 120 million yens. (from "Japan Times" and the "Bulletin Quotidien" of June 23rd, 1927.)

Japan continued to be unfavourable¹¹⁷). Between 1920 and 1925 the deficit figured at 2,965 millions of yens.

The second critical phase was in 1923 and was caused by the disastrous earthquake. This crisis led to a marked depreciation of the currency, gold exports having been prohibited and the exchange of notes for gold suspended.

Rate of the American Dollar in percentage of mint par of exchange.

1913 average	102.6
1924	121.0
1925	121.5
1926	105.8
1927 January	102.1
February	102.1
March	101.4
April	103.0
May	107.5 ¹¹⁸)

To counteract inflation, the discount rate was maintained at a high level, figuring in 1923—24 at 8 per cent and in 1925—26 at 7.5 per cent. Below 12 per cent it was generally impossible to obtain commercial credits.

The crisis of 1923 was mitigated and hushed up by intervention of the State, by protective tariffs, by a repeated prolongation of bills due immediately before the catastrophe ("Earthquake bills"). Thus, many bankrupt concerns dragged on a precarious existence.

There followed a rapid rise of the yen rate. The debts contracted at a currency rate under-valued by 20 per cent and in the face of a relatively high price level¹¹⁹), now formed an impossible burden¹²⁰). A number of concerns that had indulged into speculation on a large scale, collapsed, bringing down with them the weakly founded Japanese banks.

Japanese banking shows the same characteristics of precocity and rash imperialist development that distinguish Japanese capitalism as a whole. On the one hand, the banks are very closely connected with commerce and industry; on the other hand, they lack savings deposits which are indispensable for such an activity. The solvency of the 1,600 banks operating in the country is therefore very small, and anything tending to shake the confidence of the investors must therefore lead to break-downs.

On this frail basis speculative foundations have been effected, companies have been built up, international stock-exchange operations carried on, and capital invested in China. The most striking example of such bubble developments was the Susuki concern. This enterprise, conducted by a woman, developed during the war from a small retail business into a gigantic concern with business connections all the world over. It carried on a usurious trade in foodstuffs and a few years ago the premises were raided by the populace, embittered by the high price of rice, Madame Susuki having to fly for her life¹²¹). The concern had done a tremendous amount of business in regard to the sugar industry of Formosa and was indebted to the extent of many hundreds of millions to the Taiwan Bank, the Formosa bank of

emission, which for several years preserved it from ruin in the hope that the financial position of the concern would improve by speculative operations. The bank itself had several times to apply to the Bank of Japan for aid and, together with the Susuki enterprise, incurred debts to numerous small banks¹²²) several dozen of which shared in its ultimate ruin.

The Bank of Japan intervened with gigantic sums for the support of the threatened banks. On a single day, April 21st, it advanced no less than 639,000,000 yens (£ 65,000,000) to the banks in the form of new loans. However, this did not suffice and on April 23rd, the Taiwan Bank and the "Fifteenth Bank", one of the five leading banks of Japan, administering in particular the fortunes of the landed nobility and of the imperial family, were obliged to stop payments. The next day a general moratorium of three weeks was announced for all inland liabilities, except the payment of salaries and wages and withdrawals from bank accounts to this end, payments to officials, and accounts up to a value of 500 yens each.¹²³) Between March 15th and April 21st more than 30 banks suspended payments. The rapid increase in the credits of the note-bank — the circulation rising from 1,226 millions on April 16th to 2,339 millions on April 24th — together with the moratorium temporarily saved the situation. On May 21st the fiduciary circulation had receded to 1,387 millions, and the factories which had closed down¹²⁴) resumed work. There remained only the decline of the yen rate. Everthing else appeared to be again in order — until the next crisis.

Banking and Government Crises.

The banking crisis would not have assumed such large dimensions, had it not been for the fact that the Agrarian Party, together with the Emperor, made use of this circumstance for the purpose of overthrowing the Wakatsuki Ministry, representing the industrial bourgeoisie, the so-called Kenseikai. When, on April 17th, the Prime Minister submitted to the Privy Council — competent for such matters when Parliament is not sitting — a motion for the support of the Taiwan Bank to the amount of 200 millions, the Privy Council voted against this suggestion, whereupon the Ministry resigned. The Emperor then appointed General Tanaki, head of the Seiukai or Land-owner party, to the post of Prime Minister. The new Cabinet was immediately invested by the Senate with far more extensive authority for the relief of the crisis than had been refused to the former Ministry, which clearly showed that it was a preconcerted manoeuvre. Neither of these parties has an absolute majority in Parliament. The hostility of the people towards the Susuki concern, which in Japan was relatively far greater than e. g. the Stinnes concern in Germany, gave the reactionary party an opportunity to regain control of the Government, albeit at the cost of an aggravation of the banking crisis which might well have been avoided.

The change of Government meant a more active imperialist policy in China and against Soviet Russia. The distinction between the two big Japanese parties is not very pronounced; both are represented in the Kato Cabinet. All the same, the new Ministry appears to follow economic policy less in favour of industrial capital. Thus, it has been announced that the steel and naphtha duties will be decreased.¹²⁵)

Japan and China.

In our last report we had occasion to point out that, contrary to the case of the other Powers, Japanese imperialism is mainly based on its position in China. For Japanese capitalism the development of conditions in China is a question of life and death. It is only from China that Japan can derive foodstuffs and the raw materials it lacks. Out of its scanty funds, Japan has invested great sums in China. The totals mentioned in this regard vary considerably. According to one source, they amount to 400 millions in China, 300 millions in Southern Manchuria and several hundred millions in Corea and Formosa, which count as Japanese territory. Another authority, the

¹¹⁷) Foreign trade figures in millions of yens:

	1920	1921	1922	1923	1924	1925
Imports	2699	1728	1849	1943	2411	2487
Exports	1910	1228	1597	1414	1761	2242
Import surplus	789	500	252	529	650	245

(v. "Annuaire Statistique International 1926" p. 110.) These figures, too, fail to coincide completely with those of the Japanese statistical year-book.

¹¹⁸) Rate on May 27th.

¹¹⁹) The wholesale price index was as follows (1913 = 100):

	1920	1921	1923	Jan. 1925	Jan. 1926	Dec. 1926
	259	200	199	214	192	170

¹²⁰) There is therefore a party in Japan openly in favour of inflation; it is headed by the "Oriental Economist".

¹²¹) "Frankfurter Zeitung" of April 21st, 1927.

¹²²) "New York Times" of April 24th, 1927.

¹²³) Wording of the moratorium enactment, published by the "New York Times" of April 23rd.

¹²⁴) "Japan Chronicle" of April 27th.

¹²⁵) "Bulletin Quotidien" of June 29th, 1927.

Chinese-Japanese Society¹²⁶), puts the Japanese capital investments as follows:

In China	522 million yens
. In Manchuria	1,337 " "
Total	1,859 million yens

It is only in China, moreover, that Japan can find a market for Japanese goods of an inferior quality.

Japan's foreign trade with the Chinese territories developed as follows in 1925¹²⁷:

Millions of yens

Imports from:

China	Hong-Kong	Kwantung	Corea ¹²⁸	Formosa ¹²⁸	Total	Percent
215	0.5	177	307	211	910.5	35

Exports to:

468	73.6	86	212	87	926.6	40
-----	------	----	-----	----	-------	----

These figures refer to the present, but what is more important is that the entire future of the weakly founded Japanese capitalism lies in an imperialist exploitation of China.

The Japanese policy towards China may be summed up in three main characteristics:

1. Determined defence of Colonies and spheres of interest (Manchuria), if necessary by force of arms.

2. Outwardly demonstrative support of Chinese national movements, in so far as the latter remain within bourgeois limits, mainly for the purpose of gaining favour at the expense of the other Imperialist competitors, Great Britain in particular. As a matter of fact, the Japanese bourgeoisie has cleverly

succeeded, right down to recent times, in diverting the anti-foreign movement in China and the boycott of foreign goods from itself to Great Britain. This policy relies on Chiang Kai-Shek as the representative of the pronouncedly bourgeois wing of the movement, against England, which latter supports the reactionary and feudal elements.

3. Absolute opposition to such elements in the Chinese revolution as go beyond bourgeois limits, if necessary in co-operation with the other imperialist countries and by force of arms.

These main lines of Japanese policy in China remain un-influenced by the change of Government; only that the third, the anti-Communist tendency has become more pronounced. The programme announced by Tanaki¹²⁹), after making platonic promises of a "gradual satisfaction of Chinese aspirations" states:

"As regards the activity of the Communists in China, Japan, cannot remain completely indifferent, not only because her own interests are directly affected, but also because she is aware of the serious responsibility placed upon her for the preservation of peace in the Far East. In this connection the Government may find it necessary to proceed in concert with the Powers. This attitude will, I trust, not be misunderstood by Russia."

The increased transports to China, and the attempt to renew the alliance with Great Britain — against the Soviet Union but also as a measure of defence against the United States —, attempts which have been apparent at the naval disarmament negotiations at Geneva, signify a more vigorous policy in China¹³⁰). In relation to a bourgeois China, such as appears to be developing at present out of the revolutionary struggles, Japan with her military supremacy will certainly be able to carry out its policy.

¹²⁹) "Japan Chronicle" April 24th, 1927.

¹³⁰) The "Bulletin Quotidien", which is generally very well informed, pointed out, on June 30th, the danger, as a result of the change of Government, of a new orientation of Japanese foreign policy i. e. a possible renewal of the Anglo-Japanese alliance.

¹²⁶) "Memorandum sur les Balances de Commerce Exterieur", 1911—25, p. 447 etc.

¹²⁷) "New York Times" of May 22nd, 1927.

¹²⁸) Figures for 1924, Generally not recorded as "internal commerce" in Japanese foreign-trade statistics.