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Economics and Economic Policy in the First Quarter of 1932.

(Down to April 25th, 1932.)

By E. VARGA.

I. Japanese Imperialism in the Centre of World Politics.

In its resolutions, passed at the 10th and 11th Plenary Sessions, the Communist International expressly pointed out that the economic crisis is tending drastically to aggravate the antagonisms between the capitalist world and the world of Socialism, as also the differences among the imperialists themselves.

The Japanese imperialists and Japanese militarists have taken upon themselves the task of commencing the war for a redistribution of the world and the role of an outpost of intervention against the Soviet Union. By their occupation of Manchuria and Shanghai, respectively, they have opened up the question of a partition of China and the question of hegemony in the Pacific.

Development and Special Features of Japanese Imperialism.

In the course of the 18th and of the first half of the 19th century, Japanese feudalism was greatly disintegrated by reason of the development of mercantile economy¹⁾. With certain obvious reservations, the state of affairs in Japan in the first half of the 19th century was analogous to that of France prior to the French revolution, with the difference that in Japan the role of the King was played by the Shogun, the greatest feudal lord. Land was the feudal property of a limited number of aristocrats. The ancient warrior class of the Samurai (analogous to the lower aristocracy in Europe) had forfeited all its importance and was in receipt of a yearly pension, paid in rice, from the feudal lords. Natural economy was to a great extent replaced by money economy.

¹⁾ A good bourgeois description of this period is to be found in "The Penetration of Money Economics in Japan", by M. Takizawa, New York 1927, from which we have drawn largely in our following remarks.

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The penetration of money economy led on the one hand to an increasing indebtedness, exploitation, and impoverishment of the peasantry and to the formation of a proletariat divorced from the soil and gravitating towards the cities; on the other hand it gave rise to development of manufacturing, which in its turn tended further to undermine peasant industry and the

handicrafts of the city population. It was in most cases the feudal princes who established industries, which developed a capitalistic activity even before the actual transition to capitalism. At the same time there developed in the cities a commercial capital in close connection with money-lending and usury, in which connection great numbers of the Samurai and many of the feudal lords themselves fell into debt.

There was no bourgeois revolution, nor was the land distributed among the peasants. The power remained in the hands of the same classes as hitherto, and down to the present day—despite the powerful development of capitalism which has ensued in the meantime—the ruling system is not bourgeois but monarchic, bureaucratic, and militarist, exercised by the same noble houses as prior to 1868.

The remnants of feudalism are still very pronounced in Japan. In agriculture, the constitution of labour is predominantly feudal in character. The greatest part of the land belongs to aristocratic landowners, who carry on no actual agriculture themselves but lease the ground in quite small parcels to the peasantry, the rent being paid in kind, particularly in the form of rice, and swallowing up from 30 to 54 per cent. of the gross yield. The transformation of the feudal nobility into a class of capitalists ensued in such manner that the feudal rents exacted from the peasantry were invested as capital in urban industrial, commercial, and banking enterprises.

The transition from a feudal to a capitalist system and the change from the former isolation of the country to a policy of imperialist expansion took place under the pressure of the white imperialists. It was a United States fleet which appeared off the Japanese coast in 1853 and forcibly opened up the country to foreign trade. If Japan was not to share the fate of the other Asiatic nations and become a colony of the European imperialists, the ruling class in Japan had to change over from its completely antiquated feudal, military organisation and technique of arms to a system of modern capitalism.

The development of industry in general and the war industry in particular was faced with the difficulty presented by a total absence of industrial raw materials within the country. The ruling classes of Japan made the most strenuous efforts to overcome this deficiency and to create a heavy industry on the strength of imported coal and iron-ore. Subsequently they began to attempt to enlarge their raw-material basis by military conquests on the Asiatic continent and at the same time to gain markets for their industry, for which the home country was too small in view of the extreme poverty of the peasantry.

While retaining very pronounced remnants of feudalism, Japanese capitalism in a short time developed the characteristics of a very elaborate imperialism, viz., an extreme concentration of capital—seven concerns dominating almost all industry, trade, traffic, and banking in the country—the greatest possible development of monopolies in the form of cartels and trusts, a strong development of militarism, and an intensive tendency towards colonial expansion, which has made itself felt in repeated wars. It was these outstanding features of Japanese imperialism which in the present case again caused Japan to be the first imperialist state to attempt a redistribution of the world by starting a war, first for the conquest of Manchuria and then for that of Shanghai, thereby making particularly acute the danger of an intervention against the Soviet Union and of a new world war.

The "Overpopulation" of Japan.

As an excuse for the policy of imperialist conquest pursued by the ruling classes in Japan, reference is repeatedly made to the overpopulation of Japan, the impossibility of maintaining the growing number of inhabitants within the home territory of that country, and to the consequent necessity of colonisation.

That, in reality, overpopulation plays no part as a reason of the imperialist policy of expansion, is most clearly to be seen by the fact that there has been practically no emigration from Japan. Between 1919 and 1928, there were, according to official returns²⁾:

Emigrants	144,000
Repatriants	157,000
Net Repatriants	13,000

²⁾ "The Japan Yearbook 1931", p. 54.

The total of Japanese living abroad figured in October 1928 at 709,838, no more than 292,306 of these being in Asia, while, of the balance, 170,000 were in North America, 100,000 in South America, and 147,000 in Oceania³⁾.

The fact that the colonial conquests of Japan by no means serve the purpose of providing for the surplus population of the country, is most strikingly proved by the instance of Manchuria. Whereas the number of Chinese immigrants into Manchuria figures at one million annually, no Japanese farmers at all settle in that country. The 100,000 Japanese resident in Manchuria in 1928, were by far for the most part Japanese railway officials, soldiers, and prostitutes.

Japanese Agriculture and the Position of the Peasantry.

In spite of the pronounced industrialisation of Japan in the course of the last few decades, agriculture even now forms the main basis of Japanese economy. 49 per cent. of the families—about 50 or 55 per cent. of the total population—are engaged in agricultural pursuits.

Japanese agriculture is characterised by a very small proportion of arable land in the total area and by the marked splitting-up of the agricultural enterprises. No more than 16 per cent. of the total area represents arable land, which is cultivated by no fewer than 5½ million peasant families.

The distribution of the tilled land according to the size of the farms may be seen by the following table⁴⁾:

	No. of Farmers in Thousands	Percentage
Less than ½ Hectare	1951	35
½ to 1 Hectare	1885	34
1 to 2 Hectares	1190	22
2 to 3 Hectares	321	6
3 to 5 Hectares	134	2
More than 5 Hectares	72	1

At the beginning of the present century⁵⁾, the following proportionate division could be made per 100 peasant farmers:

Working their own Land	33.3 per cent.
Working Leased Land in Add. to their own	46 per cent.
Working only Leased Land	20.7 per cent.

At present, the distribution is as follows⁶⁾:

Working their own Land	31.2 per cent.
Working Leased Land in Add. to their own	41.1 per cent.
Working only Leased Land	27.7 per cent.

In the course of about 20 years, the percentage of tenant farmers has increased by almost one third.

Added to this, the land is not equally divided in respect of quality. The best soil is obviously in the hands of the rich farmers, whether as freehold or as leasehold.

Naturally, under such circumstances, there is a keen demand for land and the figures charged for the sale or lease of land are very high. According to the statistics of the Japanese Mortgage Bank, the price of land figured as follows:

	1927	1930
	Yens per Hectare	
Irrigated Fields	5460	4890
Dry Fields	3330	3000

The lease of irrigated fields cost the tenant about 54 per cent. of the yield. If, moreover, we take into consideration that the Japanese farmer must constantly buy fertilisers—the expenditure for purchased fertilisers is estimated at 8 per cent. of the total value of the crop—it will be understood that the Japanese tenant farmer cannot retain more than about 37 per cent. of his yield in return for the work performed. Since the great majority of Japanese tenant farmers cultivate less than one hectare of ground each, it is obvious that on what remains to them they cannot maintain themselves and their families.

³⁾ *ibid.*, p. 56/58.

⁴⁾ Japanese official statistics: "Japan Yearbook" p. 341.

⁵⁾ King, p. 366.

⁶⁾ Fr. Utley: "Lancashire and the Far East", p. 114.

There are no available statistics of the farmers income, divided according to the tenants and the size of the farms. Various computations of the farmers average income, which naturally afford no insight into the position of the tenants and poorer farmers, put the yearly income total at an average of £9.

The great majority of Japanese farmers cannot live on the yield of agriculture alone. Roughly two millions of peasant families carry on the cultivation of silk-worms in addition to the tilling of the fields. This means that, at certain seasons of the year, the entire family down to the smallest children must tend the silk-worms day and night.

Besides the cultivation of silk-worms, weaving is greatly practised as a cottage industry in Japan. The peasants are naturally too poor to purchase the raw materials themselves, nor yet can they sell the finished product. The predominant system is that under which the peasants are given a certain amount of yarn, from which they have to weave a definite quantity of material in return for a very poor recompense. The production of mats, straw hats, toys and other articles occupies the old folk and the children and helps to augment the slender income gained from agriculture.

But even strenuous work on the part of the entire family does not suffice to keep the poor peasantry from starvation. Therefore the poor farmers are generally forced to hire out their daughters for an advance of from 60 to 100 yens to the textile factories, where the girls are virtually kept prisoners until the sum in question has been paid off. In very many cases, again, the peasants sell their daughters direct to the numerous brothels, tea-houses, and the like.

The super-abundance of cheap labour, particularly of women and children, which the indigent Japanese peasantry has constantly to abandon to the unrestricted exploitation of Japanese capital, forms the foundation of the industrial development of Japan.

Development of Japanese Industry.

The development of industry encountered a number of difficulties.

a) From 1858 till 1899, Japan was forced by the white imperialists—by virtue of international “agreements”—to observe the same low customs rates that existed in China until 1929. Without a powerful government subsidy, the young native industry could never have held its ground in competition with the goods of foreign imperialist countries.

b) The great poverty of the country did not permit of any rapid accumulation of capital in spite of an extreme exploitation of the working classes.

c) As already remarked, there is a pronounced lack of raw materials of all sorts within the country. Except silk and copper, Japan lacks all industrial raw materials, especially coal and iron ores, timber and non-ferrous metals, all textile raw materials and most of the raw materials of the chemical industry (with the exception of sulphur and salt from the sea).

This means that Japan's industry had to be built up on a basis of imported raw materials, which, supposing all other circumstances to be equal, represents an increase in the cost of production by reason of the greater cost of transport in comparison with countries with a raw-material basis of their own.

Under the influence of these three main factors, the lack of raw materials, the surplus of cheap labour, and the obstinately pursued line of developing an armament industry, Japanese industry acquired quite a peculiar structure, that of a highly up-to-date armament industry, to a great part governmental or at least subventioned by the State, an artificially developed heavy industry, also either governmental or else, if private, powerfully subsidised, supplying the raw materials for the armament industry and working at a very high cost of production, and finally an internationally competitive textile industry, built up on the cheap, shamefully sweated labour of women and children.

If Japanese industry has been systematically developed for military purposes, Japan's numerous wars against China and Russia have, in their turn, in the first place served the purpose of providing Japanese industry in general with the

raw-material basis it lacks in the country itself, and the textile industry in particular with a wider market⁷⁾.

In its very infancy, therefore, Japanese industry already shows markedly imperialistic traits.

For Japanese industry, the world war represented a period of sudden growth. Though taking part in the war from its very outset, Japan played, from an economic standpoint, the part of a neutral state to a far greater extent than did the United States. Its participation in the war was limited to the conquest of such Chinese territory as had formerly been occupied by Germany and of the German South-Sea islands. Japan's entire war expenditure is estimated by Bogart at 40 million dollars, compared with 22,597 million dollars on the part of Russia and 25,813 millions on that of France. Even the war expenditure of Greece was several times as great as that of Japan.

Japan was not only for several years rid of the competition of foreign industrial goods, but became in its turn a purveyor to the Entente countries. The industrial equipment of the country, indeed, did not suffice to cover the demand. Antiquated factory plant was purchased in the United States and transported to Japan. The steel output increased by 116 per cent, and the output of iron by 143 per cent. The profits of the iron works rose rapidly: in 1918 certain works paid a dividend of as much as 100 per cent. So great were the profits derived from war contracts, that—similar to the United States—Japan turned from a debtor into a creditor country and was in a position to make big financial advances to the other Allies.

But this gigantic enrichment of Japanese capitalists did not tend to solve the fundamental problem of Japanese capitalism, the absence of a raw-material basis and the consequently increased production costs of most Japanese industries. Immediately after the end of the war, the crisis set in with exceptional severity, and since then Japanese capitalism in its entirety has been suffering under a more or less chronic crisis, though, by means of its inhuman exploitation of the workers, the textile industry has continued to make very substantial profits.

In spite of the great impetus which Japanese industry received during the world war, and in spite of the continual efforts to maintain industry by government subventions, Japan is even at present not an industrial country in our sense of the word. The relative backwardness of Japan as regards its industrial development may be seen by the consumption of coal per head of the population.

Coal Consumption: Tons per Head and Year.

	Japan	United States	Great Britain	Germany	France
Net Coal Consumption	0.5	4.4	4.4	2.2	1.6
Including Hydraulic Energy	0.78	5.8	4.44	2.3	1.94

The same backwardness may be seen in regard to the output of iron and steel.⁸⁾

Output in Percentage of World Production 1929:

	Japan	United States	Great Britain	Germany	France
Iron	1.6	4.4	7.8	13.6	10.6
Steel	2	47.5	8.1	13.5	8.1

Reckoned per head of the population, Japan has roughly one sixth of the output of the European industrial countries or one fifteenth of that of the United States.

⁷⁾ By means of political pressure and capital investments, Japan has gained control of 90 per cent, of the Chinese output of iron-ore. This does not, however, cover its requirements. Not even the conquest of Manchuria can solve the iron and coal problem of Japan, since the Manchurian iron-ore has a very small content of iron, not more than 30 or 35 per cent. The greater part of its iron-ore Japan derives from the neighbourhood of Singapore; it has likewise a contract with Australia for the supply of iron-ore. In the case of a war, both these sources would be endangered. By itself, Japanese coal cannot be coked, requiring for this purpose to be mixed with Chinese coal of a superior quality.

⁸⁾ Data culled from “Memorandum on Production and Trade”, League of Nations, Geneva, 1931.

As regards the output of means of production, Japan is at present dependent on foreign countries, from which it derives not only the raw materials for its iron and steel industry but also iron and steel and roughly one third of its requirements of machinery.

Certain branches of the production of means of production show a widely different development, for while ship-building and the electro-technical industry cover the country's needs, the output of locomotives and automobiles is far from sufficient for home requirements.

The light industries continue to predominate, as plainly appears from all available statistics. According to official statistics, the distribution of workers in the manufacturing industry—covering all enterprises with five or more workers, even without power-driven machinery—figured as follows:⁹⁾

Industries:	No. of Workers (in Thousands)
Textiles	998
Iron and Steel	122
Chemicals	120
Foodstuffs	168
Machinery	251
Ceramic	68
Timber	57
Printing Works	54
Gas and Electricity	9
Miscellaneous	90
Government Works	136
Together	1 936

The peculiarity of Japanese industry may be seen in the fact that more than half the total number of workers are occupied in the textile industry. The cheapness of labour and the small development of fixed capital are apparent, seeing that roughly 2 million industrial workers are engaged in 56,000 factories, of which 9,701 have no power-driven machinery. Yet more characteristic is the circumstance that approximately 3 million more workers are employed in enterprises with fewer than 5 workers each, that is to say, in handicraft workshops. It is, moreover, interesting that, according to the calculations made by Orchard for the period from 1894 to 1928, the factories absorbed annually no more than an average of 41,000 workers out of an annual average increase of population of 654,000.

Similar to Japanese agriculture, Japanese industry is characterised to a great extent by a contradictory development as regards the conditions of ownership and organisation, respectively. The concentration of works is very slight indeed in Japanese industry, as the above figures show. On an average, there are not more than 42 workers in one enterprise. Only in three industries, spinning, shipbuilding, and metallurgy, are from 73 to 95 per cent. of the total number of workers employed in enterprises of more than 500 workers each.

This very small degree of concentration in regard to the works, however, is counterposed by an extraordinary concentration in regard to capital.

Position of the Industrial Working Class.

The situation of the industrial working class is mainly determined by the feudal agrarian constitution, which forces the poor peasants to supply industrial capital constantly with great numbers of cheap workers for its exploitation. The chronic unemployment, latent or acute, prevailing in agriculture, provides a tremendous reserve of workers, which most adversely affects the urban working class, especially in the all-important textile industry.

The workers in the big textile mills are to the present day in a position little better than that of slaves. Agents of the textile manufacturers recruit the wives and daughters of the poor peasant farmers in the villages, giving the farmers an advance of from 50 to 100 yens, to be deducted in weekly instalments from the wages. The peasant girls are housed in great factory barracks, where they receive their board and lodging. They may only quit the premises of the factory with the permission of the management, generally only on the two rest-days in each month. If they attempt to leave their place of work before the monetary advance has been repaid,

they are forcibly brought back by the police, although this procedure is "illegal".

The intensity of work is very great, the rate of exploitation very high. The badly paid and badly fed working women are made to serve the most up-to-date machines, the speed of which is bound to undermine their health in the course of time. As a rule, these female workers remain in the factories only until the loan has been repaid. Sick and tired they return to the village or pass almost immediately from the factories into the brothels, where a similar system of slavery prevails. The conditions in the British textile industry in the middle of the 19th century, as described by Marx and Engels, are altogether put in the shade by the present-day conditions prevailing in Japanese textile mills¹⁰⁾.

Still far worse are the conditions prevailing in the "patriarchally" conducted textile enterprises with only a small number of looms, where working hours are practically unlimited and extend over the entire day with the exception of a few hours' sleep.

The position of the male workers in such industries as call for greater qualifications is slightly better. There are no reliable statistics; the following official data are naturally intended to present things as being much better than they are.

The average working hours of all factory workers figured in 1928 at 10.21 hours daily, the average wage at 2.60 yens per day for a male and 1 yen a day for a female worker.

According to private authorities, such as Utley or Orchard, female textile workers receive at the outset no more than about 5d. a day. Until 1926, the working hours for women and juveniles lasted from 12 to 14 hours; since that time they average from 10 to 11 hours except in the textile and silk industries, which even now enjoy the privilege of exacting from women and children as much as 12 hours' work daily, i. e. one hour for preparation and 11 hours for actual work¹¹⁾.

In view of expensive coal, imported raw materials, and for the most part imported machinery, i. e. higher costs of production for the elements of fixed capital, the gigantic profits of the Japanese textile industry can only be obtained by the utmost exploitation of the workers.

The position of the qualified workers in engineering, shipbuilding, and the like, is better than in the textile industry but yet far worse than in European countries. There are, moreover, no social-political institutions, neither unemployment insurance nor any regular sick relief nor yet invalidity insurance.

Japan's Foreign Trade.

The peculiar structure of Japanese economy, with its lack of raw materials and its insufficient production of the means of production, is clearly reflected in the formation of foreign trade. The dependence of Japan on foreign trade in percentage proportion to the total value of its home output, is just about as great as in the case of the great industrial countries of Europe, figuring for both exports and imports at roughly 22 per cent.¹²⁾

Division of Japanese Exports and Imports according to Categories of goods 1923-27. (in Percentage Proportion)

	Imports	Exports
Foodstuffs	14.4	6.7
Raw Materials	53.6	6.5
Semi-Finished Goods	16	45.7
Finished Goods	18.4	40
Others	0.6	1.1
	100	100

A closer survey shows us the following proportion: Chief Import Articles in Percentage Proportion to Total Imports (1924-27)

Raw Cotton	Foodstuffs	Iron & Steel	Timber	Oil	Machinery	Chemicals
30	15.1	5.9	4.3	2.6	4.9	5.6

Although the country is dependent on foodstuff imports and although the impossibility of feeding the population with the

¹⁰⁾ According to official returns, 204,161 girls under 16 years of age were employed in the factories (chiefly textile) at the close of 1928. ("The Japan Yearbook 1931", p. 192.)

¹¹⁾ Orchard, p. 363.

¹²⁾ "The Economic Forces of the World", p. 174.

⁹⁾ "The Japan Yearbook 1931", p. 385.

yield of the country's own agriculture is constantly cited as a reason for a policy of colonial expansion, there is an import duty on rice (1 yen per 60 kilogrammes) and on wheat (1½ yen per 60 kilogrammes) in favour of the feudal landowners. On the other hand, there are very high duties on all industrial goods manufactured in Japan, representing from 20 to 50 per cent. of the value in the case of cotton goods and clothing, from 15 to 50 per cent. in that of metal goods and machinery of all sorts, and 355 per cent. on tobacco, cigars and cigarettes.¹³⁾ To the exploitation of the peasantry by the landowners and usurers and to the immediate exploitation of the workers in the factories, there must be added the indirect exploitation by monopoly capital in the way of the tariff-protected home prices.

Japanese exports consist of two main groups of goods, viz., raw silk, silk goods, and luxury articles on the one hand, and very cheap cotton goods on the other.

Chief Japanese Exports in Percentage Proportion to the Total Export Value:

	Raw Silk	Silk Goods	Cotton Goods	Clothing
1924-27	39,6	6,8	24,8	3,2

The nature of foreign trade is determined by its geographic distribution, especially that of exports.

Percentage Share of Individual Countries in Japanese Exports in 1927¹⁴⁾:

United States	China	India	Great Britain	France	Australia
41.9	16.8	8.4	3.3	2.7	2.5

Exports to the United States consist to the greatest part (80 per cent.) of raw silk, besides silk goods, luxury ceramic, etc., exports to China and India of cheap cotton goods and the like. All Japanese exports consist either of goods subject to the keenest competition on the world market (cotton goods) or else of such luxury articles (e. g. silk) as are easily dispensable.

Japanese imports, on the other hand, consist either of raw materials or of means of production. The former are purchased mainly in Asia, the latter in the United States or in Europe.

Percentage Share of Individual Countries in Japanese Imports in 1927¹⁵⁾.

United States	British India	China	Germany	Great Britain	Australia	Canada
30.9	12.4	10.4	7	7.6	5.6	2.6

The United States supply oil, cotton, and machinery, British India and China cotton and other raw materials, Australia wool, Germany and Great Britain means of production. The goods imported by Japan are indispensable for Japanese capitalism, while its exports are easily dispensable for the countries purchasing them, that is to say easily procurable elsewhere. The structural weakness of Japanese capitalism is reflected in its weak position on the world market.

The Japanese Colonial Empire.

So as to overcome this weakness of its position in foreign trade, to secure raw-material sources for its industry and markets for its products, the Japanese imperialist class has waged a series of predatory wars on China, also ousting Tsarist Russia and the German imperialists from Manchuria and Northern China by force of arms. The outcome of these predatory expeditions is the conquest by Japan of a colonial empire, which, with the inclusion of "independent" Manchuria, far exceeds Japan itself in territory, and wellnigh equals it in population.

Japanese Colonies.

	Territory in Thou. sq. km.	Population in Thousands
Formosa	36	4,590
Korea	220.7	21,050
South Sachalin	36.1	300
Kwantung	3.5	1,050
Manchuria	1,000	30,000
	<u>1,296.3</u>	<u>56,990</u>

Despite its nominal "independence", Manchuria is at present in point of fact a Japanese colony, of the lasting possession of which Japan is, however, by no means sure.

Besides the above colonies, Japan has acquired strong strategic points in China proper, partly by capital investments (chiefly in the form of great textile mills in Shanghai) and partly by political pressure in the form of concessions. All these colonial deprivations, however, have failed to solve the problem of Japanese markets.

Japan in the World Economic Crisis.

Strictly speaking, Japanese economy has ever since the end of the war been the victim of a chronic crisis, which the world economic crisis has naturally tended greatly to enhance. This aggravation may be seen in the marked diminution of foreign trade, in an acute price-drop, and in a pronounced restriction of output, all of which, however, are relatively less drastic than in other countries, following as they do on no particular phase of prosperity.

The situation, moreover, is greatly complicated by the Japanese currency policy. For several years, beginning with 1923, there was in Japan a prohibition for the export of gold. After a serious depreciation in 1923 (the year of the earthquake and of the crisis in banking), the Japanese currency has slowly been reapproaching parity.

Completely misunderstanding the true state of affairs, Japan essayed, at the commencement of the actual crisis in 1930, to re-establish the gold standard and to permit the exportation of gold. There immediately ensued a marked outflux of gold, the reserves of the Bank of Japan decreasing from 1,073 million yens at the beginning of 1930 to half that amount. Although powerful prestige reasons and the interests of certain sections of the bourgeoisie advocated the maintenance of the gold standard, Japan was obliged, on the abandonment of the gold standard by Great Britain, also to sacrifice the gold currency, whereupon there ensued an immediate collapse of the yen, which suffered a disagio of from 30 to 35 per cent.

The Japanese trade balance shows a constant deficit, ranging during the last few years from 445 million yens in 1926 to 171 million yens in 1929¹⁶⁾. For the year 1930, official Japanese statistics computed a deficit on the balance of payments of 27 million yens; for 1931 the corresponding deficit will probably prove to have been several times as great. In such circumstances, a gold currency could only have been maintained with the help of foreign loans, which in the existing crisis could never have been procured.

The pronouncedly monopolistic organisation of Japanese capital rendered it possible for the burden of the crisis to be shifted to a great extent onto the shoulders of the working population. The capitalists are in the first place effecting an organised restriction of production, which at the close of 1931 amounted, e. g., in cotton spinning to 30.6 per cent., in the artificial silk industry to 30 per cent., and in the printing-paper industry to 45 per cent.¹⁷⁾ On the other hand, the full force of the crisis affects the Japanese farmers in the form of the sharp price-drop of the two main products they place on the market, rice and silk. Since 1926, the price of rice has dropped 50 per cent.¹⁸⁾

In view of the 35 per cent. inflation, the last-named price is in reality far below the seemingly lower price of a year ago.

Yet more catastrophic are the prices of silk cocoons. The total export proceeds for raw silk figured as follows:

Millions of Yens		
1929	1930	1931
781	417	355

The proceeds have thus decreased by 50 per cent. Not so the quantity exported. The following quantities represent the average monthly exportation:

Raw Silk in Tons		
1929	1930	1931
2874	2349	2754

¹⁶⁾ Including the foreign trade of Korea and Formosa.

¹⁷⁾ "Wirtschaftsdienst" of November 27th, 1931.

¹⁸⁾ Rice Prices in Tokyo:

February 1931	February 1932
37.4 yens	22.6 yens

¹³⁾ "The Japan Yearbook".

¹⁴⁾ "The Economic Forces of the World", p. 158/159.

¹⁵⁾ Ibid.

The decline in the proceeds of exportation is thus to be attributed entirely to the price-drop.

Besides the peasantry, it is the city proletariat of Japan that has been victimised by the crisis, in the course of which unemployment has rapidly increased. Putting the degree of occupation in the year 1926 at 100, the 1930 average showed a drop to 82, and that of the first ten months of 1931 to 74.7. This means that 25.3 per cent, of the workers, over and above those who were already out of work in 1926, are at present unemployed. The Japanese capitalists have profited by this state of affairs for the purpose of further reducing the very low wages of Japanese workers. Even during the crisis, meanwhile, the war industries have continued to operate to their full extent; indeed, they have even been enlarged.

The rapid expansion of the artificial-silk industry undoubtedly represents a preparation for war, as does also the marked development of the chemical industries, effected during the last twelvemonth with the aid of government subsidies.

At the present moment Japanese economy is in a particularly difficult position. The boycott of Japanese goods continues undiminished in China and in those regions around the Indian Ocean in which trade is chiefly in the hands of Chinese merchants. The attack on Shanghai only served to enhance the boycott movement. Japanese exports to China have shrunk to a minimum.

The boycott movement against goods in the United States threatens one half of the entire Japanese export trade and may spell catastrophe for the overseas trade of Japan. The supplies for war purposes in Manchuria and China have hitherto not sufficed to mitigate the effects of the crisis. The depreciation of the currency, meanwhile, has introduced a fresh element of destruction into Japanese economy.

Japan an Outpost of Intervention.

Ten years ago, in one of his last works, Lenin outlined the problem of intervention and of the danger of war in the following words¹⁹:

"Can we possibly save ourselves from the approaching collision with the imperialist Powers? Is there any hope for us that the inner contradictions and antagonisms between the advancing imperialist Powers in the West and the advancing imperialist Powers in the East, may a second time afford us a respite, as it did the first time when the advance of the West-European counter-revolution in support of the Russian counter-revolution was frustrated by the differences in the camps of the western and eastern counter-revolutionaries, the antagonism between the eastern and western exploiters, between Japan and America?"

In the last ten years, since Lenin wrote these words, there have been important changes in the world situation.

a) The "peaceful" struggle between the two systems has been decided in favour of the Soviet Union. The aim of "catching up and outdistancing" has entered into a stage of immediate realisation. According to bourgeois computations, the Soviet Union at present occupies second position in industrial production among the countries of the world (directly after the United States of America).

b) The question of "Who will beat whom?" within the Soviet Union has been definitely decided in favour of Socialism. The international bourgeois hopes (fostered by the Trotskyists) of a bourgeois degeneration of Soviet rule have been finally dashed. The liquidation of the kulaks as a class on the basis of a comprehensive collectivisation of agriculture not only deprives the world bourgeoisie of their last powerful ally within the Soviet Union, but also definitely destroys the possibility of a revival of capitalistic economic relations. The Soviet Union has entered upon the period of Socialism.

To prevent by means of intervention the complete building up of socialism is at present, in view of the rapid development of the Soviet Union and the catastrophic decline of capitalism, a more urgent matter than ever before for the international bourgeoisie.

But parallel with the accentuation of the struggle between the two rival systems, the antagonisms among the imperialists themselves have also greatly increased on the basis of the general crisis of capitalism and the present economic

crisis. They would probably long ago have led to the outbreak of a new world war, had the imperialists not again and again been checked by their fear of the Soviet Union, their fear of colonial uprisings, and their fear of a proletarian revolution.

The present unprecedentedly acute and far-reaching economic crisis has further enhanced the inter-imperialist antagonisms. In the form of a tariff and economic war, the struggle among the capitalist states has already been in progress for some considerable time past. On all sides, armaments are proceeding at a feverish rate. More and more frequently, the manoeuvres of the pacifists for the purpose of cloaking over such obvious developments, are exposed by the cynical utterances of certain ideologists of imperialism, to the effect that a capitalistic way out of the economic crisis is only to be found in the form of a war.

The result is that just in view of the enhancement of inter-imperialist differences the imperialist Powers feel urged in the direction of a common intervention against the Soviet Union. The most significant factors working in the direction of such an intervention are the following:

The Conservative victory in Great Britain.

The relative strengthening of France—the gendarme of Europe—which aspires to a hegemony in the war of intervention, and the increased dependence of the East-European vassal states on France by reason of the crisis; likewise the attempts to form a Danubian Federation and to draw Germany into the anti-Soviet front.

The strengthening of German Fascism, which while consistently toning down its anti-French demagoguery, stresses its anti-Soviet tendencies more and more.

The conquest of Manchuria by Japan and its transformation into a military basis for an attack against the Soviet Union, and its constant provocations of the Soviet Union.

The conquest of Manchuria and the advance on Shanghai mean that Japan is resolutely approaching the question both of intervention against the Soviet Union and of a war for the redistribution of the world (the immediate objective being the division of China, the lion's share of which is to fall to Japan).

It would be a great mistake to interpret the fact that Japan was the first imperialist country to commence a war as a sign of its particular economic, social, or military strength. On the contrary, the relative economic, social, and military weakness of Japan—of which we shall still have occasion to speak at greater length—acted as an accelerating factor in its policy.

The Japanese imperialists are reckoning with the probability that, supposing they take upon themselves the rôle of a battering ram against the Soviet Union, the United States will not attack them from behind during such a war, which would bear an essentially class character, being directed against the mortal enemy of all capitalist states. Japan is counting confidently on the active support of the majority of the European countries.

The Struggle for Hegemony in China and the Danger of Intervention.

The fundamental antagonism between the Soviet Union as the centre of world revolution on the one hand and all the depredatory imperialist states on the other, is very strikingly apparent in relation to China. The political line of the proletariat of the Soviet Union, of the Comintern, and of all the Communist Parties of the world, is the liberation of the Chinese people from imperialist oppression, the overthrow of the class-rule of the feudal lords, landowners, militarists, and big bourgeoisie (all closely allied with the foreign imperialists) by means of a bourgeois-democratic revolution, with the perspective of a subsequent transformation of this movement into a proletarian revolution and the establishment of a Soviet China comprising the entire territory of China.

This policy of the Soviet Union and the Comintern is faced by the policy of all imperialists, which is that of continuing in one form or another to treat China as an object of imperialist oppression and exploitation.

Within the imperialist camp, again, two main directions may be distinguished:

a) The common line pursued by the bourgeoisie of those three predatory imperialist states, Great Britain, France, and Japan, which have already subjected almost all Asia to their colonial oppression. They wish to complete their work by the

¹⁹ "Rather Less, but Better", Russian Edition, vol. XXVII, p. 416.

division of China. Naturally, the identity of their political aims merely lies in the fact that China is to be divided up; as to the manner of such a partition and the question who is to get which particular part of the booty, there are obviously very serious differences among them.

b) The line pursued by the bourgeoisie of the greatest of the imperialist robbers, the United States, is in the direction of establishing a territorially undivided and formally independent bourgeois China, which will to all practical intents and purposes be more or less a colony of America. In the division of the world, the bourgeoisie of the United States have so far come off rather badly. Their colonial realm is in no proportion to their economic importance in the world. In case of a division of China, the fact that Great Britain, France, and Japan have already acquired powerful strategic points in and around the Chinese territory would leave little for any other Power. Hence the American policy in favour of a maintenance of Chinese integrity (including Manchuria), with a view to breaking the hold of the other imperialist Powers on China, so that the United States may, by virtue of economic and political predominance, oust its competitors as in the case of South America and turn a nominally „independent“ China into a semi-colonial territory.

Each of these three political directives is supported by different classes in China itself.

1. The policy of the Soviet Union and the Comintern is supported by the great bulk of the Chinese people, by all the exploited and oppressed classes of workers, poor and middle peasants and the poorer strata of the petty bourgeoisie in the cities, whose interests this policy serves. In the Soviet territories of China, workers and working peasants—led by the heroic Communist Party of China—have already taken state power into their own hands and organised the Red Army, which—actively supported by the broad mass of the population—has repeatedly vanquished the numerically and technically far superior White armies of the Kuomintang.

2. The policy of Japan, Great Britain, and France, looks for support to those counter-revolutionary forces in China that desire to perpetuate the present condition of extreme exploitation of the workers and the partition of China into individual areas governed by different fractions, such as the feudal landowners and the „comprador“-bourgeoisie, militarists, and brigands. All these, and the richest class of the national bourgeoisie are insolubly united with the imperialists, without whose protection their hegemony would inevitably be overthrown in a very short time by the revolution of the workers and peasantry. The uninterrupted internal struggles waged by the individual cliques against each other, reflect the conflicting interests among the imperialists, who stir up such hostilities with a view to expanding their respective spheres of authority at each other's expense, while at the same time they lie in the general interest of the imperialist Powers, furnishing them as they do with a pretext to advocate a partition of China as indispensable for the „restoration of law and order“.

3. The policy of the United States might be expected to find its supporters not only in certain sections of the commercial, but also in the ranks of the industrial, national bourgeoisie. But, whereas the workers and peasants on the one hand and the feudal lords and militarists on the other represent strong class forces, the industrial bourgeoisie of China is notably weak. It is economically and numerically weak because the industrial development of China is very slight, seeing that by far the greater part of the industry is in the hands of foreigners. But it is also politically weak, since the possession of real estate on the part of the industrialists cause them to be interested in a maintenance of the present agrarian conditions and thus allies them closely to the landowning class, so that they are averse to attempting any agrarian revolution, without which, however, the power of the landowners and militarists is not to be broken.

It would therefore appear to lie in the interests of the United States to postpone their inevitable reckoning with Japan for some time to come.

The Japanese advance in Shanghai, meanwhile, is a most pronounced provocation of America. If the United States desired to postpone their reckoning with Japan until after the termination of a war of intervention, Japan—relying on its alliance with France, on the, albeit vacillating, support of Great Britain, and on its own indispensability as a factor of intervention against the Soviet Union—placed the United

States under the necessity of a choice between two evils, i. e. either of commencing a war on Japan under extremely disadvantageous circumstances, or else of tolerating a decided strengthening of Japan's position in Shanghai, the key-position to the Yangtse Valley with its 180 millions of inhabitants, and thus in China in general, which would further greatly diminish the American chances in a subsequent war with Japan²⁰). The assumption of the Japanese militarists has so far proved correct, for the United States have not gone beyond mere notes of protest, preferring for the time being to avoid any open warfare.

At the same time, the Japanese advance on Shanghai was intended at the same time to strike at the centre of the highly effective Chinese boycott of Japanese goods, caused by the Japanese campaign in Manchuria.

In this point, however, the Japanese militarists had miscalculated. The occupation of Shanghai and the advance into the Yangtse Valley proved to be anything but an easy military operation, such as the occupation of Manchuria had been, but led to a regular war, in which the Japanese army met with embittered resistance on the part of the Chinese people in general and the proletariat of Shanghai in particular, and—morally at any rate—with a severe defeat.

As a matter of fact, it was the Chinese people, and in the first place the proletariat of Shanghai, which waged the fight against the Japanese invaders, the 19th Canton Army forming no more than the organised cadre in the struggle of resistance. It would lie beyond the limits of this article, to enter into a detailed analysis of the fighting around Shanghai; we shall therefore only point out the main political moments:

a) The Kuomintang Government betrayed the fight from the very beginning. It fled from Nanking to Loyang, issued demagogic proclamations while at the same time sabotaging the provision of the army with money, foodstuffs, and war material, and sent no troops to its aid.

b) The 19th Army had repeatedly been beaten by the far worse equipped Red Army of China; its leaders, too, desired to avoid a fight against the Japanese Army. They attempted to prohibit the workers from joining their forces and taking part in the fight. It was only encompassed by the determinedly militant Shanghai proletariat, under its influence and with its aid, that the rank and file of the 19th Army managed, against the will of the Government and even against the will of their own generals, to offer resistance to the superior Japanese forces.

c) The fight around Shanghai has shown the proletariat of the world and the colonial peoples the great possibilities in a modern civil war in the face of a great superiority of technical equipment on the part of the army of the class-enemy.

d) The fight of the 19th Army against the Japanese was at bottom part of the struggle of the United States against Japan. The small amount of help afforded the fighting Chinese army by Nanking was only given under pressure on the part of America.

In view of the vigorous resistance of the Chinese masses, Great Britain and France are interested—as are, finally, even the United States—in affording Japan the possibility of issuing from the Shanghai affair with partial success, so as to release its forces for a war of intervention against the Soviet Union. Therefore, together with the leaders of the Kuomintang, they urgently advocate a compromise and make use of the apparatus of the League of Nations to bring pressure to bear not only on China but on Japan as well.

The policy of the French imperialists is absolutely plain. Neither in the question of power nor in an economic sense are there any immediate differences between France and Japan. The French bourgeoisie therefore wholeheartedly support the Japanese policy of expansion both in Manchuria and in China itself.

Fare more complicated and contradictory is the attitude of Great Britain towards Japan. Apart from the common interest in the maintenance of imperialist rule in Asia, two fundamentally important reasons range Great Britain on the side of Japan, the one being the antagonism between the

²⁰) Japan's occupation of the Woosung forts means the control of the waterway from Shanghai into the interior of China and a further important link in the Japanese system of naval bases, henceforth forming an unbroken chain from Japan to Formosa.

capitalist world and the Soviet Union and the other the antagonism between the two greatest imperialist Powers, Great Britain and the United States.

Nevertheless, Great Britain does not wholly and frankly endorse the policy of Japan. The British bourgeoisie is, indeed, between two millstones. A pronounced defeat of Japan in China might prove fatal to imperialist rule in Asia generally and to Great Britain's rule in India in particular. Too great an accession of power for Japan in Asia, and especially in China, however, would likewise be extremely dangerous for the British bourgeoisie. The trend to expansion on the part of the Japanese imperialists would by no means make a halt at the confines of British territory, since their avowed official programme aims at the domination of all Asia.

The policy of the British bourgeoisie, moreover, is rendered particularly difficult by the decidedly anti-Japanese attitude of the British Dominions bordering on the Pacific: Australia, New Zealand, and Canada. A frank support of Japan in its conflict with the United States would hasten the danger of a breaking-up of the British Empire and of a secession of Canada, Australia, and New Zealand to the cause of America.

Finally, we must not lose sight of the fact that there is acute commercial rivalry between Japan and Great Britain. The most dangerous and formidable competitor of the Lancashire cotton industry, not only in China but also in India and Eastern Africa, is Japan²¹). The boycott movement against Japanese goods—which in Farther India, East Africa, etc., where the retail trade is in the hands of Chinese traders, is carried on, if anything, even more vigorously than in China itself—is thus for the seriously menaced British textile industry a very welcome result of the Japanese attack on China and is without doubt covertly encouraged by the interested British bourgeoisie, in spite of the official British friendship for Japan.

The attitude of the United States towards Japan, again, is also to some extent ambiguous. There is a very great interchange of commodities between Japan and America, Japan figuring second (after Canada) among the countries importing into the United States, with a quota of 9.8 per cent., and fifth (after Canada, Great Britain, Germany, and France) among the purchasers of American goods, with a quota of 4.9 per cent. On the world market there is hardly any competition between the two countries. Japan exports articles of consumption, while the United States export means of production and raw materials. Much United States capital, moreover, is invested in Japan, and the United States are the chief purveyor of rolling-stock for the South-Manchurian Railway.

The foreign-political differences, meanwhile, are all the more acute. Japan is the United States' greatest rival in the Pacific Ocean. Only to a certain extent and only temporarily, this rivalry is mitigated by the rôle played by Japan as the spear-head in the attack on the Soviet Union.

The question naturally arises as to why the United States bourgeoisie has so far tolerated the pronounced provocation practised by Japan.

The answer lies in the present strategic superiority of Japan in Asiatic waters. True, the United States battle-fleet is numerically superior to that of Japan in the proportion of 5 to 3. But in Asiatic waters, the Americans are without any up-to-date naval base.

The second main reason is that the United States bourgeoisie is fully aware that, in view of the present aggravation of inter-imperialist differences on all sides, a war against Japan would not be a purely Japanese-American question but would very soon devolve into a world conflict.

²¹) The following data show the progress of Japanese textiles in India at the expense of Great Britain:

Percentage Shares in India's Imports of Yarns.

	1913/14	1918/19	1925/26	1929/30
Great Britain	90	25	31	46
Japan	2	72	65	24
Japanese Mills in China	—	—	—	26

Percentage Shares in India's Imports of Cotton Goods.

	1913/14	1918/19	1925/26	1929/30
Great Britain	97	90	82	66
Japan	0.3	7	14	30

(Freda Utley: "Lancashire and the Far East", London 1931, p. 251 & 259.)

All this, of course, refers merely to the present moment. In the very distant future, a war between the United States and Japan for predominance in the Pacific Ocean and for the exploitation of China is absolutely inevitable, presuming the proletarian revolution does not in the meantime obviate all further imperialist wars. The bourgeoisie of the United States cannot allow itself to be ousted from the Chinese market, the importance of which for America grows apace²²). It will not leave the predominant rôle in the Pacific to the Japanese without a struggle. Though at the present moment the strategic position is distinctly favourable for Japan, there can be no doubt that in the long run the military forces of the United States far exceed those of Japan.

The Military Weakness of Japan and the Revolutionary Movement.

Although there is no country in the world, not even France, in which the policy of the dominant classes is so greatly concentrated on the creation of a formidable military power as is the case in Japan, although in no other country are economic and cultural interests so ruthlessly sacrificed to militarism, although nowhere else the military leaders exercise such a decisive influence on politics, although no other country has in the last few decades so persistently and perseveringly pursued a policy of military conquest, although, finally, Japan possesses an excellent fleet, a big territorial army, and a highly up-to-date armament industry, it is undeniably a weak country from a military standpoint.

The great political significance of this recognition lies in the fact that a Japanese intervention against the Soviet Union will not take place by itself alone, but (though perhaps chronologically slightly in advance) as part of an all-round intervention. This is a circumstance of the greatest importance in the fight of the Communist Parties against intervention.

The policy of the Social Fascists aims at deflecting the attention of the European proletariat from the preparations for intervention made by the bourgeoisie of their own particular country, by depicting the danger of intervention in the East as a distant and isolated matter, at times criminally speaking of the "danger" of a war between two equally imperialist states—Japan and the Soviet Union—for the possession of Manchuria, spreading a calumnious report of the existence of an agreement between the Soviet Union and Japan, and at other times mocking at the Soviet Union for putting up with anything from Japan, intentionally drawing the attention of the proletariat to the pacifist phrases of the League of Nations and veiling the latter's real rôle of an organising centre for all preparations for intervention. A successful struggle against intervention is impossible without an exposure of all these manoeuvres of the Social Fascists and without a clear recognition of the fact that what is imminent is not a mere Japanese intervention in the Far East but a general intervention from several sides.

The military power of a country is determined by two main factors:

- a) its economic strength, and
- b) the stability of its social system.

Let us attempt to analyse these two factors in the case of Japan.

Economically, Japan is a poor, weak country. In this regard, we need but consider the following important circumstances:

1. The value of the home production per head of the population is extremely small.
2. The same assertion holds good in regard to the "national wealth".
3. The financial system of Japan is wholly undermined. The stock of gold is very small, having declined from 882 million yens at the beginning of 1931 to 522 millions at the beginning of 1932, although in September an export prohibition for gold was decreed. The currency is depreciated, figuring at from 30 to 35 per cent below the mint par of exchange.

²²) The percentage proportion of the United States' foreign trade to and from Asia figured as follows:

	1913	1927	1928
Imports	16.7	30	28.6
Exports	6.2	11.5	12.3

4. Japan possesses no capital investments abroad capable of being mobilised for war purposes.

5. Japan proper is even in peace times dependent on the importation of foodstuffs from abroad. A general mobilisation of the male population in a case of war would entail an immediate pronounced recession of the production of food²³). At the same time, the necessity of a better feeding of the troops (the majority of the Japanese peasants and workers suffer chronic starvation) would greatly increase consumption.

6. Even a relatively well-developed war industry, like that of Japan, can only cover a fraction of the requirements of a modern war. The entire metal-working, and particularly the engineering, industry must in a case of war be adapted to the production of war material. In this lies one of the most serious military weaknesses of Japan. Its machine industry is very poorly developed, covering less than two thirds of the peace requirements of the country and employing (in 1928) no more than 251,000 workers²⁴).

7) The weakest point in the entire military position of Japan consists in its lack of all the raw materials indispensable for war purposes, with the sole exception of copper.

There is a lack of iron ore. The iron and steel works erected for military purposes obtain their ore from abroad, for the most part from Farther India and Australia, at a distance of thousands of nautical miles.

There is a lack of steel and iron, the output of which in 1929 was as follows:

Iron . . .	1,113,463 Tons.
Steel . . .	2,293,846 Tons.

This is not even enough for peace requirements, for in 1929 160 million yens' worth of iron and steel was imported. For war purposes it is wholly insufficient. And a considerable increase in output is out of the question in view of the absence of furnaces, ore, and cokable coal.

There is a lack of crude oil, the native production of which is quite insignificant. In peace times, crude-oil imports averaged 500,000 tons per annum.

There is a lack of non-ferrous metals, of raw materials for the chemical industry, of all textiles with the exception of silk, and so on.

In summing up, we may say that the general poverty of the country, the chaotic financial system, the lack of foreign investments capable of being mobilised, the poor development of the metal industry, and the absence of almost all raw materials, render the economic basis of Japanese militarism relatively weak.

This rôle of a vanguard of imperialism, which Japan is thus taking upon itself, is, however, undoubtedly fraught with the most serious danger for the present dominant system.

The undeniable decay of the existing order of society, the general impoverishment of the working classes, and the extreme accentuation of class antagonisms, which necessitate the constant employment of the severest military and police terrorism for the suppression of the revolutionary movement, demonstrate the internal weakness of the present system.

All the working classes are bitterly opposed to the feudal-bourgeois class rule and to the reactionary military-bureaucratic system of government with the monarchy at its head. Class antagonism is accentuated to the utmost.

It is obvious that in the event of a general mobilisation these class antagonisms will spread in a far greater measure to the army, and—together with the growing privations imposed by the war on the proletarian soldiers in the army and their relatives in civilian life—will render it increasingly unreliable.

War will not postpone, but rather accelerate, revolution in Japan. The demonstrations against the war, which have taken place in Japan in spite of the severest terrorist suppression, and the mutinies in the army and navy, show what possibilities exist for the Communist Party of Japan to turn an imperialist into a civil war, to overthrow the government system of the monarchy, the militarists, and the bureaucrats, to wage an agrarian revolution for the liquidation of the substantial existing remnants of feudalism, and, by way of a victorious bourgeois-democratic revolution, to achieve the dictatorship of the proletariat.

²³) Bywater estimates this recession at 20 per. cent.

²⁴) Official "Factory Statistics", cited by Moulton, p. 101.

II. General Section.

Continuation and Further Deepening of the Crisis.

The most important feature in judging the international economic position is the fact that in most countries the seasonal improvement this spring either did not take place at all or else fell far short of its normal extent.

Let us first consider the development of unemployment:

Official Returns of the Fully Unemployed (In Thousands)

	Germany	Great Britain	France	Italy	Poland	United States (Index of Employment)
January 1931	4887	2671	44,7	723	341	79
February 1931	4972	2694	59,9	765	359	79
March 1931	4744	2678	71,9	707	373	79
January 1932	6042	2726	278,7	1051	326	66
February 1932	6128	2701	—	—	—	67
March 1932	6031	2600	—	—	—	—

These figures, which are only characteristic for the development of unemployment but do not represent the actual unemployment totals, show—save in the case of Great Britain—that unemployment is not only far greater than was the case last year, but that the seasonal diminution is far smaller. As regards Great Britain, the National Government systematically falsifies the unemployment figures, by not only omitting to count among the unemployed those hundreds of thousands of workers who have been struck off benefit as a result of the means test and are therefore no longer registered, but also by including them in the number of employed workers.

In regard productional returns, those of the heavy industries are already available.

	Germany	Great Britain	France	United States
Output of Iron in Thousands of Tons				
1931 January	603	343	801	1742
February	520	323	726	1734
March	560	363	775	2065
1932 January	358	335	490	988
February	330	329	461	980
March	314	344	—	983
Output of Steel in Thousands of Tons				
1931 January	773	409	746	2498
February	760	494	693	2543
March	811	508	722	3042
1932 January	400	437	469	1485
February	448	488	464	1483
March	435	470	—	1433

These figures show not only the pronounced further aggravation of the crisis within a twelvemonth—the steel output in the United States and Germany figuring in March at no more than half that of March 1931—but also a further drop in March, in which month there ought to be a seasonal increase.

The same fact of the non-appearance of a seasonal improvement in March and April, is to be gathered from the newspaper reports on certain industries, from the development of foreign trade, the almost total standstill in the building trade, and the like. This means that the crisis is growing in intensity, a fact tending to neutralise the seasonal improvement which, in connection with the weather, always takes place in certain branches of industry in early spring.

Decrease of Fixed Capital, Accumulation of Raw-Material Stocks.

One of the peculiarities of the present crisis lies in the fact that on the one hand the output of means of production has so greatly receded as to cause a reduction of the total of fixed capital, while on the other hand the surplus stocks of commodities show as yet no tendency to diminish. In consequence of the catastrophic price-drop, the price-total of the circulating constant capital has greatly decreased but in their

natural form stocks are hardly any smaller than they were before the crisis began.

Both these phenomena are consequences of the general crisis of capitalism and of its highly developed monopolistic character. The general crisis finds expression, inter alia, in the fact that a great part of fixed capital is permanently unutilised; hence the almost total disappearance of all new investments during the crisis.

Statistics in regard to the world's stocks are available only for a few raw materials of particular importance. The following table is culled from the monthly bulletin (March 21st, 1932) of the "London and Cambridge Economic Service":

	1929	1930	1931	1932	1932	1932
		January		Jan.	Feb.	Mar.
American Cotton (Thou. Bales)	3 494	3 662	6 471	8 738	8 713	8 709
Copper (Thou. Tons)	—	37.4	52.6	61.7	61.4	61.0
Tin (Thou. Tons)	32.8	50.8	92.2	135.1	143.1	—
Lead (Thou. Tons) U.S.	0.9	2.0	8.3	13.1	13.3	13.8
Lead (Thou. Tons) U.K.	266	383	506	645	653	—
Rubber (Thou. Tons)	4 271	5 614	7 018	8 577	8 247	—
Sugar (Thou. Tons)	220	260	262	260	248	—
Tea (Mill. Pounds)	1 570	2 506	2 930	3 435	3 436	—
Coffee (Mill. Bags)	—	584	583	—	—	— ²⁵⁾
Wheat (Mill. Bushels)	—	—	—	—	—	—
Oil (Mill. Barrels)	624	630	603	569	569	—

Save in the case of oil, the stocks are thus all bigger than two years ago.

As regards the stocks of finished industrial goods, there are no statistics except in the United States, where they show the following development:

Stocks in the United States.

(On the Basis of 100 to Represent 1923—25)²⁷⁾.

	Total	Ind. Goods	Raw Materials
January 1931	156	119	183
July 1931	134	116	147
December 1931	167	108	210
January 1932	162	110	200

These figures show that the aggregate of stocks is greater than a year ago, the stocks of finished goods having diminished but those of raw materials having increased.

It is far more difficult to gain a proper idea of the changes which have come about during the crisis in regard to fixed capital. Here several processes would seem to be counteracting one another. The new investments of fixed capital commenced in the period of prosperity have in part been completed in the crisis, though in part the relative operations were suspended. Hence the fact that in the first year of the crisis the sale of machinery was far greater than it is at present. The natural wear and tear of buildings, machinery, and tools continues, being approximately just as great during the crisis as at other times; if part of the fixed capital is preserved by reason of its non utilisation, another part wears out and deteriorates by reason of its not being utilised. On the basis of the known wear and tear percentages for buildings, machinery and tools and a knowledge of the total quantity of the various component parts of fixed capital it would therefore be theoretically possible to ascertain how many new buildings, machinery, tools, etc. must enter annually into the production process to ensure a simple reproduction, i. e. the replacement of the wear and tear.

Such calculations, however, meet with great practical difficulties since such data as are available at all in regard to fixed capital, are—save in a few exceptional cases—always expressed in terms of money. Since, however, machinery and other component parts of fixed capital play a part in the production process and successively impart their value to the product during many periods of production—it being in this peculiarity that they differ from other parts of constant capital—the fixed capital operating at present contains, according to its natural form, equal component parts with widely different cost prices, according to whether they were acquired

before the war or else during the war or in the period of very high prices immediately succeeding it.

The crisis has reached such a depth that there is at present a disaccumulation, i. e. a diminution, of fixed capital, and that not only as regards its value, which is the case in every crisis, but also as regards its natural form. If we consider the decline of agriculture and the decrease in the stock of articles of daily use in the homes of hundreds of millions of workers, peasants, clerks and other employees, it will be plain that a general process of impoverishment is in progress, although the unsalable stocks of goods have not diminished. The contradiction between the productive forces and the production relations is here most strikingly evidenced.

The New Price-Drop and the Agrarian Crisis.

The last few weeks have brought with them a renewed price-drop for the most important articles of international trade. The hopes attaching early in the year to a temporary upward trend of prices, have proved wholly illusory. The following table shows the

Price Development of Certain Important Goods of International Trade²⁸⁾.

	April 13th	Peak Rate	April 13th
	1931	1932	1932
Wheat Chicago (Cents p. Bushel)	84.00	60.87	59.37
Maize Chicago (Cents p. Bushel)	62.50	40.25	34.50
Sugar New York (Cents p. Lb.)	1.32	1.08	0.60—61
Coffee Hamburg (Pfenning p. Lb.)	25.63	48.50	47.00
Copper New York (Cents p. Lb.)	10.00	7.50	5.75
Zinc London (£ p. Ton)	11,18/9	14,13/9	11,2/6
Tin London (£ p. Ton)	115,3/9	142,13/9	103½
Lead London (£ p. Ton)	13	15,12/6	11
Silver London (Pence p. Oz.)	12,15/16	20,7/16	16,5/8
Cotton New York (Cents p. Lb.)	10.45	7.20	6.25
Hemp London (£ p. Ton)	19,0/0	20,5/0	18,10/0
Jute London (£ p. Ton)	16,0/0	20,0/0	16,12/6
Rubber London (Pence p. Lb.)	3,5/16	3,11/16	2,7/16
Oil New York (Cents p. Gallon)	15.65	16.65	16.65

The London prices were influenced in the course of the year by the fluctuations in the sterling rate, though the price-drop is greater than is justified by the appreciation of sterling. With the exception of coffee, these articles are all considerably lower in price than they were a year ago.

These figures also reflect the further aggravation of the agrarian crisis. Though of late the price-drop for agricultural products has slowed down or come to a stop, it has already reached such a low level as to spell ruin for the great majority of agricultural producers.

In spite of the fact that the low prices do not suffice to cover the costs of output, the diminution of the area under cultivation is but slow.

The longer the economic crisis lasts, the more acute the agrarian crisis is bound to get. The consumption of industrial raw materials decreases, while unemployment and the impoverishment of the working masses in general are reflected more and more clearly in a decreased consumption of foodstuffs, especially of such of a higher grade, such as meat, milk, butter, and eggs, which in turn further aggravates the critical position of cattle-breeding.

The Creditary Crisis and the Salvaging of Banks.

During the last few months, the bank rate was lowered in a number of countries. It would, however, be a great mistake to draw inferences from this fact—as was possible in pre-war times—in the sense of an amelioration of the creditary crisis. The official bank rate has long ceased to

²⁵⁾ Publication suspended.

²⁶⁾ No more recent returns available.

²⁷⁾ "Survey of Current Business", 1932, March, p. 23.

²⁸⁾ "Deutscher Volkswirt" of April 15th, 1932.

be a reliable barometer of the money market. In the present crisis, the credits accorded by the central banks acquire a pronouncedly political character. The trend of the bank rate no longer reflects what is going on in the sphere of credit. It is only privileged enterprises that are granted a limited credit by the banks of issue. The lowering of the bank rate is therefore by no means tantamount to a diminution of the creditary crisis.

A special significance attaches to the lowering of the bank rate in London. During the last few months there has been an appreciable improvement in the exchange rate of the pound. By the purchase of gold within the country and by squeezing gold out of India, the Bank of England has succeeded in increasing its gold holdings and almost entirely repaying the credits granted by France and the United States prior to the abandonment of the gold standard. Through a cessation of capital exportation and obviously also through a mobilisation of part of the capital invested abroad, the British balance of payments has once again become favourable.

The upward trend of the sterling rate led to an influx of short-termed loan-capital from other countries in the hope of speculative profits and presumably also to a return of British capital which had fled abroad out of fear of a depreciation of sterling. All these factors have contributed to a markedly increased easiness on the London money market.

In the United States, the attempt to stem the wave of bankruptcies, and at the same time to influence the economic situation from the money side was continued by the founding of the "Reconstruction Credit Corporation" and by changes in the statutes of the Federal Reserve Banks, though so far without any result.

At the same time, the financial crisis has continued to grow apace in the East European and Balkan countries. The bankruptcy of certain countries in the near future is quite inevitable, unless they obtain further foreign loans.

The bankruptcies of banks, financial concerns, and industrial enterprises continue. As a matter of fact, practically all business banks are already bankrupt. They are bankrupt in the sense that, if their business had to be wound up to-day for some reason or other, their debts would exceed their realisable assets. The assets of the business banks are invested in credits, shares of industrial enterprises, house property, real estate, and the like. If realised at the present time, the proceeds of this form of property would represent only a fraction of the nominal value, the more so as the very fact of a forced sale inevitably entails a further fall of prices. Supposing a capitalist way out the crisis to be possible, these objects would rapidly rise in price and the banks which are at present potentially insolvent would regain their solvency.

This potential bankruptcy of all the business banks and financial concerns explains the fact that in case of bankruptcy, enterprises with a formally favourable balance sheet are only able to pay a small part of their liabilities. Hence the embittered struggle in regard to the question which bank or which other enterprise is to be saved by government aid, and which not. For this decides which enterprise, or which group of capitalists, is eventually to profit by the crisis by way of centralisation in the event of a capitalist way out of the crisis being finally found.

In every crisis there have been failures of leading banks. The new thing about this crisis is the great number of bankruptcies among the giants of financial capital and the fact that, in spite of their tremendous budgetary deficits, the capitalist states are willing to save so many banks at state expense. This was the case in regard to the Austrian Credit Anstalt, the Danat Bank and the Dresdner Bank in Germany, and the Svenska Bank in Sweden. This, too, is the purpose of the "Reconstruction Credit Corporation" in the United States.

The success attending such salving operations, however, is extremely doubtful. It depends, upon the whole, on the further development of the crisis. Even after such operations, the capital investments and borrowings of the big banks amount to many times their own capital. If after the salving operation from 10 to 20 per cent. of the banks' claims are forfeited, as they are most likely to be in view of the present virulence of the crisis, the share capital is once more lost and fresh measures of relief are necessary. We can therefore by no means assume that the gigantic sums handed over to the financial obligarchy through the state treasury and at the expense of the working classes, will tend to terminate the series of bankruptcies among the leading banks.

The Collapse of the Kreuger Concern.

The daily press has dealt so fully with the case of Ivar Kreuger, that we shall refrain from repeating what is already known and shall limit ourselves to enumerating the facts which are of the greatest interest to our readers.

a) Among all the giants of financial capital, the Kreuger concern was the most international. Kreuger possessed match factories, mines, banks, and so on, in literally all capitalist countries. The raising and distribution of capital by this concern were likewise international in character. In return for the monopoly in the output or sale of matches, Kreuger accorded loans to dozens of countries. On the other hand, he obtained capital by operating with his own credit between credit-seeking countries and capital-exporting countries.

b) Kreuger's financial concern was a model specimen of the combination of industrial and banking capital to form financial capital.

c) Kreuger created an almost complete industrial monopoly for an important branch of industry. The completeness of his monopoly, however, in no way enabled him to organise production according to plan.

d) The investigation of Kreuger's affairs shows more clearly from day to day that Kreuger was the most barefaced swindler and the most typical credit gambler in the entire history of capitalism. Right up to the time of his death, he succeeded so well in concealing his defraudations, thanks to his "good" relations with politicians and journalists in all bourgeois camps²⁹⁾, that even after his suicide the most respectable bourgeois organs still wrote of him in terms of the profoundest respect.

In the course of the month following Kreuger's suicide, hardly a day passed without some fresh revelation as to the most cunning frauds, all of which he had carried out personally.

It appeared that the managers of the various joint-stock companies controlled by Kreuger had at his instigation most fantastically faked their balance-sheets. It appeared that the same securities had been pledged twice over for raising credit, that the same lots of real estate had been mortgaged twice. It appeared that the "tragic hero" had, according to the official report of the Stockholm Chief of Police, printed, and personally forged the signatures on, 42 treasury bills of the Italian administration of monopolies for half a million pounds sterling each, besides 5 bonds for 1,533,700 pounds sterling each, together involving a sum of more than 28 million pounds. It appeared that all the enterprises of world-wide reputation belonging to the Kreuger concern, e. g. the Svenska, the International Match, and the Erikson—to say nothing of the numerous banking concerns all over the world, founded by Kreuger solely for the purpose of veiling his defraudations—are bankrupt, since their assets consisted chiefly of claims on the parent house of Kreuger & Toll.

These forgeries and frauds had been carried on for no less than seven years. It was only possible to keep them secret by means of the system of joint-stock companies in general and the special system of "shares carrying varying voting rights" (only introduced since the war) in particular. Under the patriotic pretext of safeguarding the "national" Swedish character of the enterprises, Kreuger had introduced a system according to which holders of "A" shares should have one vote per share, while holders of "B" shares should have only one vote per 1000 shares. The "A" shares he kept in his own hands and in this way, at small cost to himself, became the absolute ruler of the entire concern.

The excitement among the small capitalists and investors in Sweden, the United States, France, and all the world, who had invested their money in Kreuger securities, is naturally tremendous. True, this crisis had already engendered a series of great collapses, a number of "heroes" of the small capitalists, men like Lord Kilsant and Oustric, Gualino and Lahusen, Michael and Jacob Goldschmidt, had turned out to be incapable muddlers or criminal defrauders. But Kreuger had been a demi-god for the small capitalists of all the world. His denouncement as a swindler of the

²⁹⁾ An examination of Kreuger's papers showed that he had granted a "loan" to the renegade Kilbom; he had likewise advanced money both to the National Socialists and to the Social Fascists (through the mediation of Südekum, who figures on the board of the German match factories belonging to the Kreuger concern).

purest water places the small capitalists in face of the question as to whom they can still trust at all. Whose turn will it be next? The Kreuger collapse marks a renewed aggravation of the credit crisis.

Reparations, Inter-Allied Debts and the Project of a Danube Federation.

On July 1st, the Hoover moratorium for Reparations and inter-Allied debts will expire. It is obvious that even after July 1st Germany will not be in a position to pay any Reparations. The Entente debtors of the United States consider it a matter of course that, if Germany does not pay them, they in their turn will not make any payments to the United States³⁰). But the American Government is of a different opinion and continues to adhere to the standpoint that there is no connection between the German Reparations payments and the repayment of the Allied debts. Not that the United States really imagines that Great Britain, France, and Italy would actually continue their payments if Germany were not to pay; the Americans merely want to make use of their claim as a means of political pressure against France and Great Britain, all the more so as, by reason of the events in China, the antagonism between the United States and Japan—which also means an antagonism between the United States and Japan's avowed ally, France—is rapidly growing.

On the other hand, France insists that that part of the German payments to France which exceeds France's obligations to America (the so-called "compensation payments") must continue to be paid even in the case of a further moratorium or of the annulment of the inter-Allied debts.

Roughly expressed, there are thus still the following opposing standpoints:

Germany: We cannot pay any more Reparations, either now or later.

Great Britain (& Italy): Cancellation of Reparations and inter-Allied debts.

France: The Reparations obligations are binding on Germany. The inter-Allied debts should be cancelled, and the Reparations also with the exception of the "sacred" compensation due to France.

United States: No cancellation of inter-Allied debts. Reparations a matter for Europe to decide for itself.

In the course of the last few months various attempts were made to find at least a temporary compromise, but so far without success. Such a compromise is obviously impossible without the consent of the United States.

Thus the London conference attended early in February by the Reparations creditors and Germany, terminated without any result. The further treatment of the matter was postponed till June. Obviously, the conference in June will be faced with the same difficulties as that in February and will find no other way out of them than a further moratorium. The final "solution" of the Reparations question, however, can only be brought about by a second world war or by the proletarian revolution.

Even less successful than the Reparations conference was the London conference of the four leading European Powers on the subject of a Danube federation, the nature of which is as follows:

Some of the Danube states, Austria, Hungary, and Bulgaria, are practically bankrupt in relation to foreign countries. They urgently need foreign loans if a catastrophe is to be averted. Financial aid can only be obtained from France, or possibly from Great Britain. France has demanded that Austria and Hungary should conclude with the states of the Little Entente an agreement regarding a reciprocal 10 per cent. customs privilege, from which all other states, Germany and Italy in particular, should be excluded.

The political purport of this suggestion—apart from the preparation for intervention—is that of separating Austria and Hungary from Germany and Italy and subjecting them, by way of the Little Entente, still more than hitherto to the influence of France, thus making them part of the French system of vassal states and at the same time erecting an additional barrier to the "Anschluß" of Austria to Germany.

Economically, such a plan offers no solution for the states in question. The main problem for Hungary, Yugoslavia, and

Rumania is that of finding a market for their surplus agricultural products—grain and cattle. In so far as Czechoslovakia and Austria import agricultural produce, they have always purchased it from these neighbouring countries. The increase of sales which would result from a 10 per cent. preferential customs duty would be quite negligible. As regards the price formation, a price 10 per cent. above the world-market price would bring just as much less as hitherto. Therefore the French plan has met with no real acquiescence anywhere. Czechoslovakia, where the agrarians exercise great influence on the government, was indeed more prone to decline than to accept the suggestion. Poland feared for its agricultural exports. Hungary was averse once more to sanction by any such agreement the state of affairs created by the Peace of Trianon.

A decided resistance to the French plan was offered by Germany and Italy, the latter in particular pointing out that it had already concluded special preferential agreements with Hungary and Austria, which it desired to expand rather than abandon.

Great Britain was outwardly on the side of France, but by the very fact of its invitation of Germany to the London Conference it effectively frustrated the French plan, whose political aims it had already sought to thwart by demanding that Bulgaria be included in the Danube Federation, in which the three states of the Little Entente would thus have been associated with three other countries, instead of two, as provided for in the French plan.

Thus the failure of the Danube Conference once more shows the depth and manifoldness of the antagonisms in "Balkanised" and crisis-ridden Europe. This failure, however, by no means implies that the idea of a Danube Federation will not come up again in a new form.

III. Special Section. Germany.

"The gross output value of German industry, which at its peak during the business boom temporarily figured at 7,500 million marks a month, now amounts to barely 3,000 million marks. On the basis of 100 to represent the year 1928, the volume of output receded from 71.7 in July 1931 to 56.1 in January 1932. While the industrial output of the world is at present still about 7 per cent. over its pre-war level, the amount of goods produced in Germany is about the same as was produced in the year 1897³¹).

The big wage reductions effected by means of the Brüning Decree, have already begun to entail a corresponding decline in the sale of articles of consumption, thus particularly affecting those branches of industry which had so far better withstood the crisis. Foreign sales, in which connection means of production play a decisive rôle, shrink more and more by reason of the almost total standstill of investment activity throughout the capitalist economy of the world, and also of the increasing isolation of the separate states towards one another.

The falling off of sales on the home market is closely interconnected with the parallel movement on the world market. The very pronounced diminution in the absorbing capacity of the home market undermines the foundations of the great monopolies, the possibility of dumping. The home market has so greatly shrunk that, in spite of high prices, the profit realised on the home market does not suffice to cover the costs of dumping. German export trade, which with the help of a greatly intensified exploitation of the working class has so far held its own relatively well, is threatened with a sudden and big relapse in the current year.

If we add to this the fact that, under the standstill agreement, Germany is liable to pay roughly 150 million marks monthly to foreign countries, that there can be no question of any influx of foreign capital, that the Reparation obligations formally continue to exist, that, deducting all loaned sums, the gold reserves of the Reichsbank only suffice for the standstill payments of three months, that the budgets of the Reich, the individual German states and the cities all show tremendous deficits—it is obvious that the menace of a deficit on the trade balance through a diminution of exports should

³⁰) It is characteristic that the British budget for 1931 merely records the revenue from Reparations and the payments to the United States.

³¹) "Vierteljahreshefte für Konjunkturforschung", 6th year, No. 4, p. 35.

render more acute the danger of inflation, the presumptions for which are given in the country itself in the greatly increased monetary circulation in the face of falling prices and decreasing sales.

The crisis has attained such dimensions that, according to the calculations of the Institute for Business Research, the current production no longer covers the current consumption, greatly as the latter has shrunk (v. General Section). The present output has dropped back to the level of the output of 35 years ago.

This progressive deterioration in the situation of the industrial enterprises, is reflected in the development of the share quotations. The share index of the "Deutscher Volkswirt", which comprises all the shares admitted for quotation on the Berlin stock exchange (taking into account the amounts of capital involved), shows the following development:

Index of Rates in Percentage of Nominal Value.

End of 1928	End of 1929	End of 1930	July 11th 1931	Sept. 16th 1931	Apr. 13th 1932
165.4	128	90.6	77.7	56.4	46.5

The decline in the rates would be yet far greater were it not for the fact that all the big enterprises which still have the necessary means, bolster up the rate by purchasing their own shares.

Potash and brown coal, certain enterprises enjoying a technical monopoly, like I. G. Farben and Siemens & Halske, and a number of breweries: such are the firms whose shares are still above par. To what extent this is due to share-purchases by the firms themselves, is beyond our knowledge.

In any case the situation of the capitalist enterprises of Germany is in most instances very bad, and a number of open bankruptcies appear to be inevitable.

No Spring Revival.

During the last few months, the crisis has been going from bad to worse. The deterioration is so marked as completely to suppress any tendency towards a seasonal revival in the spring.

All hopes attached to such a spring revival have proved illusory.

This may be seen by all available figures and reports.

The most characteristic fact is that the labour market has hitherto experienced no seasonal relief. The number of wholly unemployed figured as follows (in thousands, at the end of each month):

January 6042	February 6128	March 6031
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Even more striking is the number of working hours actually worked in its percentage proportion to the total number of hours of which the workers are capable:

	Industries producing means of production	Industries producing means of consumption	Total
December 1931 . . .	30.9	47.5	38
January 1932 . . .	27.6	41.6	33.6
February 1932 . . .	27.4	43.5	34.3
Average daily working-time of occupied workers, in hours:			
December 1931 . . .	6.62	7.1	6.83
January 1932 . . .	6.41	6.65	6.51
February 1932 . . .	6.58	6.99	6.75

Business is particularly bad in the heavy industries. The Rhenish-Westphalian Coal Syndicate reports:

"The first two months of the year 1932, compared with the first two months of the preceding year, show a 67.1 per cent. drop in the exports of the Ruhr Coal Syndicate. Between November 1931 and the end of March 1932, the number of men employed decreased from 224,000 to about 200,000, although 813,000 idle shifts were recorded in December, 969,000 in January, and 1,021,000 in February."

Including the coke stocks (expressed in terms of coal), there are about 13.5 million tons of coal and 1.5 million tons of brown coal briquettes at the pit-heads.

Output of the Heavy Industries.

	Pig Iron		Crude Steel	Roll. Mills
	Hard Coal	Brown Coal		
	in Millions of Tons		in Thousands of Tons	
January 1931 . . .	11.35	11.03	603	774
February 1931 . . .	9.79	9.51	520	764
March 1931 . . .	10.61	10.06	561	813
January 1932 . . .	8.7	9.6	355	400
February 1932 . . .	8.38	9.74	330	448
March 1932 . . .	8.47	9.81	314	435

As already pointed out in the General Section, the home sales of iron no longer suffice to cover the natural wear and tear. Nor did the spring afford any relief.

The poor sales of iron and steel are the immediate outcome of the bad business done by the most important purchasers, the building industry, engineering, and the railways.

Building activity in Germany is practically at a complete standstill.

As regards the value of the building output, it had sunk in 1931 to roughly 4,000 million marks. In 1932, it will, as may be estimated, represent only half that value, i. e. 2,000 millions²⁾. Obviously, such a diminution in the value of the building output must continue to harm the sale of building materials, including iron and steel, and also the sale of articles of consumption by reason of increased unemployment.

The second main customer of the heavy industries is engineering, the situation of which is highly critical. The home market for machinery has shrunk to a minimum. The index figure of orders receded from 123.6 in the year 1927 to 20.9 in December 1931, i. e. to one sixth.

The new year brought no improvement in this regard either.

The third among the chief customers of the heavy industries is the transport trade. The position of the State railways is catastrophic. In January and February, the takings from freight traffic amounted to only 50 per cent. of those of the corresponding months of 1929. There are hardly any orders for locomotives, rails, or rolling-stock. The automobile industry is likewise occupied only to a fraction of its total capacity.

The gigantic degree of unemployment, the reduction of wages and salaries, and the adverse position of the great majority of the working peasants, naturally call forth a further diminution in the degree of occupation of the industries producing means of consumption. The savings of the workers are exhausted, as are also their very meagre possibilities of credit. A great decline has ensued in the consumption of the most indispensable commodities on the part of the broad masses.

Decline of Home Consumption of Commodities since 1929.

Foodstuffs, Tobacco, etc.	Wearing Apparel	Household Goods	Cultural & Luxury
13%	24%	25%	33%

These are average returns, which conceal the class character of the situation. Since broad classes of the population—bourgeoisie, landowners, rentiers, rich farmers, higher officials—have hardly reduced their consumption, it is obvious that the percentage reduction in the consumption of the workers must be far greater than these average figures indicate.

The volume of orders in industry is so small that, leaving out exceptional cases, it would on the whole suffice to occupy industry for no more than a few weeks.

The possibility, meanwhile, of counteracting the narrowness of the home market by an increased sale on the world market, grows smaller and smaller. Germany's export trade shows a markedly retrograde tendency.

Foreign Trade in Millions of Marks.

	Imports	Exports	Export Surplus
1929 Monthly Average	1121	1124	3
1930 Monthly Average	866	1003	137
1931 Monthly Average	560	800	240
1931 March	584	867	263
1932 January	440	542	102
1932 February	441	538	97
1932 March	364	527	163

²⁾ Weekly Report of the "Institute for Business Research", April 13th, 1932.

Exports have shrunk to less than half the year's average for 1929. The export surplus is attained by a very pronounced restriction of imports. But this export surplus does not suffice to cover the payments of interest and redemption of short-termed debts, as envisaged by the standstill agreement. From this side, too, the German currency is seriously threatened.

German exports would have receded yet far more markedly, had not exportation to the Soviet Union greatly increased. A 38 per cent. decline of all export trade (without that to the Soviet Union) between 1929 and 1931, is opposed by a 115.4 per cent. increase of exports from Germany to the Soviet Union alone, whereby the diminution in total exports shrinks to 30 per cent.

Exports to the Soviet Union figured as follows in millions of German marks:

1929	1930	1931
353.9	430.6	762.2

At roughly 8 per cent., the Soviet Union takes fourth place among the purchasers of German goods (after Great Britain, Holland, and France), while it ranks first in regard to important branches of industry, e. g. engineering.

The Search for a Way out of the Crisis.

The German bourgeoisie is eagerly seeking a way out of the crisis. Innumerable plans have been suggested, which are not worth dealing with at greater length. They may roughly be classed under the following main heads: Inflation, further wage-reductions, war.

No one calls openly for inflation, which is cloaked by the designation of "credit expansion for the purpose of reviving economy". The tremendously indebted heavy industries and the likewise heavily indebted agrarians are in favour of inflation. Other groups among the bourgeoisie, including the chemical and electro-technical interests, which are at present somewhat firmer, are for the time being opposed to such a measure.

In this respect it must be borne in mind that a depreciation of the German mark would by no means remain within the relatively narrow limits as has the depreciation of the currencies of Great Britain and the Scandinavian countries. In view of the greatly swollen circulation³³⁾, the deficit on the balance of payments, and the experiences of the early post-war years, the mark would, were it to sink below par, immediately suffer a sudden depreciation. The German bourgeoisie would by no means be able to limit or "regulate" an inflation. Hence the resistance, so far successful, to such of the bourgeoisie as seek salvation in an annulment of their debts by means of inflation.

A further reduction of wages, on the other hand, is demanded more or less openly; nay, it is being prepared or is in part already realised. This call for further wage cuts is cloaked by such expressions as an "equalisation", "adaptation", or "differentiation" of wages.

But the German bourgeoisie recognizes that in the present circumstances even the most extreme exploitation of the proletariat and the utmost possible curtailment of wages would not suffice to increase Germany's export trade, that the home market would merely be yet more restricted by the lower wage level, and that the development of a revolutionary crisis would be accelerated. Therefore, the bourgeoisie inclines more and more in the direction of the third way out, which is war. Only from a war, whether it be an imperialist war or a war of intervention against the Soviet Union, does the German bourgeoisie hope for that rapid increase in demand which could extricate German capitalism from the present crisis.

As regards the individual enterprises, they save themselves from bankruptcy by means of government aid, by relief

³³⁾ Total Monetary Circulation:

April 7th, 1930	6064 Million Marks
April 7th, 1931	5971 Million Marks
April 7th, 1932	6066 Million Marks

In spite of the pronounced price-drop and the still more marked diminution in the turnover of goods, the amount of money in circulation does not decrease. It is estimated that 1 or 1½ million marks' worth of banknotes have been hoarded. Supposing these are thrown into circulation out of fear of a depreciation of the currency, a collapse of the mark is inevitable.

measures on the part of the Treasury, or by government credits. 1,000 million marks were spent by the German Government for the relief of the big banks.

The Social Fascists remain true to their usual rôle in describing this robbery of the working masses as a step in the direction of the realisation of Socialism.

The increasing revolutionary ferment among the workers and the anxiety about the issue of the elections in Prussia, caused the Social Fascists to set up a plan for the solution of the crisis. The programme in question contains many fine demands: for public loans, the building of dwelling-houses, a control of prices, a 40-hour week, nationalisation of the big enterprises—naturally with adequate compensation for the capitalists—purchase of big agricultural enterprises by the State, etc. Under the cover of Socialist phraseology, this programme puts forward a capitalist plan for the liquidation of the crisis. That the big bankrupt enterprises should be bought by the State, would mean a solution after the heart of many a capitalist at the present moment. It would be easy enough for them later on, when it is in their own interest, to get back the enterprises into their private possession. The entire programme serves the purpose of duping the working class and must be minutely criticised in every detail.

France.

In our last report, a detailed analysis of the state of affairs brought us to the conclusion that France is merely at the commencement of a critical development, and that the year 1932 will see the full development of the crisis in that country.

The sparse data to hand up to the present in regard to the economic development of France, confirm this opinion. They also show, however, that already towards the end of last year the crisis had attained a greater depth than was generally assumed to be the case. In its February issue, the "Observation Economique", published by the Comité des Forges, publishes the following

Index Figures (100 representing 1930)

	January 1931	July 1931	December 1931
Means of Production . . .	81.8	75.7	78
Cons. of Ind. Raw Materials	94.8	78.9	62.8
Industries producing Means of Consumption	94.9	78.8	69.7

These returns show that the decline of output in France is greater than was generally supposed.

If we regard the returns of individual industries, in so far as more recent figures are available, we can observe a consistent further decline.

Output of Coal per Working-Day

December 1931	January 1932	February 1932
161,000 Tons	154,000 Tons	154,000 Tons

The iron and steel output shows the following steady decline during the last few months (100 representing 1928):

	1st Quarter 1929	Jan. 1931	June 1931	Nov. 1931	Dec. 1931	Jan. 1932
Iron . . .	106.6	93.4	79.3	68.8	63.4	58.3
Steel . . .	104.1	93.7	81.6	69.9	67.1	58.9

The industries working up raw materials also show a similar decline, especially the automobile industry and the various luxury industries dependent on export trade and tourist traffic.

The decline in the business position in general is characteristically reflected in the marked drop in the takings of the railways and the consequent deficits appearing in the balance-sheets of all the railway companies. In their entirety, the French railways closed the year 1931 with an aggregate deficit of 2580 million francs.

Yet more symptomatic is the pronounced increase in unemployment. As officially recorded, the unemployment total rose uninterruptedly until the second half of March, when it reached its peak at 305,496 wholly unemployed, the first week of April witnessing a decline to 303,000. Over against this, the number of unemployed at the end of March 1930 was only 50,000.

These official figures embrace only a small fraction of the actual unemployment total. In general it is assumed that the real total is five times as great, which would mean a figure of about 1½ million. Besides this, short-time work is very widespread. Of the enterprises employing 100 workers or more, 56 per cent. were at the beginning of March working less than their normal working-time of 48 hours a week; 59 per cent. of the total occupied workers were working only five days in the week, and 11 per cent. four days and less. Contrary to the widespread supposition, that in France unemployment is quite insignificant, it thus rather appears that far more than 50 per cent. of all French workers are either unemployed or working short-time.

The crisis is most strikingly to be seen in its effect on foreign trade, which, for the first few months of the current year, figured as follows in millions of francs:

	First 3 Months 1932	First 3 Months 1931	Diff. in Rel. to 1932
Imports:			
Foodstuffs	2,463	3,392	— 929
Raw Materials	3,280	5,932	— 2,652
Finished Goods	1,614	2,483	— 864
Together	7,358	11,807	— 4,449
Exports:			
Foodstuffs	768	1,017	— 249
Raw Materials	1,279	2,024	— 745
Finished Goods	3,247	5,353	— 2,105
Together	5,293	8,394	— 3,099

These figures show that both imports and exports have declined quite considerably. France's commercial policy is directed towards reducing the deficit on the balance of trade by a vigorous restriction of imports.

Since the summer of 1931, France has introduced a quota for the importation of all sorts of goods (with quotas very pronouncedly lower than the import figure prevailing hitherto), quite particularly for coal and coke, timber and wood products, wine, cattle, meat, milk and dairy produce, sea-fish of every kind. Besides this, there are separate agreements with Germany and Italy regarding a great number of industrial goods; thus with Germany there are quota arrangements for porcelain goods, electro-technical products, optical apparatuses for television, furniture, toys etc. In other cases, again, France has imposed a one-sided contingent system on German, Italian, or British goods.

So as further to limit importation, France has moreover raised the import dues from 2 to 4 per cent. for semi-finished and from 2 to 6 per cent. for finished goods.

The quota system entails a more pronounced increase of prices on the home market than does an ordinary customs system. In the case of customs duties, the exporting country has the possibility of yet increasing the import, if it is able to sell at lower prices than the native manufacturer in spite of the duty. In the case of quota system, however, a price competition becomes utterly useless to the foreign producer, who cannot sell more in the country in question than is provided for by the quota, however cheap he is willing to sell. By its system of high duties, export dues, quotas, and import prohibitions, France has actually succeeded in excluding the influence of the downward trend of prices on the world market and in bringing about a rise of prices. In the last few months, the wholesale index has developed as follows (100 representing 1913):

	End of March	End of Feb.	End of Jan.
Total Index (125 Cat.)	444	446	439
Agric. Prod. & Foodstuffs (39)	510	511	496
Vegetable Raw Materials (24)	513	500	490
Animal Raw Materials (15)	503	527	505
Industrial Products (87)	388	389	390
Minerals & Metals (17)	400	405	420
Textiles (19)	350	347	345

This table shows that it is in the first place the prices of agricultural products that have risen during the last few months. This lies in the interest of the landowners and of those farmers who produce largely for the market. The fact that elections were prescribed for May 1st, exercised great influence on the economic policy of the French Government, which did not wish to lose the votes of the farmers to the Radicals or Social Democrats.

The influx of gold has continued throughout the last few months though now there are signs that it is coming to an end. The short-termed holdings of the French banks have now been taken back in the form of gold, save for a small balance remaining in the United States. The short-termed foreign capital, on the other hand, which in view of the sterling depreciation and of rumours as to a possible departure of the United States from the gold standard, had in the second half of 1931 flowed to Paris as the only safe place for investments, is now to a great part finding its way to London again in the hopes of speculative gains in connection with a rise in sterling rate.

The crisis has shaken the equilibrium of the French budget. In reporting on the budget, Gardes explained in Parliament that the budget for 1930/31 would close with a deficit of roughly 2,000 million francs and the budget for 1931/32, now concluding, with a deficit of approximately 4,000 millions. The budget for 1932/33, passed at the last session of Parliament, closes formally with a slight surplus; in reality it is bound to result in a deficit of several thousands of million francs.

It is interesting to note that France's revenue from Reparations figures to its full amount in the budget of the coming year. Speaking in the Senate, Flandin explained that this was required by law, and that a non-introduction of the Reparations payments in the budget might have been taken as a sign that the French Government had given up the hope of ever realising these Reparations.

The structure of the new budget shows the pronouncedly parasitical character of French capitalism. Of a contemplated total expenditure of 41,000 million francs, 16,360 millions fall to the share of the National Debt.

At the same time, the budget shows a great increase of expenses for war purposes, gigantic as these already were.

War Budget (Millions of Francs).

	Total	Increase compared with last Year
Air Force	5,240	520
Navy	3,233	424
Air Force	2,550	350
Overseas Armaments	1,771	89
Military Exp. in Colonies	92	70
	12,886	1,453

About one third of the expenditure thus falls to military purposes—though the civil expense items certainly also conceal military expenses—and in the year of the Disarmament Conference the war budget has been increased by more than 10 per cent., representing a yet greater increase in war expenditure in view of the reduced level of prices.

Since the very keen competition on the world market calls for low costs of production, and since on the other hand, the French bourgeoisie maintains the price level for foodstuffs for political reasons in the interest of the peasantry, the reduction of money wages envisaged and partly already in operation, will also represent a reduction of real wages.

In this connection it must be remembered that the retail prices for foodstuffs (in Paris) have in the last few months even shown an upward tendency in view of increased agrarian protection. The index figures (on the basis of 100 to represent 1913) are as follows:

November 1931	December 1931	January 1932	February 1932	March 1932
554	557	561	565	645

It may safely be assumed that the economic position will continue to deteriorate in the course of the current year.

Italy.

The economic situation of Italy in the last six months was greatly influenced by the economic-political line of a maintenance of lira parity. To this end, a series of stringent measures were introduced after the collapse of sterling, such as an increase of the bank rate to 7 per cent., far-reaching restrictions of the exportation of foreign bills and the transmission of foreign currency (even the Italian branches of foreign banks being allowed to remit sums of more than 5000 lire only with the special permission of the Government), and a severe limitation of import trade by means of import quotas.

The struggle against a depreciation of the lira called for great sacrifices in foreign bills. The defence of the lira has cost the Bank of Italy 2,000 million lire in foreign bills, serving mainly for the payment of short-termed credits, allegedly almost wholly exhausted. A slight depreciation in relation to the dollar has nevertheless occurred, figuring in January at 4.1 per cent. and dropping to 1.8 per cent. in March.

Parallel with these measures, there has been a restriction of the fiduciary circulation, in the course of a twelvemonth, from 15,000 to 14,000 million lire. In March the Italian note-bank started active operations on the foreign stock exchanges, buying up lire and thereby forcing up the lira rate, since in view of the great limitation of reciprocal currency traffic there was hardly any offer of lire abroad. In this way it has temporarily been found possible practically to restore the parity of the lira and to reduce the bank rate (in the middle of March) to 6 per cent.

In the meantime, however, the crisis has continued to grow in Italy too, as may be seen by the marked increase in the official unemployment returns.

Number of Officially Recorded Unemployed (in Thousands)

December 1929	December 1930	January 1931	December 1931	January 1932
409	642	576	982	1051

The actual total is probably very much greater. These figures show a trebling of unemployment in the space of three years.

In regard to production, there are only insufficient data to be obtained. There is no general production index in Italy. The returns of the output of the heavy industries are no criterion for Italian economy, since the relative importance of the heavy industries is very small. Nevertheless, it is symptomatic that the Italian steel output should be rapidly declining.

Steel Output in Thousands of Tons (Monthly Average)

1929	1930	1931	1932 Jan.
188	148	121	93

As regards individual industries, the automobile industry, which is of great importance for Italy, has been very hard hit by the crisis. The Fiat concern closed its books for 1931 without any net profit, while for 1931 it was still able to pay a dividend of 9 per cent. The Fiat automobile output declined by 45 per cent., that of the other works still more. Exports, which figured every year at 75 per cent. of the output, dropped to no more than 40 per cent.³⁴⁾

A similar retrogression is recorded in the chemical industry. Montecatini reports a decline in the consumption of phosphate fertilizers of 45 per cent. compared with last year. All other fertilizers also show decline, though less markedly so.

A better trend of business is recorded only by such branches of production as are immediately connected with war industry. The establishment of new explosive works and the resumption of work in the old factories of this kind are due less to economic reasons than to the desires of the military authorities³⁵⁾. The great increase of work in the artificial silk industry is to be explained on the same grounds. In 1931, Snia Viscosa was able to increase its production 30 per cent. above that of 1930; for the entire Italian artificial-silk industry, the increase amounted to about 15 per cent. The increase in the output of lead, aluminium, and copper is due to the same reasons.

The crisis is finding expression in a great increase in the number of bankruptcies, which on a monthly average were as follows:

1929	1930	1931
1010	1134	1434

Among the bankrupt firms, there are some important banks, though the most important commercial bank in Italy, the Banca Commerciale, was "salved" by the Italian Government. This was effected in such manner that all the industrial interests (share-participations) of the bank, representing a total of roughly 4,000 million lire, were transferred to a newly founded concern, the Italian Industrial Finance Society. By way of the note-bank, the new institution was granted a

government subvention of 1,000 million lire, whereby the debts of the Banca Commerciale to the note-bank were defrayed. These 1,000 million lire are to serve to compensate the new institution for the loss incurred on the shares taken over from the Banca Commerciale. The scandalous thing about the whole transaction is that, now its losses are covered by a government subvention of 1,000 millions, the Banca Commerciale is able to declare a net profit on the year 1931 of 62 million lire, compared with 88 millions in the preceding year, so that the financial oligarchy suffers no loss at all.

As in other countries, the emission of capital has very greatly receded during the crisis. On a monthly average, it figures as follows in millions of lire:

1929	1930	1931
607	514	361

Last year's harvest yielded a good crop of wheat, but a bad crop in all other important field-fruits:

Harvest Returns (in Millions of Double Centals)³⁶⁾

Monthly Average	1925/1929	1930	1931
Wheat	62.4	57.2	67.5
Maize	23.5	25.5	18.5
Rice	6.55	6.5	6.31
Potatoes	19.9	19.5	15
Wine	41.2	36.3	33.2

The better wheat crop was more than counterbalanced by a very bad result in regard to wine and maize. For the purpose of forcing up the prices of agricultural products, the Italian Government has made great efforts to secure the collaboration of the richer farmers. For this purpose, a 95 per cent. employment of native wheat was decreed, while the import of live cattle was limited to 15 per cent. of consumption. The result is the elimination of the disparity between industrial and agricultural products on the one hand and a stability of the cost of living on the other.

Index of Wholesale Prices³⁷⁾ (100 representing 1913)

	January 1930	January 1931	January 1932
Native Agrarian Products	464	348	350
General Price Index	453	332	326

By increased agrarian protection, therefore, the Fascist Government has caused the price level of native agrarian products to rise above the general price level, thus forming a reversed scissors. This policy has entailed an almost complete stability of the cost of living in the last six months.

Cost of Living Index in Milan (100 representing 1914)

September 1931	October 1931	November 1931	December 1931	January 1932	February 1932
130	129	129	129	128	128

This unchanged level of retail prices means that every reduction of wages represents an effective reduction of real wages. Though there has been no further general reduction of wages decreed by the Government, wage cuts have been carried out to a considerable extent in the individual big enterprises. It is supported by the Fascist authorities on the grounds that the competitive capacity of Italian industry on the world market must be safeguarded. As a matter of fact, it has been found possible by means of the utmost limitation of imports to ensure an export surplus in the Italian balance of trade.

Foreign Trade (in Millions of Lire)

Monthly Average	Imports	Exports	Import Surplus	Export Surplus
1929	1805	1270	535	—
1930	1444	1010	434	—
1931	837	969	—	132

The import surplus, which was roughly 550 million lire in 1929 and roughly 450 million lire in 1930, has thus turned into an export surplus of approximately 150 million lire for 1931. This development runs parallel with that in Germany.

³⁶⁾ Data from the Statistical Bulletin of the League of Nations, February 1932.

³⁷⁾ Bulletin of the Roman Agrarian Institution, February 1932, p. 165.

³⁴⁾ "Frankfurter Zeitung" of March 18th, 1932.

³⁵⁾ From the report of Montecatini, dated April 5th, 1932.

So as to maintain the parity of the currency, imports must be limited to the utmost.

As regards the outlook for the future, there are so far no signs of a coming change in the crisis.

Great Britain.

Whereas in almost all countries the last few months have witnessed a renewed aggravation and intensification of the economic crisis, the position of British capitalism has somewhat consolidated, quite particularly in a financial respect. The rate of sterling has continued to appreciate up to 3,77 dollars to the pound. Between February 17th and March 17th, the bank rate was reduced in three successive stages from 6 to 3½ per cent. The foreign-currency credits to the United States and France have been repaid. The budgetary year closed with a small surplus³⁸⁾. The money market is extremely liquid and capital exportation has been resumed, albeit to a very moderate extent.

The rapid recovery of the rate of sterling is to be attributed to the following reasons: the raising of gold in India (more than 45 million pounds sterling), the purchase of gold inside the country, the mobilisation of part of the capital invested abroad, the return of fugitive British capital once the danger of a further drop in the pound rate seemed over, the return of short-termed foreign capital to London with a view to speculative profits in connection with the rise of sterling.

But the rapid improvement in the rate of the pound has also its bad side. It threatens to cancel both that advantage in competitive capacity on the world market which inflation has given to British industry, and the protection derived in the same way against foreign competition on the home market. The improvement in the rate, moreover, in so far as it depends on the influx of short-termed foreign capital, is not stable, since a reflux of the said capital can easily bring about a reaction; therefore the Bank of England has attempted to counteract the influx of foreign capital by lowering the bank rate.

The Conservative politicians and part of the daily press represent the matter in such a way, as though by getting the better of the currency crisis capitalism had already discovered a way out of the economic crisis too. In fact, the improvement of the economic position is very slight, as is recognised by those publications which are read by the more exclusive circles of the bourgeoisie.

"The position of trade and industry in our country is still far from satisfactory in spite of the improvement which has taken place of late", writes the "Monthly Review" of Barclay's Bank in April.

"Save in a minority of industries, there is, as a matter of fact, no sign of enhanced activity. Indeed, the increase in activity will be smaller than normal this spring", says the March bulletin of the "Harvard Institute".

"Not only has there so far been no decided improvement in our economic position; in view of the present worldwide paralysis of credit, no one can foretell at present at what price level, in England or elsewhere, we shall be able, as a state greatly dependent on foodstuff imports, to regain such part of foreign trade as will ensure us a way out of the difficulty." ("Economist" of March 12th, 1932, p. 559.)

The development of British production (industry and mining) may be seen by the following official figures (100 representing 1924):

	1929	1930	1931	3rd Qt.	4th Qt.
				1931	1931
Mining	96.8	91.3	81.6	75.7	85.6
Iron & Steel	114	88.8	65.9	61.	71.6
Engineering & Shipbuilding	121	116	94.9	89.2	89
Textiles	98.5	79.5	77	70.8	89.6
All Groups	111.8	103.3	93.7	89.3	96.8

These figures show a remarkable increase of output in the fourth quarter as against the third. The products mainly concerned in this increase are coal, iron, steel, and textiles, which profited by the inflation.

The returns of the "Economist" index show that this improvement has slowed down.

³⁸⁾ The budgetary year closed with a surplus of 32,5 million pounds, which, however, included 32 millions employed for the repayment of debts. ("Times" of April 1st, 1932.)

Index of the "Economist" (100 representing 1924)

	Nov. 1931	Dec. 1931	Jan. 1932	Febr. 1932	March 1932	March 1931
Imports:						
Raw Materials	81	95	106	104	99	98
Non-Ferrous Metals	99	94	77	100	105	102
Exports of Fin. Goods	64	64	64	64	65	66
Consumption:						
Iron & Steel	91	98	92	88	77	84
Coal	100	107	109	106	106	112
Cotton	86	96	107	102	101	64
Rubber	243	266	238	298	240	355
Electric Power	118	128	131	133	132	126

The consumption of coal, iron, and steel is stationary. The cotton consumption has increased, the English cotton industry profiting by the depreciation of sterling and the boycott of Japanese goods in China. As regards imports, they were increased by the efforts to import as much as possible prior to March 1st, when the 10 per cent. duty came into operation.

Great Britain's transition from free trade to tariff protection is now in full swing. With the rise in the rate of the pound, the general protective duty of 10 per cent. proved insufficient³⁹⁾. As from April 25th, the general duty was raised from 20 to 25 per cent. and at the same time a further important step was taken in the direction of adapting the tariff system to that of other imperialist countries, when a 33 per cent. duty was imposed on steel goods pending the final regulation of the customs level by a Government commission.

How effectively the special duties introduced in the autumn have fulfilled their object of keeping out undesirable imports, may be seen by the following examples⁴⁰⁾:

Imports into Great Britain

	November 1931	March 1932
Bottles (Gross)	229,619	13,176
Woollen Yarn (100 Lbs.)	2,467,110	35,983
Woollen Fabrics (Yards)	6,005,922	528,220
Linoleum (Yards)	501,566	—
Perfumery (Lbs.)	519,988	108,469
Carpets (Yards)	1,187,831	135,054

The duties have thus reduced imports to a fraction.

The following figures show the development of foreign trade during the last few months:

Foreign Trade (in Thousands of Pounds Sterling)

	Imports	Exports	Import Surplus
1923 January	57,027	31,123	25,904
February	66,750	30,011	36,739
March	55,695	31,196	24,499
1st Quarter 1932	179,472	92,330	87,162
1st Quarter 1931	192,518	102,346	89,170

Imports are 13 million, exports 10 million, pounds less than they were last year. These figures, however, are not yet suitable to show the final effect of protective tariffs on British foreign trade, seeing that in February—obviously in view of the introduction of the tariffs on March 1st—the imports were abnormally large.

The new customs increases will without doubt lead to fresh retaliation on the world market and conduce to an aggravation of customs warfare. In attempting to monopolise the home market, the British bourgeoisie will harm its own export trade. Certain branches of industry, particularly the heavy industries, will profit, while others will be harmed. The introduction of this new economic policy will still call for many victims among the weaker enterprises.

The burdens of customs protection will mainly fall on the shoulders of the workers. The Conference at Ottawa will result in some form of agrarian protection by means of duties or quotas and thus tend to increase the cost of foodstuffs. For only if the British bourgeoisie can guarantee the Dominions

³⁹⁾ At the introduction of these duties, they were designated by industrial capitalists as a "first step". Thus Barlow, Chairman of the Chamber of Commerce in Manchester (the ancient stronghold of free trade) said: "This is the first tangible step." This is the typical opinion of all the champions of industrial capital. (v. "Times" of January 6th, 1932.)

⁴⁰⁾ "Statist" of April 16th, 1932.

the sale of their agrarian products in Britain at something above the world market price, will it be able to attain its aim of an economic and political consolidation of the Empire.

The first steps have already been taken to break down the old tradition according to which foodstuffs must be imported duty-free. The beginning was made with early fruit and vegetables, the next item on the programme being wheat. Parliament passed an extremely complicated system of subventions for the native wheat-grower. Free trade in foreign and native wheat continues to exist, but the mills are obliged to pay a due of 3/6 per sack of the flour they sell. Out of these funds, a premium is to be accorded to the sellers of native wheat in such wise that the free price plus the premium come to represent a state fixed price per ton of native wheat (of 45 shillings per quarter, as against the present price of approximately 25 shillings).

The economic procedure is thus as follows: The mills pay a due to the State; this they shift onto the baker in the price of flour and the baker shifts it onto the consumer in the price of bread. The money thus paid by the consumer, i. e. in the first place by the working class, benefits directly the farmers who sell the wheat and indirectly the big landowners who will obviously raise their rents in proportion. Eliminating the entire complicated system of mediation, it results that a sum to be estimated at about 6 million pounds per annum will be taken from the workers and used to increase the ground rents⁴¹).

The next step, that of introducing protective duties on wheat and other agrarian products, is likely to ensue in connection with the Ottawa Conference. There can be no doubt but that in six months' time Great Britain will have a system of tariff protection which will differ only in formalities and details from that of any other imperialist country⁴²). If Snowden and the Liberal Minister Samuel were allowed to oppose the customs Bill in the Lords and Commons, respectively, this was merely a way of enabling them to retire with dignity.

*

The introduction of protective tariffs represents a new form of attack on the position of the working class. On all other fronts, meanwhile, the fight is being carried on just the same. The anti-working class activity of the new MacDonald Government is most pronounced in the matter of unemployment relief. By virtue of the new law, 1,629,000 unemployed were subjected to the means test. Half the number were allowed to continue to draw full benefit; one third received a quite insignificant amount in benefit, and one sixth, i. e. more than 255,000 persons, were struck off benefit altogether⁴³). There are, however, tens of thousands who did not even come before the Public Assistance Committees to undergo the means test, knowing full well from the experience of other unemployed persons that they would in any case be deprived of all further benefit. The Minister for Labour announced with satisfaction that the means test would result in a saving of ten million pounds per annum.

The Government makes use of this measure for the purpose of presenting British economy in a rosy light by faking the numbers of employed workers. According to the returns of March 21st, 1932, 9,549,000 workers are supposed to have been employed, i. e. 166,000 more than a year before. This increase in the number of employed workers, however, was obtained by no longer registering as unemployed such of the unemployed as were deprived of benefit under the means test and simply adding their number to the total of employed workers (v. General Section).

The number of unemployed, in so far as it is possible to register them, figured as follows:

March 21st, 1932	2,567,332
March 23rd, 1931	2,580,118

The actual number of unemployed at the present time may be estimated at several hundred thousand greater than the official figure.

Alongside the attack on the working class by means of sterling depreciation and protective tariffs, the direct attack is energetically conducted by means of wage cuts and of pressure brought to bear upon the weavers, forcing them to accept the more looms system, and the like. Obviously, the

British bourgeoisie is seeking a way out of the crisis in various directions, but always at the expense of the workers.

In the last few months, the position of the British bourgeoisie has slightly improved, at any rate financially, enabling it to exercise a greater freedom of movement, both internally and externally. We must by no means overrate this improvement. For the first time since the end of the war, the British balance of payments shows a deficit on the year 1931, during which the British bourgeoisie apparently used up part of its foreign capital instead of increasing it as usual.

In its main items, the balance of payments, set up by the Board of Trade, figures as follows (in millions of sterling):

	1929	1930	1931
Surplus Import of Merchandise & Gold	381	386	411
Surplus of Government Revenue from			
Abroad	24	19	16
Revenue from Navigation Abroad	130	105	80
Revenue from Long & Short-Term			
Investments	315	275	195
Other Revenue	15	15	10
	484	414	301
Balance	+ 103	+ 28	- 110

The introduction of a protective-tariff system is intended to restore the favourable balance of payments. Whether this will be possible, is extremely doubtful. Adding to all else the foreign-political difficulties in the Far East, the increasingly strained relations with Ireland, the growth of the revolutionary movement in the colonies, and the growing resistance of the British working class the optimism so ostentatiously displayed by British statesmen would appear to be no more than a means of veiling what is in truth a very difficult situation.

United States.

The bourgeoisie of the weaker capitalist countries always look to the United States in the hope that a turn for the better may come from there. In the course of the last two years, they have heard again and again from the great American leaders that the crisis is already over and the upward development about to set in. But their hopes have been blighted again and again, though the economists and politicians of the United States leave no stone unturned to drag American economy out of the crisis.

These attempts are being carried on with particular eagerness at the present moment. Partly because, the longer the crisis lasts, the more strongholds of financial capital are involved in ruin. The giant concerns of the United States, the Steel Trust, Bethlehem Steel Corporation, Westinghouse Electric, Gulf Oil Company (third among the oil producers of the world), and American Smelting and Refining, have closed their books for 1931 with a loss. Partly also because the glorious Republican Party is bound to be defeated at the Presidential elections in the autumn if the economic position has not decidedly improved by that time.

But all attempts have so far remained without avail, for the opening months of the current year failed even to afford that seasonal revival which regularly takes place in the spring.

"The most important thing to be said is that the rate of decline has been pronouncedly slower during the last month", said the "Industrial Conference Board" on March 17th, 1932.

On March 28th, Strawn, President of the Chamber of Commerce of the United States, spoke as follows:

"No man can foretell when the depression will end. So far there are no favourable signs visible on the horizon."

The "Financial and Commercial Chronicle" of April 9th heads its publication as follows:

"The crisis continues both in production and on the security markets. Apparently the various relief measures so liberally applied can bring about no speedy cure."

The Democratic press again and again quotes Hoover's prophecy of March 8th, 1930, according to which "all signs point to the worst effects of the collapse on occupation will be over within the next sixty days". Seldom has a statesman made such a fool of himself. To-day, two years later, there are no signs that the crisis in the United States will soon reach an end; in the development of production, of prices, of stocks, of orders, and of building, nothing indicates a speedy end of the crisis.

The business-development index of the "Annalist" figures as follows:

⁴¹) "Economist" of February 27th, 1932.

⁴²) The budget estimate for 1932/33 already provides for a revenue of 173 million pounds from customs. Of this total, 33 millions come under the head of the new customs increases.

⁴³) "Times" of February 3rd, 1932.

"Annalist" Index of Business Development

	March 1932	Febr. 1932	Jan. 1932	Dec. 1931	March 1931
Crude Iron Output	27.9	31.5	31.5	31.9	59.0
Crude Steel Output	26.4	31.1	32.7	32.7	48.4
Loaded Freight Cars	60.1	61.7	62.8	65.6	77.0
Electricity Output	72.2	71.0	72.1	76.9	84.2
Hard Coal Output	74.5	62.5	57.1	64.6	79.6
Automobile Output	28.8	33.5	43.7	59.7	67.4
Cotton Consumption	73.2	71.5	70.3	72.1	80.3
Wool Consumption	—	—	71.0	67.8	87.2
Footwear Output	97.2	88.1	81.2	80.7	97.2
Zinc Output	41.3	41.9	41.6	43.0	59.3
Total Index	62.0	62.6	62.8	65.5	79.9

Since December the output has continued to fall steadily and is now about 20 per cent. lower than a year ago.

Section I, the production of means of production, particularly iron and steel, continues to be most seriously affected by the crisis.

Output of Iron & Steel
(in Thousands of Tons)

	March 1931	December 1931	January 1932	February 1932	March 1932
Iron	2032	980	973	964	967
Steel	2994	1323	1461	1460	1411

In the course of a twelvemonth, the output of iron and steel has declined by about the half. In April the steel-works of the United States were working to no more than 20-23 per cent. of their capacity. The volume of orders of the Steel Trust had reached the lowest point recorded since the existence of the enterprise.

In many respects, the extent of the crisis is best to be seen in the development of the automobile industry:

Automobile Output

(United States & Canada, Passenger & Goods Cars)

	1929	1930	1931	1932
March	626,076	417,118	289,398	137,000 ⁴⁴⁾

The decline during the last year shows an even greater percentage than in the earlier years of the crisis.

Ford is now placing his very latest model on the market. He announces that he has booked advance orders for 100,000 such cars and that he is arranging for an output of 1½ million in the current year. Undoubtedly, the restarting of the Ford works will entail a certain increase in sales, but it is very doubtful whether there are 1½ million Americans who will be able to afford a new car this year. Who is to buy one? Not the worker. Not the farmer. If Ford is able to conquer a market among the ranks of the petty bourgeoisie, it will be at the expense of his rivals.

The further deterioration of the economic position in general and of the creditary position in particular, is reflected in the steady drop of stock-exchange rates. The Kreuger affair and still more the collapse of the Insull concern, an enterprise with roughly 2500 million dollars of capital, providing half America with electricity, have contributed to undermine confidence. The extent of the drop in share quotations may be seen by the following figures:

Index of the "New York Times"

	Peak Rate September 1929	Rate on April 6th, 1932
25 Industrial Shares	469	95
25 Railway Shares	159	19

The industrial shares have dropped to one-fifth, the railway shares to one-eighth of their peak rates.

We here reproduce the

Movement of some Well-Known Shares

	Peak Rate 1929	Rate on Oct. 28, 1929	Rate on July 3, 1930	Rate on Oct. 14 1930	Rate on Jan. 6, 1931	Rate on Apr. 19, 1932
General Electric	401	250	67 ⁴⁵⁾	65 ³⁾ / ₈	46 ³⁾ / ₄	14 ³⁾ / ₄
General Motors	97 ³⁾ / ₄	47 ¹⁾ / ₂	40 ¹⁾ / ₂	36 ¹⁾ / ₂	36 ³⁾ / ₄	11 ¹⁾ / ₄
U. S. Steel Trust	261 ³⁾ / ₄	185 ¹⁾ / ₂	157 ³⁾ / ₄	148 ³⁾ / ₈	143 ³⁾ / ₈	30
International Harvester	142	85 ¹⁾ / ₂	82 ¹⁾ / ₂	62 ¹⁾ / ₄	51 ¹⁾ / ₂	187 ⁷⁾ / ₈
American Smelting	130 ³⁾ / ₄	80	59	54 ¹⁾ / ₄	45	9 ¹⁾ / ₂
Du Pont de Nemour	231	150	99 ¹⁾ / ₂	94	89 ³⁾ / ₄	31 ¹⁾ / ₂
Chrysler Automobile	135 ³⁾ / ₄	39 ³⁾ / ₄	27 ³⁾ / ₈	17 ³⁾ / ₈	17 ³⁾ / ₈	8 ⁷⁾ / ₈
Standard Oil New Jersey	83	64	65	57 ¹⁾ / ₂	50	23
Radio Corporation	114 ³⁾ / ₄	40	35 ¹⁾ / ₂	24 ³⁾ / ₈	14 ³⁾ / ₈	5 ¹⁾ / ₂
Westinghouse Electric	292 ³⁾ / ₈	145	134	118 ¹⁾ / ₂	95 ³⁾ / ₄	21 ³⁾ / ₄

⁴⁴⁾ Provisional Figure.

⁴⁵⁾ Shares split in four.

The havoc caused among the shares in the course of last year, is unparalleled in history. These rates show that the big concerns in the United States are on the verge of bankruptcy and that some sensational collapses are imminent.

Only the prospect of a war in the near future sustains the rates of such industrial enterprises as would most immediately rake in profits as a result. How intimate this connection is, may be seen by the following New York telegram to the London "Times" of February 3rd:

"The stock exchange shows a retrograde tendency, mainly as a result of the peace movements of America and England in China, which impede the speculative activity of the so-called war shares."

The price formation also shows that there can be no question of an end to the crisis. The prices continue to drop consistently, with slight fluctuations.

"Annalist" Price Index
(100 representing 1913)

	Farm Produce	Tax-tiles	Fuel	Metals	Chemicals	Total Index
January 5 th, 1932	80.1	98.9	123.8	98.1	96.6	94.7
April 5th, 1932	72.1	93.5	126.8	96.9	96.1	90.6

Of all these groups of commodities, only fuel has risen in price (obviously in view of restricted output of crude-oil and coal, as also of the miners' strike). The prices of farm produce have dropped 10 per cent in the course of the last quarter year.

Foreign trade shows a steady shrinkage:

Foreign Trade in Millions of Dollars

	February 1931	December 1931	January 1932	February 1932	March 1932
Imports	175	153	135	131	131
Exports	221	181	150	154	156

The Inefficacy of Relief Measures.

The facts cited show that attempts at salvation undertaken by the United States bourgeoisie have so far been wholly futile.

The nature of these attempts is, on the one hand, that of raising fresh credits to save the big capitalist concerns from ruin and to give a fresh incentive to the spirit of enterprise, on the other hand that of influencing business from the financial side and enhancing the sale of goods by an increase in monetary circulation.

It was with the former of these objects in view that the Reconstruction Finance Corporation was founded. This new institution started with a capital of 500 million dollars, advanced it by the State, and had the right to raise another 1500 millions by the issue of debentures with governmental guarantee. So far (down to April 8th), it has loaned 239 million dollars to 935 enterprises, 158 millions were advanced to banks, 60 millions to railway companies. All this, however, is absolutely insufficient.

The efficacy of the Reconstruction Finance Corporation is thus limited to temporarily saving part of the threatened enterprises from ruin; it is absurd to look to it for an immediate improvement in the economic position.

It is still more absurd to agitate against the hoarding of banknotes and to expect this materially to benefit the economic position, as Hoover does.

Most of the politicians and economic theorists of the United States, however, in complete ignorance of the internal laws of capitalism, are convinced that if more money can be made to circulate among the people, the sale of goods will be greater.

"Confidence will help us, but we need more dollars in circulation", says Senator Capper in the "New York Times" of January 28th, 1932.

"The Bill (on the change in the statutes of the Federal Reserve Bank system) means, in plain words, more money. Its consequence will be that of depressing the price of the dollar and raising the price index. As soon as the prices of goods start going up, the purchasing activity will revive, an increased demand for goods will set in, unemployment will be diminished", says Senator Vandenberg in the "New York Times" of February 11th.

If this is not senseless twaddle, it is propaganda for an inflation. Most of the politicians deny such inflationary intentions, but there are some who openly avow them.

"A little inflation would be a good thing; it would lighten our debts", said Senator Norbeck on February 11th.

"A slight inflation will come", says the well-known financial authority Professor Dewey, "and there is some possibility of a bigger inflation ensuing too".

So far, there is no real inflation in the United States, but Government measures are paving the way for one more and more plainly. The tremendous deficit of the Federal budget (in the current budgetary year more than 2000 million dollars) also points in that direction. To all intents and purposes, however, there is no inflation at present; money is not being spent as fast as possible but is rather retained as long as possible; prices drop instead of rising, and the creditary crisis is still in full force.

What is particularly characteristic of the creditary crisis and the crisis in general, is the development of capital emission:

Issue of New Capital in the 1st Quarter⁴⁶⁾
(in Millions of Dollars)

1929	1930	1931	1932
2,849	2,145	1,239	419

In the first quarter of 1932, capital exportation has completely come to a standstill. There was no foreign emission at all, not even for Canada, against 150 million dollars in the first quarter of 1931 and 295 millions in the first quarter of 1930.

The Workers and Farmers, the Chief Victims of the Crisis.

The burden of the crisis falls principally on the workers and farmers.

Unemployment has in no way declined in the spring season, in so far as can be judged by individual reports. As regards its own members, the American Federation of Labor reports the following number of unemployed in the current year:

January	February	March
23.1 per cent.	25 per cent.	22.6 per cent.

It estimates the total number of unemployed in the United States at 8 millions, obviously far too low a figure.

The "Annalist" index of occupation shows the following degree of occupation (100 representing the level of 1926):

February	December	January	February	March
1931	1931	1932	1932	1932
77.3	66.7	66.3	65.6	64.5

In the manufacturing industry of the United States, there are thus at present 33 per cent. fewer workers engaged than on an average in the year 1926⁴⁷⁾. As since then the number of workers has increased with the growth of the population and the rural exodus, the degree of unemployment is at least 35 per cent.

The position of the workers is still more strikingly reflected in the amount of wages paid.

Index of Wage Totals.
(100 representing 1926)

February	December	January	February	March
1931	1931	1932	1932	1932
73.2	52.2	52.4	49.6	48.2

The difference between the development of the index of occupation and of the index of wages, respectively, lies in the widespread short-time work (two or three days per week) and in the great wage reduction in the United States.

The workers of the United States are now receiving roughly half the wage total they got three years ago. Even the American Federation of Labor puts the loss of wages as compared with 1929 at 11,000 million dollars.

The reduction of wages is in full swing. The railroads alone have deprived their workers of 150 million dollars a year through the latest wage cuts. The wages of agricultural workers have already sunk below the pre-war level, although retail prices are far above what they were then.

⁴⁶⁾ "Financial & Commercial Chronicle" of April 9th, 1932, p. 2605.

⁴⁷⁾ The statistics comprise roughly 3½ million workers in typical factories of all branches of industry.

The ideology of "high wages" has been completely dropped. On all sides the bourgeoisie calls for further reductions. Thus the National City Bank says in its March bulletin:

"The reduction of costs of production is a constant necessity, and the success of the present efforts to achieve a reduction of the wages of constructional workers in the big cities is an essential presumption for the revival of the building trade."

Alongside the workers, the clerks and employees suffer most severely under the crisis. Many cities are bankrupt, discharge their teachers and employees, and suspend all poor relief.

The situation of the farmers remains unexceptionally bad.

The only method the bourgeoisie employs is the reduction of the cultivated area. The loan policy of the Reconstruction Finance Corporation was adapted completely to this purpose. No loan was granted for the expansion of the cultivated area beyond the extent of the last two years or for the purchase of cattle or machinery; no loan might be granted to farmers cultivating more cotton or tobacco than 65 per cent. of what they had cultivated in 1931⁴⁸⁾. The area under wheat is said to have decreased greatly; the official estimate of April 1st reckons with a wheat crop of only 438 million bushels in the current year. But in April the price formation reacted to this estimate with no price increase at all, for too often during the last few years the crop has turned out 100 or 200 million bushels greater than the Government's estimate in April.

The prices of tobacco, cotton, and maize also remain low. On the whole it is estimated that the purchasing power of the "farm dollar" is only 50 per cent. its pre-war value, that is to say, on an average a farmer has to pay twice as much agricultural produce as he did before the war in order to purchase the same quantity of industrial goods.

A farmer must sell one bushel of maize for the price of one visit to the movies; for a pair of shoes he must pay 122 pounds of beef, for a cotton shirt 84 eggs, and so on⁴⁹⁾.

The restriction of the cultivated area, even supposing it were attended by higher prices, would only help the big capitalist producer but not the great mass of farmers, who work mainly with the help of their own families. In this way the end of the agrarian crisis is nowhere in sight, in so far as the poor farmer is concerned.

Prospects for the Future.

There is no sign of an end to the crisis. On the contrary, certain facts point to a further aggravation of the crisis in the course of this year. Such indications are as follows.

1. No diminution of stocks: The index of the Board of Trade figured as follows (100 representing 1923/25)⁵⁰⁾:

	Total	Raw Materials	Finished Goods
January 1931	156	182.8	119
January 1932	162.4	199.9	110.4

A complete year of the severest crisis has brought no progress in the liquidation of over-produced stocks.

2. Diminished inflow of new orders. The index of orders received was as follows (100 representing 1923/25):

January 1931	December 1931
51.2	36.3

3. Volume of unfilled orders. The same index:
January 1931 61.8
December 1931 39.8

4. Pronounced decrease in building projects. In March 1931, the new building contracts figured at 14.25 millions daily, in March 1932 (first 19 days) at 4.01 millions. The January building index of the Federal Reserve Board amounted to 25, as against 58 in January 1931.

All these returns show that the year 1932 will be a year of severer crisis in the United States than the last few years have been, always provided a war does not upset all calculations.

⁴⁸⁾ "New York Times" of February 12th, 1932.

⁴⁹⁾ "Financial & Commercial Chronicle" of April 9th, 1932.

⁵⁰⁾ "Survey of Current Business", March 1932.