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**Economics and Economic Policy in the  
First Quarter of 1926.**

(Concluded up to 20<sup>th</sup> April 1926.)

By E. Varga.

**I. General Section.**

**INTRODUCTION.**

When we endeavour to examine the present concrete world economic situation from the Marxist standpoint, we are continually encountered by the difficulties attendant on the application of Marxist methods to brief periods of time. These difficulties are not inherent in the Marxist methods, but result from the lack of any current economic statistics compiled from the Marxist standpoint. Statistics showing the changes which have taken place among the forces of production (statistics relating to industrial and agricultural undertakings) have not been compiled in Europe for two decades. Thus all that we can do is to infer, from isolated facts, that the productive forces of Europe have greatly expanded during the last few decades, and that the actual apparatus of production has been very greatly enlarged since before the war. But we do not possess any comprehensive statistics on these changes.

Statistics which would serve to throw a clear light upon the changes in productive conditions are entirely lacking. Such as have been compiled have been deliberately falsified<sup>1)</sup>.

Thus the general lines of development of the capitalist system, as pointed out by Marx: accumulation, centralisation; tendency of rate of profit to decline, etc., as also the factors especially characteristic of the imperialist epoch: finance capital, formation of monopolies, "state capitalist trusts", can only be illustrated with great difficulty, especially for brief periods, by means of statistical figures.

The reader must therefore content himself with the fact that for the estimation of brief periods there is no better material at our disposal than that which we have repeatedly given, that the main tendencies of capitalist development in the Marxist sense can, as a rule, be demonstrated by statistics only for long periods, and that no reliable material is obtainable -- except

<sup>1)</sup> See our last report, chapter on: The legend of the workers who become capitalists.

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for the United States — enabling any statistical estimation of economics to be made since the war. We are thus for the time being, prevented by objective circumstances from throwing a light on present day capitalism by indicating the main lines of development on the basis of reliable statistical material.

## World Production in 1926.

The following table supplements the statements given in our last report, and comprises those data on the world's production which are obtainable in a comparable form.

The most important data of production in the world's economics.<sup>(1)</sup>

		1900	1913	1919	1922	1923	1924 <sup>(2)</sup>	1925 <sup>(4)</sup>	Europe		
									1913	1924	1925
Wheat <sup>1)</sup>	million tons	56	79,9 <sup>2)</sup>	76	83,3	94,2	88,6	88,5	37,1	28,8	37,5
Rye <sup>1)</sup>	" "	11,6	26,1	17,7	20,4	23,2	18,5	25,4	25,1	16,5	23,6
Barley <sup>1)</sup>	" "	15,7	26,5 <sup>2)</sup>	22,1	21,5	25,4	26,5	30,3	15,4	12,6	14,7
Cats <sup>1)</sup>	" "	35	49,4 <sup>2)</sup>	42,7	46,8	54,9	54,1	58,1	28,2	23,7	25,9
Maize <sup>1)</sup>	" "	72	97,1 <sup>2)</sup>	92,6	83	89,1	74,9	86,3	15,1	15,0	16,1
Rice <sup>1)</sup>	" "	46	76,4 <sup>2)</sup>	78,9	80,4	74,9	80,6	79,5	—	—	—
Potatoes <sup>1)</sup>	" "	—	128,6 <sup>2)</sup>	92	143,2	122,2	132,5	132	113,8	114,2	—
Sugar	" "	11,8	18,8	15,9	18,1	19,7	23,6	24,9	—	7	7,5
Cotton	" bales <sup>3)</sup>	15,9	25,4	20,6	20,8	20,9	23,2 <sup>(4)</sup>	25,3	—	—	—
Wool	" pounds	1302	3152	2894	2684	2605	2718	2813	840 <sup>(5)</sup>	657	664
Rubber 1000 tons		57	158 <sup>4)</sup>	343 <sup>5)</sup>	367	394	434	500 <sup>(6)</sup>	—	—	—
Coal million tons		726	1216	1058	1034	1180	1168	1188	595	553	545
Naphtha million barrels <sup>6)</sup>		149	383	554,7	854,8	1004,7	1013	1059	—	—	—
Ton million tons		40,4	77,2	61 <sup>8)</sup>	55,9	69,1	66,4	75,2	46,1	32,5	37
Steel	" "	—	73,6	68 <sup>8)</sup>	68,4	77,6	75,6	88,8	42	36,6	40,8
Copper 1000 tons		540	980	968	?	1215	1363	1427	116	88	106
Lead 1000 tons		780	1178	846	1039	1195	1322	1375	565	—	—
Zink 1000 tons		442	990	644	?	929	1108	1247	—	—	—
Irin 1000 tons		—	136	124 <sup>9)</sup>	131	131	136	?	—	—	—
Gold million pounds sterl.		52,1	94,7	75,2	65,5	75,5	80	81	—	—	—
Silver million ounces		173	231 <sup>9)</sup>	180	210	246	239	240	—	—	—
Shipbuilding 1000 gross tons <sup>7)</sup>		1846	3333	7145	2467	1643	2248	2193	3013	2063	1962

<sup>1)</sup> Without the Soviet Union.

<sup>2)</sup> Yearly average 1909/13.

<sup>3)</sup> 1 bale about 500 lbs.

<sup>4)</sup> 1915.

<sup>5)</sup> 1 barrel of crude oil, 0,133 t.

<sup>6)</sup> 84 11<sup>3</sup>/<sub>16</sub> is reckoned for a fine ounce.

<sup>7)</sup> 1912, record year.

<sup>8)</sup> 1920.

<sup>9)</sup> 1 ounce (fine) = 84 11<sup>3</sup>/<sub>16</sub>.

<sup>(10)</sup> Volume.

<sup>(11)</sup> Estimate made by the agricultural dept. at Washington.

<sup>(12)</sup> According to other estimates, 630.

<sup>(13)</sup> Corrected figures.

<sup>(14)</sup> Provisional Figures.

<sup>(15)</sup> Sources of the table: For agricultural products: Ann. Int. de Stat. Agricole; Bulletin de Stat. Agricole, Rome; for 1900 Agricultural Year Book of U. St. Dep. of Agric. — Iron, steel, coal: Wirtsch. u. Statistik; for 1900 Stat. Abstract of U. St. — Metals: Wirtsch. u. Statistik. — Petroleum: U. St. Geolog. Survey. — Various data are taken from the Jahrbuch d. Statistischen Reichsamtes, Annuaire Statistique, World Almanac; for 1924 the last reports in the periodicals and newspapers.

<sup>(16)</sup> 1909-1913.

The chief deficiency regarding this table is that it deals mainly with raw materials only. Except in the United States, data have not been systematically published anywhere with regard to the production of finished goods. Thus we can only draw the general conclusion that the production and consumption of finished goods runs approximately parallel with the production of raw materials.

If we examine the data for the most important raw materials: coal, petroleum, iron and steel, metals, wool, and cotton, we find for the whole world an increased production, both in comparison with pre-war production and with that of last year. But when we compare the present production of coal, iron, and steel in Europe with pre-war production, we find that though there is an increase as compared with 1924, still the production is less than before the war. And when we compare this fact with the enormous growth of the actual apparatus of production, we arrive at the conclusion that in Europe a great part of the productive apparatus is permanently laid idle.

The divorcement of the worker from the means of production, the basis of the capitalist method of production, has assumed a peculiar form in which the means of production are still in the hands of the capitalists, ready to absorb the surplus labour, and there is still an army of unemployed ready to sell their labour power to the capitalists, but in which the combination of labour power with the means of production cannot be brought about, for the simple reason that there is no market for the products. Before the war it was in times of crisis that the industrial reserve army increased beyond the limits of the minimum required by the capitalist system, but now this has become a permanent phenomenon in Europe. This point being reached, the means of production cease to form capital; their properties as capital disappear with the stagnation in production.

The individual capitalist sees the solution of this crisis in the cheapening of production. As a means to this end there

is on the one hand the concentration of production in the localities best adapted to the purpose, and in the undertakings possessing the best technical equipment. On the other hand there is the introduction of new technical methods, the "rationalisation of production".

Consistent with the antagonistic character of the capitalist system, this development has come about in the course of continual crises: economic crises, social crises, and external crises; that is, wars waged for the purpose of extending the capitalist methods of production to countries hitherto non-capitalist, and wars waged between capitalist countries for securing markets. The progress of European capitalism was based upon the economic and political dominance of Europe over the rest of the world.

The efforts at expansion to which the European Powers are driven as a result of the market crisis of industry is creating a chaos in foreign politics such as has rarely been experienced in the history of European capitalism. Innumerable open and secret negotiations are being carried on, alliances and counter-alliances formed and abandoned. Every country is competing with its neighbours in preparations for war, for the present distribution of the world can certainly not be changed by peaceful means.

These endeavours are at bottom the real cause of the acute crisis in the League of Nations. The League of Nations was originally an organisation formed by those great Powers which were victorious in the Great War, for the purpose of securing the booty seized in that war. At the same time it was to serve ideologically as a sedative for the broad masses of the people in revolt against a possible repetition of the war. The League of Nations was to serve as an organisational security for the promise made by the bourgeoisie; that the Great War should be the last war.

The League of Nations is unable to play the rôle so persistently ascribed to it by the social democrats — that of a

instrument for world peace — and it is the less able to play it than the two Powers playing the decisive role in world politics at the present time — the Soviet Union and the United States, have not joined the League of Nations.

The relations between the European imperialist Powers and the Soviet Union are extremely difficult. The chronic market crisis of European industry forces the separate countries to make attempts to exploit the extremely receptive markets of the Soviet Union. The international antagonisms between the European powers are inducing many of them to consider the possibility of falling back upon the aid of the Soviet Union in their struggles. On the other hand the whole of the European capitalist countries are haunted by the spectre of social revolution, of the overthrow of the capitalist system, and the establishment of the dictatorship of the proletariat. This last factor leads at times to attempts at uniting the whole of the capitalist powers against the Soviet Union. Up to now, however, such attempts have invariably been wrecked owing to the antagonisms existing among the European Powers themselves. And whilst the European states are seeking in vain for a means of escape from their dilemma, the United States of America is rapidly seizing upon the leadership of the capitalist world.

#### AMERICA'S STRIVINGS FOR WORLD DOMINATION.

The most important event in the economic development of the last two decades is the transference of the centre of the world's economics from Western Europe to the United States. A corresponding international political development must inevitably follow, that is, the United States will become the centre of world politics. Under capitalist conditions this signifies imperialism, that is, the exploitation of the rest of the world at the hands of the American bourgeoisie.

This striving on the part of the United States for world domination is being pursued under the cloak of pacifist ideology. It has assumed the form of a steadily growing American opposition against the League of Nations. The real reason for this opposition lies in the fear that the League of Nations, under the leadership of Great Britain, might develop into an anti-American organisation, into an organisation of the debtor countries against the creditor country, against the expansion of the power of the United States. But the pretext made use of for this opposition is pacifist ideology; the League of Nations is reproached with furnishing no sufficient security for the prevention of wars, and of not taking disarmament seriously.

It need not be emphasised that the pacifism of the United States is no more sincere than that of the League of Nations. The United States hold an excellent military position. It can scarcely be attacked from Europe; it has a well equipped fleet and an equally efficient coast protection; the northern boundary is formed by Canada, from whence an inland attack is hardly to be expected, since Canada is already preponderantly under American influence; the southern boundary is Mexico, which is surrounded on all sides by military bases. The United States can afford the luxury of proclaiming pacifism, and can demand disarmament from the other countries, for it represents practically the greatest industrial power in the world, and potentially the greatest military power, since the next war will be decided, to an even greater degree than the last, by the strength and capacity of the industries. America can therefore hope to realise its imperialist aims under the mask of pacifism.

The United States has already brought Central America entirely under its sway, and is working towards extending its rule to South America. (We deal in detail with this question in the section of this report devoted to Latin America.) It takes as political basis the imperialist interpretation of the Monroe doctrine, according to which Europe must not interfere in any way in American affairs. And as a matter of fact the Tacna Arica conflict between Chile and Peru was submitted for decision to the President of the United States, although both of these countries are members of the League of Nations, and the alleged attempt on the part of Chile to lodge a complaint with the League of Nations was severely condemned in America. On the other hand it is pretty evident that the bourgeoisie of the United States, although its press raised a great outcry over the failure in Geneva, none the less supported Brazil in its frustration of the Geneva conference.

All signs go to show that the United States is endeavouring to break up the League of Nations, and to seize upon the leadership of world politics.

The economic preponderance of the United States places sufficient ways and means in the hands of the American bourgeoisie. The most important of these are:

a) **Foreign trade.** Many countries are economically dependent on American buyers: Brazil with its coffee, Japan with its raw silk, Further-India with its rubber. The shifting of the world's trade from Europe to the Pacific Ocean naturally increases the political importance of the United States. Here it is of particular interest to note that in 1925 the United States derived its largest imports from Asia, larger than from Europe. (From Europe to the value of 1238 million dollars, from Asia 1320 million.) The weapon next in order of importance is:

b) **The capital invested abroad.** Every country in need of foreign loans is forced at the present time to apply to the United States. The bourgeoisie of the United States appears to have resolved to use its position of financial power for the purpose of foreign politics. The first victim appears to be Belgium, where the American bankers suddenly withdrew from the currency loan, thus causing the depreciation of the Belgian franc.

c) The third weapon in the hands of the United States, in its relations to the European imperialist Powers, are the inter-allied war debts, which make it possible for America to exert a sharp pressure upon France and Italy.

#### INTER-ALLIED DEBTS AND REPARATIONS.

A few months ago it seemed as if the question of the inter-allied debts was about to be temporarily settled by the consolidation of the French and Italian debts. But things turned out differently. The question of the settlement of the French debt still hangs in the air. The ratification of the Italian agreement by the American Senate appears to be doubtful. The problem of the inter-allied debts occupies a place in the forefront of international politics. The inter-allied debts are being used as a weapon in the struggle for the world dominance of the United States.

The problem of the inter-allied debts is dealt with from all sides in an instructive book lately published<sup>1)</sup>. This shows that, if an annual payment of 450 million dollars is assumed, this amounts to less than one per cent of the value of the present annual production of the United States<sup>2)</sup>. It is thus obvious that the collection of this debt can possess no actual significance for the economics of the United States. And if its collection is being insisted upon with so much energy, then the reason is to be found in political and, not economic motives.

There is one section of the American bourgeoisie which adopts the standpoint that the debts are to be paid down to the last penny. They find none of the arguments of the European debtor countries valid. The origin of the claim has nothing to do with the necessity of its payment<sup>3)</sup>. Even though the supplying of goods may have served the interests of the American capitalists<sup>4)</sup>, still the payment came out of the pockets of the American "taxpayer". Today these debts are legal dollar debts, and have to be paid in full. The argument that the dollar was worth less at the time of purchase than it is now does not come into serious consideration since the difference does not amount to more than 14 per cent. The United States never regarded the loans as war subsidies as was usual in Europe<sup>5)</sup>. The American taxpayer has the right to demand the repayment of the loans granted out of his taxes.

<sup>1)</sup> "The Inter-ally Debts and the U. S. A." Published by the National Industrial Conference Board. New York 1925.

<sup>2)</sup> Page 231.

<sup>3)</sup> The total debt is made up of the following items (page 43): Provisions and tobacco 22%, Munitions 22.7%, Cotton 22.2%, Miscellaneous 28.1%, total 100%.

<sup>4)</sup> The further granting of credits was to cease after the armistice. But in January 1919 Hoover, as head of the food office, addressed a letter to the President in which he stated that large supplies of perishable foodstuffs were still on hand, and that unless something could be done to prevent it, there would be a debacle in the American market... a financial crisis. Since the European countries were unable to buy for cash, further government credits had to be granted to them, enabling them to purchase American goods. (Ibid. p. 53.)

<sup>5)</sup> p. 63.

But though the receipt of the inter-allied debts would be of no practical economic importance for the United States, their payment implies a heavy burden upon the debtor countries. According to American calculations, the taxation would be as follows, in percentage of the national income<sup>1)</sup>:

	1913-14	1923-24
United States . . . . .	6.4	11.5
Great Britain . . . . .	11.2	23.2
France . . . . .	13.3	26.9
Italy . . . . .	12.8	19.2
Belgium . . . . .	7.8	17.0

According to these statistics, the taxation is to reach as high as over one fifth of the total income -- without counting the 150 million dollars yearly. And yet further burdens are to be imposed in the form of interest and amortisation for the debts. As Churchill observed in his speech in Parliament, the result would be, after all the inter-allied debts had been successively funded, that the United States would receive the lion's share of the German reparation payments.

The American bourgeoisie, by its relentless collection of the war debts, aims at forcing disarmament, and at subjugating the European debtor countries to its sway.

This standpoint however is opposed by another, which attaches more importance to the economic recuperation of Europe and to the restoration of its purchasing power than to the full repayment of the debts. Mellon observes, the whole foreign debt is worth less to the American people, in dollars and cents, than a thriving Europe as a buyer. He therefore defends the principle of the "settlement of debts according to capacity to pay", as expressed in the Italian agreement. Up to the present these two standpoints have been in the sharpest opposition to one another, and it is by no means certain that the agreement will be ratified by the Senate<sup>2)</sup>.

The problem of the payment of France's debts to America and to Great Britain is still unsolved. Snowden, the Chancellor of the Exchequer, in the Labour Government, recently made an extremely severe attack upon France in the House of Commons<sup>3)</sup>. France owes Great Britain 700 million pounds sterling, but is taking no steps whatever towards payment. In 1924 Great Britain raised 718 million pounds by means of taxes, France only 235 million. According to the calculations of the American "Bankers Press", France's state revenue would be increased by 340 million pounds sterling, if the French people were taxed as much per head as the English. He demanded that the payment of France's war debt should be insisted on.

On the other hand, the French bourgeoisie continues to hold obstinately to the standpoint that France is on no account to pay anything out of its own income to the Allies. Payment can only be made out of the German reparation payments. It would be a perfectly unheard of injustice if France, after having carried on the war side by side with the Allies, and suffering the greatest damage, should, in addition, have to pay war costs to the Allies out of its own pocket. The settlement of the inter-allied debts must be combined with the reparations.

In the meanwhile the German reparation payments are received regularly by the reparation agents, and the transfer has been accomplished without difficulty so far. Up to the present 602.7 million Marks have been paid over in the second Dawes year. The sum to be transferred, including the remaining 107 million Marks, was, in round figures, 710 millions.

Of this the following has been transferred:

	Million marks
Paid in German marks for costs of occupation, etc. . . . .	55.0
Commodities . . . . .	376.3
Recovery Act (26% export levy) . . . . .	135.3
Foreign loan service . . . . .	57.3

<sup>1)</sup> p. 82. Other calculations have arrived at lower figures for France and Italy. See our last report.

<sup>2)</sup> The ratification has meanwhile been passed by the majority of the Senate.

<sup>3)</sup> "Times", 25. March 1926.

Besides a few other small items, the sum of 60.7 million marks in cash remains, that is 47 millions less than at the beginning of the second reparation year.

Thus everything appears to be running smoothly. The transfer gives no cause for anxiety. The currency is stable. The Reichsbank is increasing its reserves of gold and foreign bills. There is no indication that the German bourgeoisie is preparing to sabotage the Dawes plan. The entire well remunerated control apparatus furnished by the Entente has nothing to do; the only protest which the reparation agent has raised is that against the postponement of the increase in the beer tax.

It seems as if at present the German bourgeoisie wishes to prove its good intentions by means of honest payments, in the hope of then attaining a revision of the Dawes plan with the aid of America. The American Section of the International Chamber of Commerce has already stated, in a report on the German economic position, that Germany will be unable to pay either the reparations as laid down in the Dawes plan, or the interest on the foreign loans. It raises the question as to which debts should be given the preference in the case of transfer difficulties: the reparation payments or the payments on private loans<sup>4)</sup>.

The German press has understood the hint, and declares unanimously that the preference must be accorded to the private payments. With this a united front appears to have been formed between the American financial bourgeoisie and the German bourgeoisie, with the object of bringing about a speedy reduction of the Dawes burdens.

The imperialist antagonisms among the one-time allies, who today are all arming against one another, have again postponed the solution of the question of the inter-allied debts into the remote future. And meanwhile the United States is pressing forward, or is in part being pushed forward by the exigencies of events, and against the will of a large section of its own bourgeoisie, to a position as central point of world politics.

#### THE MOVEMENTS OF INTERNATIONAL CAPITAL.

Although hindered by the acute political antagonisms between the states, the international mechanism of capital has held on its way, and is restored to working order. But whilst before the war investments of capital radiated from Europe as a central point to every part of the world, it is now the United States which plays the rôle of money provider to an ever increasing extent. This is the basis of the daily increasing importance of America in world politics.

Exact statistics have now been published of the foreign loans put up for public subscription in the United States in 1925. These statistics have been compiled by the National City Comp., as follows:

	million dollars
Europe: State loans . . . . .	280
Provincial loans . . . . .	42
Municipal loans . . . . .	80.0
Joint stock companies . . . . .	308.6
Asia . . . . .	66.0
Australia . . . . .	75
Latin America . . . . .	220.7
Canada . . . . .	220
	1349
Less conversions . . . . .	160
Fresh capital export . . . . .	1189

We find that almost all the countries of Europe have had a share of these loans, with the exception of Great Britain, Holland, and Switzerland on the one hand, as these are themselves capital exporting countries and do not need American loans, and of France on the other hand, as this is boycotted by America. Germany's share has amounted to no less than 245 million dollars.

In the first quarter of 1926 the issue of foreign loan in the United States has fallen off<sup>5)</sup>. The figures cannot however be

<sup>4)</sup> "Times", 10th April 1926.

<sup>5)</sup> "The Economist", 10. May 1926.

compared directly. The movement of capital in the world's markets is much more complicated than is generally assumed. We give a few examples:

...large Swedish banks have been taking part, since the end of the summer, in the issues of German loans. A Czechoslovakian loan and the coffee valorisation loan of the State of Sao Paulo have also been put on for subscription here. The total amount will not exceed 30 million crowns. But it is now becoming known that in the meanwhile a considerable part of the sums subscribed have already been sent abroad again, advantage having first been taken of the gain on the rate of exchange<sup>12)</sup>."

A similar report comes from Great Britain. The "Times" states that in many cases the foreign loans issued in America are offered immediately for repurchase in Europe. In one case the majority, if not all, of the loan shares were resold at once to European financial capitalists. Many of the American banks of issue maintain a large staff of sellers in England... The English law requires that 2% stamp duty is to be paid on all foreign securities sold in England, but the American agents sell stamp duty free by nominally transacting the sale in New York<sup>13)</sup>.

But sometimes it is the other way round: the loan bonds prohibited by Mellon in America are bought by Americans in London:

"In 1922 the coffee planters of Sao Paulo received American credits, whilst in 1925 a similar loan was prevented. But what Lazard could not do in New York could be done by Lazard Brothers in London. America was prevented from lending money to the German potash industry. But what Lee Higginson could not undertake in New York was accomplished by Higginson & Co. in London<sup>14)</sup>."

Thus the Americans subscribed in London to the coffee loans<sup>15)</sup> and a similar transaction aided the potash loan:

"As a matter of fact, Hoover did not succeed in preventing the participation of American capital in the potash loan; the considerable over-subscription of this loan in London was greatly attributable to the American subscriptions which were transferred to London<sup>16)</sup>."

In conclusion we may adduce the interesting fact that in the month of January German banks (!) in America invested 30 million dollars in short-term loans<sup>17)</sup>!

**THE WORLD ECONOMIC SITUATION IN THE FIRST QUARTER OF 1926.**

In this quarter the world economic situation again reveals a great lack of uniformity in its development.

This may be seen by a survey of economic developments in the most important countries.

In the United States the boom still continues in so far that the curve of production is still rising. But certain signs are observable, of an approaching great falling off in business and it is probable that these presage an impending crisis: panics on the exchange, difficulties in the motor car industry, fewer orders for the Steel Trust, etc.

**England:** An extremely slow improvement in the economic situation, and chiefly in the coal industry, thanks to the subsidy. This improvement is threatened most acutely by the mining dispute.

**Germany:** The economic crisis continues almost unchanged. Even an optimistic investigation only permits quite trifling signs of the beginning of an improvement to be observed, but it is doubtful whether this improvement is real, or only the passing influence of the spring season.

**France:** A further depreciation of the franc. To all outward appearance, the economic prosperity continues, but the fact that the foreign trade balance had become extremely adverse during the first months of the year shows that economics have a downward tendency. The solution of the financial crisis ar-

rived at after months of negotiations is only apparent, for the further depreciation of the franc which has since taken place is bound to result in a great financial deficit for the State.

**Italy:** The first signs of a falling off in economic prosperity; the number of unemployed, after remaining stationary for a long time, is increasing again.

**Poland:** Renewed depreciation of the Zloty, in spite of the most energetic measures being taken to maintain a favourable trade balance; enormous unemployment; crisis in the state treasury; an almost complete dissolution of economic life; and a new factor in the history of present day crisis — an inflation accompanied by extensive unemployment, that is **inflation without inflation-prosperity!**

In the other countries of Europe the economic situation shows but little change. Greater prosperity in one country is counter-balanced by a simultaneous falling off of prosperity in other countries. Overseas the economic situation does not appear to be at all bad.

In the near future we may expect a slow improvement in economic conditions in Germany, as also in England, provided the miners' strike does not break out, but this improvement will not do away with the extensive unemployment in these two countries.

Economic developments in France, Belgium, Italy, and Poland, depend mainly on the movements of the currencies. Much depends upon the crops. A general revival is, however, as little likely this year as last. Should the opinion expressed in many quarters, that the crisis in the United States will break out within the next few months, prove to be true, then this may lead to a general worsening of the economic situation, and to severe crises all over Europe.

**UNEMPLOYMENT.**

We append the customary table showing the percentage of unemployed in the countries which publish such statistics.

Percentage of unemployed among the workers organised in trade unions.

	England	England of all insured	Belgium <sup>1)</sup>	Holland	Denmark	Norway	Sweden	Germany	Germany Short timers	United States Degree of Employment 1919 = 100
1923 January . . .	13.7	13.1	3.9	10.3	21.8	16.1	20.5	4.2	12.6	99.0
1924 January . . .	8.9	11.0	3.8	22.4	21.6	13.5	13.6	26.5	23.4	98.0
1925 January . . .	9.0	11.5	6.1	14.5	16.9	11.9	13.8	8.1	5.5	94.4
1925 October . . .	11.3	11.4	2.6	7.1	13.5	17.0	10.1	5.8	12.4	97.0
1925 November . . .	11.0	11.0	7.3	9.1	20.6	19.0	11.8	10.7	16.0	97.2
1925 December . . .	11.0	10.5	7.5	15.1	31.1	23.7	10.4	10.4	10.8	97.1
1926 January . . .	10.6	11.1	8.1	17.0	31.1	—	15.9	22.6	22.6	96.3
1926 February . . .	10.4	10.5	—	—	28.3	—	—	22.0	21.6	—

<sup>1)</sup> Statements of the Unemployment Insurance Authorities.

Complete figures are only obtainable for January. If we compare this row of figures with those for January 1925, we find a higher percentage of unemployment, with the exception of in America and among the total insured in England. The most noticeable worsening is in Germany, where the enormous un-

<sup>12)</sup> "Frankfurter Zeitung", 1. February 1926.  
<sup>13)</sup> "Times", 19. February 1926.  
<sup>14)</sup> "Börsen Courier", 31. January 1926.  
<sup>15)</sup> "Times", 18. February 1926.  
<sup>16)</sup> "Frankfurter Zeitung", 27. February 1926.  
<sup>17)</sup> "Deutsche Allgemeine Zeitung", 25. January 1926.

employment had not shown any great tendency towards improvement up to the time when these lines were written. In England, on the other hand, an improvement has been observable during the first quarter of the year. We give the absolute numbers of unemployed in the separate countries.

#### MOVEMENTS IN THE RATES OF EXCHANGE.

The rates of exchange of the various currencies have remained fairly steady during the period covered by this report, with the exception of three: the French, the Belgian, and the Polish.

The French franc has continued to depreciate, with slight fluctuations. In the course of the last three months it has lost 15% of its original value. With regard to the cause of this depreciation there is nothing to add to what we have already stated repeatedly. Two new factors must however be pointed out:

a) France's foreign trade balance has become extremely adverse during the first months of the year;

b) the balancing of the budget accomplished — on paper — after a severe struggle, has not improved the rate of exchange of the franc

Six months ago the fall in value of the Polish currency aroused general surprise, and in the middle of March equal surprise was felt at the fall of the Belgian franc. For 8 months it had remained perfectly stable. It was generally assumed that a foreign loan would enable it to be permanently stabilised at this level.

As we already pointed out however, in our last report, the American bankers imposed extremely severe conditions on the granting of a loan; for example, further great reductions in the budget, after the government had declared in Parliament that a further reduction was impossible; handing over of the state railways to private enterprise, etc.

It is impossible to gain a clear idea of how the great collapse came about, but the essential elements appear to be the following<sup>1)</sup>:

1. During the months in which the Belgian currency maintained its stability, Belgian industry — iron and steel goods, machinery, etc. — which depends greatly on export, was placed at a great disadvantage in competing with French industrial undertakings, favoured by the continued inflation. For this reason one section of the bourgeoisie has been endeavouring to prevent a final stabilisation.

2. The social democrats have been afraid of the political consequences of the unemployment attendant upon stabilisation. This has again caused opposition to stabilisation.

3. The foreign bills at the disposal of the Belgian government for the purpose of a temporary stabilisation of the currency, obtained from foreign loans, were exhausted.

4. The Anglo-American bankers greatly increased the severity of the terms on which they were prepared to grant credit (this was especially the case after the breakdown in Geneva<sup>2)</sup>). As an additional guarantee they categorically demanded the transference of the State railways into private hands, under the superintendence of the bankers, as in Germany. They pointed out that the private "Nord Belge" railway was making excellent profits, whilst the state railways failed to do this; that the "Nord Belge" had 10 employees to the mile, the state railways 18, a sign that extensive dismissals were necessary. The bankers further demanded that large "colonial assets" should be pledged as security, but it is impossible to discover from the press announcements, precisely what is meant by this. What the Americans probably want is to pave the way for the "penetration" of the Belgian Congo. Finally, the consortium announced that the sum originally agreed upon as a loan was to be reduced.

In these circumstances speculators in Belgium began eagerly to buy up foreign securities; the bank was unable to meet the demand, and the rate of exchange fell by 15% within a few hours! The Belgian government subsequently succeeded in preventing a further depreciation, but up to the present the problem has been by no means solved, and the rate of exchange continues to show a tendency to decline. It will be impossible to stabilise the Belgian currency without a further large foreign loan; thus the

country will sooner or later have to submit to the dictates of the Anglo-American banks.

The Polish currency had maintained a fair degree of stability for some months, 8 zloty to the dollar, or a depreciation of about 60%. At the beginning of April however a fresh wave of depreciation set in, and the loss in value is already more than 50%. We deal with this in detail in the Section on Poland.

The following table gives the rates of exchange of those currencies which have fluctuated to any considerable extent:

#### Rates of exchange for foreign bills in New York (monthly average).

(Cents per foreign unit.)

	Par.	January 1925	April 1925	June 1925	Oct. 1925	January 1926	10. April 1925
Belgium . . .	19,3	5,1	5,02	4,62	4,52	4,5	3,86
Denmark . . .	26,8	17,8	18,78	21,40	24,57	24,8	26,18
France . . .	19,3	5,4	5,16	4,70	4,43	3,8	3,44
Greece . . .	19,3	1,8	1,80	1,60	1,37	1,4	1,31
Italy . . .	19,3	4,2	4,06	3,67	3,99	4,0	4,02
India . . .	48,7	35,7	—	36,61	36,06	36,7	36,2
Japan . . .	49,8	38,5	—	41,00	41,00	44,2	46,1
Yugoslavia . .	19,3	1,6	1,63	1,77	1,77	1,8	1,75
Norway . . .	26,8	15,3	16,79	18,01	20,20	20,3	21,49
Poland . . .	19,3	19,2	—	19,20	16,58	12,9	12,2
Roumania . . .	19,3	0,52	0,47	0,49	0,48	0,45	0,42
Spain . . .	19,3	14,2	14,53	14,51	14,35	14,2	14,14

#### INTERNATIONAL PRICES.

In the movement of prices a somewhat new phenomenon is to be seen in the fact that in the majority of countries with stable currencies the wholesale trade index figures show a downward tendency during the last five months. This is most conspicuous in England, where prices have fallen by about 5% during the past few months. The same is the case in Germany, whilst in America the fall in prices is considerably less. We must however observe that far reaching economic conclusions cannot be drawn from these figures, as they represent averages prices of food and important raw materials, and can only be compared with one another with the greatest reservation.

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

	United States Bur. of Labor	England Economist	Germany Gov. Bur. of S. St.	France	Italy	Poland
1925 January . .	160	—	138	595	328	120
1925 April . . .	156	160	131	513	659	110
1925 July . . .	160	165	135	557	707	120
1925 October . .	157	161	124	572	716	128
1925 December .	156	158	121,5	733	901	155
1926 January . .	150	156	120	732	892	142
1926 February . .	—	154	118,4	735	887	149
1926 March . . .	—	—	118,3	739	874	—

  

	Sweden	Switzerland	Soviet Union Gov. Stat.	Japan	U. S. S. R.	Czech
1925 January . .	160	171	178	—	171	160
1925 April . . .	163	163	197	202	169	159
1925 July . . .	161	160	175	199	—	163
1925 October . .	154	157	175	201	157	159
1925 December .	156	156	183	194	163	158
1926 January . .	153	155	190	192	163	161
1926 February . .	152	151	—	—	—	163
1926 March . . .	—	—	—	—	—	—

<sup>1)</sup> "The Statist", 20. March 1926, p. 442; "Commercial and Financial Chronicle", 20. March 1926, p. 529; "Bulletin Quotidien", No. 16 of 20. March 1926.

<sup>2)</sup> "The Statist", p. 442.

## THE STRUGGLE FOR MARKETS AND THE ATTEMPTS TO SET UP INTERNATIONAL CARTELS.

The chronic market crisis of European industry, and the most important industrial raw materials: coal, iron and steel, and metals, can be fought with capitalist means in two different ways. The first method consists of beating individual competitors by cheapening production — by reducing working wages and lengthening working hours, by the introduction of new technical methods for shortening the time expended upon a unit of production, that is, by a reduction of the wage costs. This method, applied to the world's markets, signifies the sharpest competition, and the national cartels give the capitalists the possibility of competing effectively in the world's markets by means of home prices maintained at a high level by protective tariffs.

The second method consists of developing the organisation of cartels on an international scale, and ensuring profits by prices fixed internationally and by a simultaneous restriction of production.

These two tendencies are at the present time struggling for supremacy in all the most important spheres of industry all over the world. The negotiations for the formation of international cartels drag on for long periods, but no final result has yet been arrived at in any important industry.

### THE COAL MINING CRISIS.

The difficult situation in the European coal industry has not changed in the first quarter of 1926. The position has rather become worse than improved. The end of the American anthracite strike has deprived the English mines of certain export possibilities. This means increased competition in the so-called contested markets of Europe. The following table gives a survey of the output in the most important countries:

The world's output in million tons:

		England	Germany	France	Poland	Belgium	Czecho- slovakia	United States	Total
Monthly average	1913	24.3	11.7	4.5	3.0	1.9	1.2	43.1	90.7
	1923	23.5	5.2	4.0	3.0	1.9	1.0	49.3	87.9
	1924	22.6	9.9	4.9	2.7	1.9	1.2	42.3	85.5
	1925	20.6	11.1	5.1	2.4	1.9	1.1	44.2	86.4
December	1925	22.9	11.4	5.2	2.5	1.9	1.2	48.1	—
January	1926	21.9	11.2	5.3	2.5	2.0	1.2	48.8	—
February	1926	21.7	10.6	5.1	—	1.9	1.0	44.1	—
March	1926	21.7	11.4	—	—	—	—	—	—

The situation in the English coal industry is of course profoundly influenced by the threatening tremendous conflict in the English coal mining industry. Business itself has been fairly good during the last three months; the number of miners employed has increased. This is, in part, due to the fact that many consumers have been laying in stocks in view of the expected conflict.

In Germany the situation is even worse than before. Whilst sales exceeded the output during the second half of 1925, the stocks at the pitheads have increased again during the first three months of 1926. In the Ruhr area 230,000 shifts were omitted in the week between 28. March and 3. April, on account of lack of markets. This means 46,000 miners idle per working day. It is intended to discharge a further 50,000 miners. The mine owners are simply waiting to see how the English coal mining conflict will turn out, and are postponing the dismissals in the hope of taking advantage of the possible cessation of coal supplies from England. Should the intended dismissals be actually carried out, then there will be 100,000 fewer miners

employed in the Ruhr valley than before the war. And yet the output has decreased but slightly. The Ruhr mines are obviously being restored to a sound financial basis at the expense of the miners<sup>20)</sup>.

The Belgian mining industry is likewise in a difficult position. The capitalists complain of high taxation and "high wages".

"The Bankers only advance money on first class securities, and then on the hardest terms. Pithead accumulations are, as a rule, no longer accepted as valid security".

For this reason a first class Belgian coal mine recently obliged to close down; the sum required to pay the wages of the 900 men employed could not be raised<sup>21)</sup>.

Worsened conditions are also reported from Czechoslovakia:

"In the Bohemian lignite districts four shifts a week are worked on an average... In the Ostrau Karvin district the miners are only working three or four days in the week at present."

The export of lignite to Germany, which amounted to over 7 million tons in 1913, had sunk to 2.3 million tons by 1925<sup>22)</sup>.

The following figures show the prices for English and German coal in some of the most important consuming centres in the first week in April:

Description:	English coal:
Northumberland unscreened . . . . .	14 - M. 14.10
Cardiff best black dry large . . . . .	21 6 M. 21.60
Durham best gas unscreened . . . . .	16 6 M. 16.60
Durham furnace coke . . . . .	18 6 M. 18.60
Lanarkshire best navy screened . . . . .	14 - M. 14.10

Description:	German coal:
Ruhr unscreened . . . . .	M. 14.87
Ruhr screened . . . . .	M. 19.84
Ruhr gas unscreened . . . . .	M. 16.87
Ruhr furnace coke . . . . .	M. 22.45

Prices of English and German coal in some of the most important centres of consumption:

	English coal: Durham best gas qual. 2	Ruhr unscreened
Hamburg . . . . .	M. 20.—	M. 21.—
Bremen . . . . .	M. 20.—	M. 20.27
Berlin . . . . .	M. 25.30	M. 27.67
Frankfort . . . . .	M. 32.60	M. 24.87
Cologne . . . . .	M. 30.90	M. 18.67
Hanover . . . . .	M. 25.10	M. 22.97
Stuttgart . . . . .	M. 33.20	M. 27.47
	Engl. coal, Lanarkshire best steam screened	Upper Silesian screamed
Stettin . . . . .	24 - M. 24.10	Stettin M. 25.70
Berlin . . . . .	25 1 M. 25.20	Berlin M. 26.20

The efforts to establish an international agreement regulating the coal market are being chiefly carried on by the Right miners' leaders. The propaganda conducted in this direction pursues at the same time the secondary aim of furnishing an excuse for the worsening of working conditions in the separate countries by attributing this to the failure to arrive at an international agreement.

<sup>20)</sup> "Frankfurter Zeitung", 14. April 1926.

<sup>21)</sup> "Bergwerks-Zeitung", 13. April 1926.

<sup>22)</sup> "Bergwerks-Zeitung", 13. April 1926.

### THE IRON AND STEEL INDUSTRY.

Conditions have improved somewhat in the iron and steel industry during the last three months, but very slowly. The following table gives a survey of the developments in production:

Monthly average	Crude iron:					U. S. A.
	England	Belgium	France	Germany	Luxemburg	
	in 1000 tons					
1913	269	207	434	1609	212	2631
1918	768	--	169	989	106	3260
1921	222	73	280	654	81	1401
1922	415	134	427	783	140	2270
1923	633	182	442	411	117	3392
1924	620	234	638	651	181	2634
1925	528	212	706	848	195	3982
1925 Jan.	584	249	689	910	197	3424
1925 Dec.	511	161	748	717	200	3363
1926 Jan.	542	138	763	689	204	3369
1926 Febr.	510	262	707	631	185	2970
1926 March	578	--	--	--	--	3485

Monthly average	Steel:					U. S. A.
	England	Belgium	France	Germany	Luxemburg	
	in 1000 tons					
1913	649	255	396	1578	161	2594
1918	812	1	151	1248	73	3645
1921	314	66	259	833	64	1629
1922	498	130	373	976	117	2967
1923	719	190	415	525	169	3682
1924	695	238	576	820	157	3183
1925	626	231	618	1016	174	3741
1925 Jan.	615	246	698	1181	171	4266
1925 Dec.	617	158	659	764	176	4040
1926 Jan.	651	116	661	791	174	4220
1926 Febr.	715	167	630	816	176	3856
1926 March	794	--	--	950	--	--

Here it is of importance to note that except in the United States, the productive capacity of the chief countries producing iron and steel is not fully exploited. In Germany for instance, the steel works union is working nominally at 65% capacity, but in reality at a much lower percentage. In England and Belgium practically the same state of affairs is to be found; it is only in France that conditions are somewhat better. In the United States work was still being carried on at the full limit of the capacity of the producing apparatus, 100%, during the first three months of the year. But sales have not kept pace with production; the orders received by the Steel Trust have been decreasing for three months, and it is highly probable that the next few months will see a considerable restriction of output.

Negotiations towards the formation of an international cartel have been carried on all this time, but no positive result has been come to at present. In most countries, with the exception of England, the iron industry is strictly controlled by trusts. The aim of the negotiations is to enable the cartels to embrace the whole of the world's markets. A great hindrance to the realisation of this aim is the attitude of the English iron industrialists, whom, since there is no iron cartel in England, it has been difficult to induce to enter into such negotiations.

The United States shows very little interest, for only a very small percentage of its output—approximately 1½ million tons out of a yearly production of over 80 million tons of iron and steel together—is devoted to export.

The international rail cartel, which existed before the war, appears to be about to come to an agreement. The only point of difference left is the percentages. There are three groups: the English, the Franco-German, and the Belgo-Luxemburg. The reports on the quotas allotted are extremely contradictory. According to German reports, 43 falls to England, 10 to Ger-

many and France, 10½ to Belgium, and 6½ to Luxemburg<sup>22)</sup>. According to French reports, the distribution is 40,40, and 20, the allotment of the last 20% between Belgium and Luxemburg being still a matter of contention<sup>23)</sup>.

It is expected that Czecho-Slovakia will join the cartel, in which case a quota will be allotted to it.

The International wire cartel has also been formally agreed upon, and the combine uniting the manufacturers of piping will soon be a settled matter.

The Franco-German potash agreement still remains in force, but has aroused resistance on the part of the Americans. The Senate granted a large sum for prospecting for potash in Texas. But at the present moment this cartel is master of the situation.

An international copper syndicate under American leadership is also in course of formation. America is producing 80% of the world's output of copper, and the copper producers of the United States have entered into negotiations with the greatest African copper producer, the Union Minière de Haute Katanga, with the object of fixing uniform prices.

An East European zink trust is already being called into being under the dominance of Harriman. The Silesian zink deposits have already been bought up by Harriman, both in the German and Polish districts of Silesia. Besides this, Harriman participates in the Lower Austrian Escompte Company, and through this in the Alpine Mining Co.

The industrialists concerned in Luxemburg, France, and Belgium, have already entered into negotiations for the founding of an international basic slag syndicate.

Negotiations are also going on for combining the cable manufacturers of the continent of Europe, for the formation of an international glue syndicate, and for a combine among the English, Belgian, and German producers of benzol; an agreement has already been arrived at among the saccharine manufacturers of the different countries of Europe; at the beginning of April a European wood screw syndicate was formed, etc.

It will be seen that whilst there is great activity towards the formation of international combines the actual results are so far somewhat meagre.

### FIGHT OF THE UNITED STATES AGAINST THE NATIONAL CARTELS.

Hoover's opposition to the formation of national cartels, with resultant increase of prices of those goods which are purchased in large quantities by America, is still being continued. The commission which was appointed to deal with this matter reported to Congress in accordance with Hoover's views, to the effect that no legal measures shall be adopted but social action be taken in the following direction.

1. American citizens refuse to grant credits to countries which have established monopolies of this nature.
2. Independent sources of supply are to be sought, especially in the case of rubber.
3. Consumers are to be induced to exercise economy in the use of monopolised materials and to employ substitutes.

As a matter of fact, the bourgeoisie of the United States is exerting every effort to establish its own rubber supply. The price of rubber has fallen considerably of late. The calculations as to output and consumption published in various newspapers appear to us to be hardly reliable, especially when we remember the uncertain market conditions in America this year.

### PROBLEM OF GRAIN PRICES.

The reports as to grain prices during the last few months have not yet brought any reply to the question of why wheat prices are so high this year. In our last report we formulated the problem as follows:

We must compare the following facts: The world's crop, without counting the Soviet Union, is larger by

<sup>22)</sup> "Frankfurter Zeitung", 22. March 1926.

<sup>23)</sup> "L'Information Financière", 26. March 1926.



70 million double cwts. than last year's, and only 35 million double cwts. less than in 1923, the year of the catastrophically low crisis prices. Expressed more graphically, in percentages: The world's crop is this year larger by 8% than in 1924, and in round figures 4% smaller than in 1923. If we keep this fact before us, and observe at the same time that the present price for wheat is at least as high as last year's and 50 to 80% higher than the prices paid at the end of 1923, although the crop is only 4% less than in that year, then we are faced by the following possibilities: Either the figures stated for the world's crops are incorrect, or the consumption of wheat has greatly increased within the last few years, or the present wheat prices are being artificially maintained by monopolist organisations."

#### The development of grain prices.

(In gold francs at the beginning of each month.)

	Winnipeg No. 1 Manitoba	Chicago No. 2 Winter	Liverpool No. 1 Manitoba
Average 1913 . . .	16,80	17,20	20,90
1925 March . . .	36,01	34,97	42,58
1925 July . . .	29,73	28,18	33,85
1925 September . . .	29,90	29,94	32,15
1925 December . . .	31,57	34,23	36,93
1926 January . . .	29,87	35,42	36,35
1926 February . . .	30,40	34,51	35,62
1926 March . . .	27,38	31,56	31,42
1926 April . . .	28,10	33,10	

In the first quarter of 1926 a downward tendency is to be observed in the prices in all markets.

What new factors have arisen in the meantime?

In the first place a reduction of the quota of wheat free for export during the grain year from 1. August 1925 to 31. July 1926, as compared with the October estimate. The Rome Institute estimated the export quota in October at 215 million double hundredweights. According to the latest calculation<sup>25)</sup> this quantity is to be reduced to 200 million double hundredweights. The Institute estimates the import requirements of the most important European import countries, and Japan, and Egypt, as follows:

Estimate based on the consumption of 1924/25 120 mill. d. cwts.  
Estimate based on the consumption of 1923/24 145 mill. d. cwts.

There is a general tendency for the consumption of wheat to increase; but the prices demanded during the current year are considerably higher than in 1923/24, so that it may be assumed that the import requirements will not amount to 145 million double cwts, but will remain somewhere between 120 and 145 million. To this must be added the 30 to 40 million double cwt import of the extra-European countries and small European import countries. An export surplus of 200 million double cwts is faced by an import demand of 170 million double cwts. "There is thus sufficient reserve to cover all probable requirements until the fresh crops come in, and to leave a fairly considerable reserve at the end of the present season<sup>26)</sup>. We should like to add that the frightful extent of unemployment in Europe is bound to react unfavourable on the consumption of wheat. This makes the high prices the more incomprehensible."

The Canadian Wheat Pool certainly plays a leading rôle in forcing up the prices of wheat. According to the calculations of the Rome Institute, no fewer than 84,5 million double cwts of the 200 million double cwts. free for export in this grain year fall to Canada! Of this quantity 60%<sup>27)</sup> has been placed in the hands of the wheat pool officially known as the Central Selling Agency. This is, in round figures, 25% of the total export wheat of the world! The concentration of such an amount

in the hands of one seller is bound to force prices up to a higher level than would be the case under general free competition. We are of the opinion that the existence of this Canadian pool is one of the leading causes of the high wheat prices.

It must be further observed that we can reckon on the maintenance and development of this Canadian pool during the next few years. The pool works in the form of a co-operative, buys the wheat from the farmers at a guaranteed minimum price, and then at the close of the season pays in addition the surplus earned beyond this minimum, so that all farmers, whether they sell early or late, receive the same price for their wheat. (Apart, of course, from differences in quality.) The farmers do not need to speculate, are not exposed to the tricks of the wheat speculators, and receive higher prices.

The success of the Canadian pool will doubtless lead to the formation of pools in Australia, where the conditions are very similar. As the export of the Soviet Union is concentrated in one hand, the world's wheat market will present a strange picture within a few years!

#### Price developments for other sorts of grain.

We append a table showing the movement of prices of grains other than wheat:

Grain prices in gold francs:

Average. 2. March 7. March 6. March 5. March

Rye:	1913	1923	1924	1925	1926
Minneapolis . . .	11,55	15,61	13,26	28,97	17,24
Berlin . . . . .	20,51	19,18	16,30	30,86	18,27
Barley:					
Winnipeg . . . . .	10,95	11,83	13,46	20,15	12,40
Chicago . . . . .	12,44	14,76	15,71	21,42	14,76
London (American) . . . . .	15,18	18,15	20,73	24,72	18,07
Oats:					
Winnipeg . . . . .	11,43	15,00	12,93	19,30	15,13
Buenos Aires . . . . .	12,08	15,36	11,96	19,43	13,95
London (La Plata) . . . . .	15,57	18,90	15,74	22,78	16,94
Maize:					
Chicago . . . . .	13,11	15,15	16,30	25,15	15,40
Buenos Aires . . . . .	11,48	16,72	16,47	20,66	12,81
London (La Plata) . . . . .	14,19	19,75	21,88	22,14	14,24

This table shows a great disparity for all grains other than wheat. Rye is even below pre-war price in Berlin. The prices of barley and maize are lower in the world's markets than in the spring of 1924, at the time of a great agrarian crisis.

#### Prospects for Next Year.

The harvest prospects cannot of course be yet estimated with absolute certainty. In a number of countries data are only obtainable for the area under cultivation. We give the percentage alteration of the cultivated area as compared with last year.

	Winter wheat	Winter rye
France . . . . .	95,7	98,8
Italy . . . . .	102,7	—
Poland . . . . .	101,0	100,7
Roumania . . . . .	96,1	—
United States . . . . .	99,0	83,8
British India . . . . .	92,1	—

The considerable reduction of the rye growing area in America is a reaction caused by the low prices. The shrinkage of the wheat area in France and Roumania shows the weak economic position of these countries.

Only very scanty reports are obtainable on the prospects of the crops. In Germany the corn is not in such good condition as this time, last year.

<sup>25)</sup> "Bulletin", March 1926. p. 10.

<sup>26)</sup> Opinion of the Roman Institute, March Bulletin. p. 112.

<sup>27)</sup> "The Economist", 20. February 1926. p. 351.

## II. Special Section.

### GERMANY.

The severe economic crisis which broke out in Germany in the autumn of 1925 has remained practically unaltered during the first quarter of 1926. The slight signs of improvement observable are due to the spring season, not to any fundamental cause.

The severity of the crisis is most disastrous from the point of view of the working class; regarded from the point of view of the volume of production it is less acute; and from the standpoint of the profitableness of the undertakings the situation appears to be somewhat more favourable.

### Unemployment.

Mass unemployment has continued undiminished during the whole of the period covered by this report, as will be seen from the following figures:

	Unemployed in receipt of the dole, in 1000 (number on 1. of following month)	Percentage of unemployed in trade unions (Number at end of month)	Percentage of short-timers in trade unions
1925 January . . .	593	8,1	5,5
1925 March . . .	466	5,8	5,1
1925 June . . .	193	3,5	5,2
1925 December . .	1499	19,4	19,1
1926 January . . .	2031	22,6	22,6
1926 February . . .	2056	22,0	21,6
1946 March . . .	1942	—	—

The decrease of 114,000 between the end of February and the end of March is so slight that it can be attributed to the fact of unemployed workers running out of benefit or to other technical circumstances. An increase of economic prosperity cannot be inferred from this decrease. Rather the contrary; for since the number of unemployed building workers, and of other out door workers, must have considerably decreased in the present season, it must be concluded that the number in employment in the other industries must have considerably lessened. The comparative figures for the most important trade unions, obtainable for February only, are as follows:

	Unemployed		Short timers	
	January	February	January	February
	%	%	%	%
Metal workers . . .	18,8	20,4	32,8	30,8
Textile workers . . .	13,1	17,1	46,3	50,0
Wood workers . . .	32,3	32,7	24,5	24,4
Shoemakers . . . .	37,7	40,3	46,9	45,1
Clothing workers . .	32,9	31,3	44,8	41,9
Building workers . .	52,1	40,2	0,1	0,1
Tobacco workers . . .	27,8	30,8	43,5	41,9

In the shoe making industry only 15% were fully occupied in February, in the clothing industry 27%, Wood workers 43%, etc.

### Production.

Statistical data are only obtainable for the heavy industries:

#### Coal, iron, and steel production.

	Coal, Lignite, Coke Million tons			Iron 1000 tons	Steel
1925 Monthly average . . .	11,1	11,6	—	848	1016
1925 I. quarter, monthly average	11,3	11,9	2370	925	1182
1926 January . . . . .	11,2	12,2	2108	689	791
1926 February . . . . .	10,5	10,8	—	631	816
1926 March . . . . .	11,4	—	—	—	950

The coal output per day in the Ruhr area has been as follows:

Monthly average 1913 . . . . .	380,000 tons
Monthly average 1925 . . . . .	344,000 tons
January . . . . .	345,000 tons
February . . . . .	335,000 tons
March . . . . .	320,000 tons

(provisional calculation)

But the number of workers employed has decreased even more. In February 1913, the number was 420,300. At the end of March 1925, 388,815. At the end of February 1925 the number of workers employed in the Ruhr district was 383,599. 11,716 had received notice of dismissal for 15. March 1926. A further 50,000 are to be discharged if there is no coal strike in England. The extensive reduction of the number of workers, and the increasing export, which — counting the reparation coal — is greater than before the war, make it appear probable that the coal barons are not so badly off as they would like one to suppose, and that their cries of alarm chiefly serve the purpose of inducing the government to grant a "Ruhr relief". The Reichs coal mining board has itself admitted that the share taken by wages in the cost of production has been reduced by the co-operation of the workers, and by technical improvements and rationalised methods in coal mining.

"In 1922 there were 219 blast furnaces in Germany, in February 1926 208. Whilst the number has diminished, the output has considerably increased. The output of the 219 furnaces in 1922 was 38,000 tons in 24 hours, an average of 172 tons per furnace. In February 1926 the 208 furnaces, on the other hand, attained an output of 50,000 in 24 hours, an average of 243 tons per furnace. This corresponds to an increased output of 41%. To this must be added the saving in labour. This increased producing capacity signifies on the one hand a technical advance, but on the other hand it involves a considerable aggravation of the disparity between producing capacity and possible markets."<sup>20)</sup>

In March a slight improvement was observable in the iron industry, but this appears to be endangered again, so far as export is concerned, by the depreciation of the franc in France and Belgium.

Only very general economic reports are available for the other branches of industry. With a few small exceptions, these reports are very unfavourable. The increased building activity which was anticipated has not been realised, and with it the expected impetus towards an improvement in trade. We need not deal in detail with the situation in the various branches of industry. Machine building has been bad in general, and shows a tendency to become worse; in March 91% of the works were insufficiently occupied. Engine and carriage building very bad; motor cars building somewhat better; electric industry comparatively good; chemical industry the same; textile, leather, and shoe industry very bad, the last named showing, a slight tendency to improve.

We append the number (in thousands) of waggons run per working day by the government railways, as best characterising the general economic situation:

	1925	1926
Last week in January . . . . .	112,5	107,7
February . . . . .	117,0	109,5
March . . . . .	121,3	115,6

The improvement is solely due to the season, Goods traffic is 5 to 6% less than last year.

The following gives a survey of the import of metals:

Germany's metal imports (in tons):

	Jan./Febr. 1926	Jan./Febr. 1925
Copper . . . . .	16,333	39,141
Lead . . . . .	12,738	23,224
Zink . . . . .	8,437	19,743
Tin . . . . .	1,240	2,474
Aluminium . . . . .	732	1,542
Nickel . . . . .	99	329
Antimony . . . . .	206	456
Silver . . . . .	37	173

<sup>20)</sup> „Deutsche Allgemeine Zeitung.“ 24. March 1926.

Although the import figures for two months cannot enable direct conclusions to be drawn with respect to consumption, still the decline of imports to less than half is a sign that the capitalists do not reckon on any speedy great increase in consumption. (The large imports of last year may probably be ascribed in part to the foreign credits taken up at that time.)

### The Agricultural Situation

must be accorded special attention. The agrarians complain and lament that they are going to ruin. As a matter of fact, there is still a considerable disparity between the prices of agricultural and industrial products, as may be seen from the following table:

Wholesale trade index figures (1913 = 100)  
(Government Statistics Office)

	Total index	Agrarian products	Grain and potatoes	Industrial materials
1925 January . . .	138,0	137,0	133,0	140,0
June . . .	134,0	133,0	129,0	135,0
September . . .	126,0	118,0	106,0	135,0
December . . .	121,5	116,2	103,0	131,4
1926 January . . .	120,0	114,5	101,0	130,4
February . . .	118,4	112,4	98,0	129,5
March . . .	118,3	113,1	99,4	128,0

According to this, the prices for grain and potatoes have sunk below those of 1913, the price of rye having dropped most.

German agriculturalists are adopting to a great extent the more intense methods of cultivation.

"A table based on figures compiled by the Prussian Ministry for Agriculture on the consumption of fertilisers shows the welcome fact that in 1925 the intensification of our agriculture made great progress, the consumption of artificial manures even far exceeding the pre-war level. Whilst in the fertiliser year 1913/14 the consumption of nitrogen (N) amounted to 185,000 tons, of phosphates (P<sub>2</sub>O<sub>5</sub>) to 555,000 tons, and of potash (K<sub>2</sub>O) to 490,000 tons in the present territory of the German Republic, the corresponding figures for the fertiliser year 1924/25 are 340,000 tons of nitrogen, 371,000 tons of phosphates, and 663,000 tons of potash<sup>29)</sup>.

It would thus appear that agriculture, paying such very low wages, is contriving to carry on at a profit!

It is interesting to note that the low prices for rye and potatoes have once more aroused among the agrarians the desire for a settlement scheme on a large scale. They are anxious to part over the unprofitable sections of their land into the hands of agricultural settlers, the state to supply the necessary cash.

### The Economic Situation, the Exchange, and the Money Market.

The rapid advances in the values of stock shares appears to be in flat contradiction to the severe crisis. Quotations from the Berlin Stock Exchange:

per cent of gold par	1925		1926	
	End of December	End of January	End of February	End of March
Under 50	46,4	38,9	37,4	24,2
from 50 to 75	27,7	25,6	25,1	28,2
from 75 to 100	16,1	20,5	19,5	22,0
from 100 to 150	8,7	13,1	16,4	22,2
over 150	1,1	1,9	1,6	3,4

One of the causes of this sharp rise is undoubtedly the superfluity of short term money. We have already mentioned that the German banks invested 30 million dollars in American banks, on short call, in February. Funds which cannot for the time being find investment stream into the Exchange, causing prices to rise. The only question is whether this is the sole cause, or whether the exchange is anticipating the future profits — the increased economic prosperity — in these high share quotations. There are

shares whose rate is over 100%, though in 1925 they paid no dividends. There is a great discussion proceeding on this question in the German press. We are of the opinion that the decisive cause is the great superfluity of money.

This superfluity of money is a consequence of the diminished production of goods and the low prices of goods. It is the money which has been set free in the sphere of circulation as a result of the decline in the general turnover, that is now seeking investment in savings banks and securities. But since this is not a newly accumulated surplus value in the form of money, it cannot be employed at long terms for the expansion of production. Hence we have the contradiction: Superfluity of short term money, lack of capital. It is only in the last few months that small sums have been transformed into long term investments by means of putting up debentures for subscription.

On 12. January 1926 the Reichsbank reduced its rate from 9% to 8%, and on 26. March from 8% to 7%, after it had been ascertained that the discount contingents formerly fixed had only been utilised to the extent of 54½%. But even at this level credit in Germany remains very dear in comparison to a bank rate of 3½% in Holland and Switzerland, 4% in America, and 5% in Great Britain.

The number of bankruptcies and government controls has somewhat diminished, as follows:

	Whole year 1925	1. qu. 1925	Jan. 1926	Febr. 1926	March 1926
Bankruptcies . . .	10,813	2210	2013	1920	1710
Undertakings under government control	5,462	731	1428	1465	1426
Government control withdrawn . . .	2,324	535	400	427	760

Before the war there were 7000 to 8000 bankruptcies yearly; in the first three months of 1926 there were about 10,000 bankruptcies and government controls. Capitalist economics are "clearing away" the weak elements.

### Foreign Trade

has taken the turn necessary for the fulfilment of the Dawes plan; foreign trade has at last a favourable balance. For the whole of 1925 the foreign trade balance showed a deficit to the amount of 3682 million marks. But before the end of the year the change was observable. The following table gives the difference:

In million marks:

	Import	Export	Difference
October 1925 . . . .	1074	845	— 228
November 1925 . . . .	857	792	— 65
December 1925 . . . .	758	794	+ 36
January 1926 . . . .	707	795	+ 88
February 1926 . . . .	662	783	+ 121
March 1926 . . . .	645	923	+ 278

This favourable foreign trade balance has not been brought about by increased exports, but by decreased imports; the good crops have been the chief means by which a reduction in the import of agricultural products has been made possible.

### State Finances

show a deficit during four months, as is by the following table (in million marks):

	Receipts	Expenditure	Deficit
November 1925 . . . .	561	600	48
December 1925 . . . .	540	581	41
January 1926 . . . .	706	732	26
February 1926 . . . .	535	570	35

The new taxation reform is intended, by means of increased taxes on articles of necessity, to cover the deficit and the various privileges granted the capitalists.

<sup>29)</sup> "Deutsche Allgemeine Zeitung, 9. April 1926.

## POLAND.

The economic crisis in Poland, which has now continued without interruption for two years, has become more acute than ever during the last three months. A period of slight fluctuation in the first months of this year was followed at the end of March by a fresh fall in value of the Zloty, and by the middle of April the rate of exchange of the dollar had risen in Poland to 10 to 11 zloty, i. e. a depreciation of the zloty by 50%. The most remarkable point about the present position is, however, that, despite the depreciation of the currency, there is not the slightest sign of inflation prosperity. This contradiction may be explained by the circumstance that the depreciation of the zloty has not been caused by an increase in the amount of money in circulation. The money in circulation has been as follows, in 1000 zloty:

	Jan. 1925	Dec. 1925	Jan. 1926	Feb. 1926	March 1926
Banknotes . . . . .	553,175	381,4	365,1	376,8	366,7
Treasury bonds . . . . .	141,1	433,5	406,1	414,8	406,7
Total . . . . .	694,275	814,9	771,2	791,6	773,4

Thus we observe a great depreciation in the currency accompanied by an increase of inland circulating media. Thus, despite the depreciation, there is an overwhelming shortage of credit and lack of paying media. Prices are, however, rapidly adjusting themselves to the fall of the zloty. In this way Polish economic life combines the phenomena attendant on a stabilisation crisis — shortage of credit, lack of capital — with the phenomena bound up with a depreciation of currency.

The depreciation has taken place in spite of the fact that the foreign trade balance was forced up to a very favourable level by means of increasing export and strangling import. The following table shows the course of development:

	In million zloty			
	1925		1926	
	July	December	January	February
Import . . . . .	173,3	83,5	68,5	68,9
Export . . . . .	86,7	186,8	159,3	131,4

The inconsistency caused by the high home prices consequent on the rapid adjustment of prices to the foreign value of the zloty, and on the shortage of circulating capital, are the causes of Poland's inability to compete in the industrial markets of the world. An analysis of foreign trade data shows us that the goods exported have been mainly agricultural products. Bread corn has been exported to such an extent that an acute shortage is expected, before the next crops are harvested. On the other hand, not only the import of articles of luxury is restricted, but the import of even the most important industrial raw materials has been reduced to a minimum, so that Polish industry is forced to remain idle for lack of raw materials. Thus heavy industry, and even more the textile industry, are in a very difficult position. In February the Upper Silesian heavy industry received a certain stimulus through orders from the railways and the state, but in March there was a renewed falling off. Matters are even worse in the textile industry. Here a double movement set in. One part of the factories has been transferred to abroad.

"About 20 factories, mostly small undertakings, have been transferred to Roumania, the staff of qualified workers moving with them. Energetic propaganda has been made of late for the formation of an industrial colony in Yugoslavia<sup>(1)</sup>."

"Besides considerable sales of machine plant to French industrialists, there has been a considerable export of looms and spinning machines to Italy<sup>(2)</sup>."

On the other hand, the factories are passing under the control of foreign capital.

"In some of the largest factories in Lodz the management is already in the hands of foreign creditors, i. e. of the cotton suppliers. Foreign capitalists are also taking over shares<sup>(3)</sup>."

<sup>(1)</sup> "Berliner Börsen-Courier", 18. January 1926.

<sup>(2)</sup> "Berliner Börsen-Courier", 9. February 1926.

<sup>(3)</sup> "Berliner Börsen-Courier", 9. February 1926.

The industrial crisis has caused unemployment to assume enormous dimensions. It amounted in thousands:

November 1925 . . . . .	219
December 1925 . . . . .	262
January 1926 . . . . .	314
February 1926 . . . . .	364
March . . . . .	354

These official figures show that about 40% of the industrial proletariat is out of work. In actual fact the number of unemployed is even greater, and besides this more than one half of those workers who are in work are on short time. The bloody unemployed demonstrations which have become matters of daily occurrence prove the misery of the unemployed in Poland, where only a fraction of those out of work receive unemployment benefit, which even then is very inadequate.

The cause of the depreciation of the zloty, now that the foreign trade balance has been made favourable and inland circulating media are not being increased, is to be found chiefly in the wretched condition of state finances, and in the failure of the loan negotiations. State finances are in a perfectly hopeless condition. The following are the official data for the last few months:

	In million zloty		
	December 1925	January 1926	February 1926
Receipts . . . . .	181,1	132,2	114,7
Expenditure . . . . .	217,4	165,9	122,3

The state treasury is perfectly empty, and it is a serious problem how the salaries of the officials are to be paid on May 1. The negotiations between the Bank Polski and an American financial group, with the object of taking up a foreign loan in exchange for a lease of the tobacco monopoly, have led to no result. Although professor Kämmerer spoke very impressively on the great future awaiting Poland, no one shows any inclination to advance money. Thus the reserve of foreign bills held by the Polish Central Bank is completely exhausted, and as the Polish exporters obviously prefer to invest a great part of their export earnings abroad in foreign securities, since foreign notes are reserved in Poland itself, the demand for securities greatly exceeds the supply, in spite of the favourable trade balance, and the depreciation of the zloty follows. In February the Polish Bank pledged gold to the value of one million pounds to the Bank of England, in order to obtain means for satisfying the demand for foreign bills. It was hoped thereby to maintain the zloty at the then rate of 7.30 to the dollar, but these foreign securities vanished like the rest, without preventing the further depreciation.

## ITALY.

The wave of economic prosperity experienced by Italian economics, and especially Italian industry, during the last few years, appears to have reached a turning point. Indications of declining prosperity are observable on all sides. Thus one of the best political economists of Italy, professor Bacci, writes as follows:

"Towards the end of 1925 we have however observed indications of difficulties in various branches of industry, and these have become gradually more acute at the beginning of 1926. The cause is probably to be found in the shortage of money and the high interest on loans. Export, too, appears to be slackening, and there is a certain stagnation in the home markets. The economic situation is less favourable than before, and mirrors the critical position typical of the phase of money stabilisation<sup>(1)</sup>."

In Italy the unemployed statistics are published very late, and are not very reliable. Up to the present only the figures for January 1926 are available. 156,139 unemployed are recorded, an increase of 34,000 in one month. The number is however not higher than a year ago.

The pessimism felt as to economic developments is characterised by the considerable fall in Stock Exchange prices in February and March. In Italy, as in America, the favourable economic situation has given opportunity for extensive Stock Exchange speculation. New undertakings have been established,

<sup>(1)</sup> "Wirtschaftsdienst", 9. April 1926.

and the capital of old ones increased on an ever larger scale, as follows:

	In million lire
1923	3983
1924	5997
1925	8951
1926 January	890

If we deduct the Capital of those joint stock companies which have been dissolved, and the reductions of capital undertaken by other firms, the progress of net investment has been in round figures, as follows, in milliards:

1923	2
1924	5
1925	8

There is no doubt that this feverish activity in the founding of new undertakings is based to a great extent on unsound speculation, as these sums cannot by any means represent actual accumulations. At the end of the year the total capital owned by Italian joint stock companies was as follows:

	Milliard lire:
1913	5,64
1924	28,2
1925	36,3

Reduced to pre-war values, this means that in 1925 share capital exceeded the pre-war amount by 50%.

The boom in the Italian industries has been chiefly due to the slow depreciation of the lira, and since the lira has become stable of late, this cause of economic prosperity no longer exists. To this we must add the circumstance that home prices appear to be fixed at a very high level in consequence of the stabilisation, so that the export capacity of the country is restricted. The wholesale trade index figures issued by the Milanese Chamber of Commerce shows the following developments (1913 = 100):

Average 1924	554
Average 1925	646
End of January 1926	658
End of February 1926	650
End of March 1926	638

Whilst these wholesale trade prices show a certain tendency to fall, the retail trade prices are rising, and since wages are already very low, this is bound to lead either to wage struggles or to lessened output. The situation is further complicated by the protective duty on grain which is not supplemented by any corresponding duty on animal foodstuffs, so that cattle breeding suffers<sup>34)</sup>.

#### Foreign Trade.

Italy's foreign trade balance is becoming more adverse. In 1924 the adverse balance amounted to 5 milliard lire, in 1925 to 7,9 milliard lire. To what extent this adverse foreign trade balance signifies an adverse payment balance is not easy to ascertain. Italy earns a great deal of money through the tourist traffic; the revenue from this source was estimated at not less than 3½ milliard lire in 1925. Almost one half of the adverse foreign trade balance is covered by this. Another considerable source of revenue is the money sent home by Italian emigrants. These receipts, combined with the fresh foreign capital invested in the country, may possibly suffice to render the payment balance favourable, despite the unfavourable conditions in foreign trade.

If we examine Italy's export in 1925, we find that this has consisted with but few exceptions of goods which can only be sold in the world's markets when thoroughly capable of standing severe competition. In 1925 Italy's most important export articles were as follows, in million lire:

Cotton fabrics	2235
Raw silk, artificial silk, silk fabrics, etc.	3714
Hats, gloves, buttons, etc.	588
Motor cars	767

All these items have greatly increased as compared with 1924. The other important export articles are not subject to such severe competition in the world's markets: fresh fruit, oranges, lemons,

fresh vegetables, almonds, etc., to the total value of about 150 million lire. But the majority of the goods exported by Italy are exposed to keen competition, and it is very questionable whether Italy will be able to hold a position as competitor in the world's markets should its currency remain stable.

The adverse foreign trade balance increased from 1400 millions in 1925 to 1729 millions during the first two months of the current year. It is however a remarkable fact that there has been a considerable increase in the import of almost all important industrial raw materials in these two first months<sup>35)</sup>.

	1925	1926
	in 1000 units	
Coal	1393	1875
Copper	86	93
Steel plates	80	110
Iron and steel bars	149	216
Cellulose	182	287
Cotton	433	583
Wool	68	77

etc. This increased import of raw materials shows that the Italian capitalists at least reckon upon a continuance of the increased production in the current year, though of course their calculations are not necessarily correct.

#### Finance and Foreign Capital.

The Italian currency has remained almost stable during the period covered by this report. According to the statements made by the government, the state finances are in good order, and it is expected that there will be a surplus of 337 million lire at the end of the current financial year. At the end of February there were notes in circulation to the value of 20 milliards, or 1 to 2 milliards less than at the end of December last year<sup>36)</sup>.

The agreement regarding the debts come to with the United States (which had just been ratified when this report was concluded) has caused a not inconsiderable influx of American capital into Italy. American capital has, for instance, been invested as follows:

	Million dollars
Piemontese Electric power Works	11,2
Italian Edison Company	10
Turin Gas Works	5

The Italian Bank in America has increased its share capital from 100 to 200 million lire; three quarters of the new shares have been taken over by an American consortium.

600,000 new shares issued by the Artificial Silk Co. Snia Viscosa were sold in New York at the price of 16 dollars each, a total of 9,6 million dollars. Numerous negotiations are being carried on at the present time, one of special interest being the intended increase of capital of the Italian American Petroleum Co. (Standard Oil) from 100 to 250 million lire. It is possible that this increase of capital may not be carried out, owing to the new petroleum regulations.

Other important investments of capital besides American, are the 1 million shares of the Snia Viscosa which have passed into English hands, and the taking over by England of the Castiglioni participation in the Trieste Banca Commerciale. Thus Italy too is beginning to be run by foreign capital.

#### Increase of population and colonial policy.

On 31. December 1925 the population of Italy numbered 42,115,606, that is 3 million more than at the last census 4 years ago. These official figures are misleading to a certain extent, since at the last census only those members of the population actually resident in the country were counted, whilst the present census included persons temporarily abroad. The difference is probably about one million persons.

This rapid increase of population is a serious problem, and furnishes the popular support for the ever-growing imperialist policy of Italy. In order to render the colonial piracy of Italian capital more popular, representations are made that it is highly desirable to provide new possibilities of existence in North Africa for the increasing population of Italy. But Italy's policy of expansion is not only directed towards North Africa, but towards Albania and the Balkans, in general towards Asia Minor, and has set up as its goal the domination of the Mediterranean. This policy cannot be carried on for long without bringing about a war.

<sup>35)</sup> Data taken from "Bulletin Quotidien". 29. May 1926.

<sup>36)</sup> "Times". 25. March 1926.

<sup>34)</sup> "Bulletin Quotidien". 1. April 1926.

## FRANCE.

France's economic situation is best characterised by the continuation of the wave of prosperity induced by the inflation, though indications are not lacking that the economic tide is on the turn. Production is still increasing, if we are to judge by the statistics available, but foreign trade is already being carried on under less favourable conditions. Exports continue to increase, it is true, as far as the quantity of goods exported is concerned, but the proceeds do not increase correspondingly. On the other hand the quantity of goods imported decreases, whilst the prices rise and the foreign trade balance shows large import surpluses in the past seven months.

The new taxes having been voted, the budget was balanced on paper. It is however very probable that there will still be a deficit, expenditure having been calculated on a rate of exchange of 100 francs to the pound sterling, whilst the actual rate of exchange had already reached 145 by the middle of April. The financial and currency crises cannot be regarded by any means as ended.

The economic situation in general is still good. Most of the undertakings are fully occupied. There is no unemployment worth mentioning. The production of some of the most important goods has been as follows:

Coal output (1000 tons)<sup>37)</sup>:

Monthly output 1925 . . . . .	4003
November 1925 . . . . .	4079
December 1925 . . . . .	4085
January 1926 . . . . .	4251
February 1926 . . . . .	4088

## Iron and steel output (1000 tons):

January 1925 . . . . .	669	665
March 1925 . . . . .	680	607
December 1925 . . . . .	748	659
January 1926 . . . . .	763	661
February 1926 . . . . .	707	630

## Blast furnaces working:

1. January 1925 . . . . .	133
1. January 1926 . . . . .	147
1. February 1926 . . . . .	149

Similarly favourable reports are received from other branches of industry: the metal industry, motor cars, textiles, etc., but these do not publish any statistics of production<sup>38)</sup>. It appears however as if the present economic prosperity is unable to stand any long cessation in the depreciation of the franc. The purchasing power of the home markets is sinking; exports are dwindling.

## Developments in foreign trade.

	Import	Export	Export surplus	Import surplus
Monthly average 1924 . . . . .	3344	3455	111	—
Monthly average 1925 . . . . .	3658	3784	126	—
September 1925 . . . . .	4317	3850	—	467
October 1925 . . . . .	4476	4375	—	101
November 1925 . . . . .	4574	4193	—	381
December 1925 . . . . .	5446	4627	—	819
January 1926 . . . . .	4483	3868	—	615
February 1926 . . . . .	5245	4409	—	836
March 1926 . . . . .	5095	4060	—	135

There has been an adverse trade balance since August 1925.

These data show that the inflation is approaching a point at which only an accelerated depreciation can maintain export activity. The following figures, taken from the "Bulletin Quotidien" (the organ of the Comité des Forges) of 16. March 1926, show the

<sup>37)</sup> Without the Saar area.

<sup>38)</sup> See for instance "Le Temps", 14. March 1926.

actual losses which French economics suffer through the forced export — which is nevertheless totally unable to maintain a favourable trade balance:

Official average value of one ton of exported finished goods, in gold francs (reduced according to the rate of exchange of the dollar).

4. quarter 1924 . . . . .	1965
4. quarter 1925 . . . . .	1397
February 1926 . . . . .	1334

Even though the quality of the goods exported may have changed, still a survey of the exported goods shows us that there has hardly been a change sufficient to explain such a drop in prices. The composition of French exports, according to the nature of the goods, has not undergone any special change. The shrinkage of export value per ton is a sign that here, as in the case of every inflation, goods are being sold much below their gold price in the world's markets.

This means at the same time that the continuation of the inflation is only of advantage to those sections of big industry which work up and export inland raw materials. Those branches of industry requiring foreign raw materials, especially the textile industry so important to France, more and more lose their desire for a continued inflation when the present stage of inflation has been reached.

During the first two months of the year the franc remained fairly stable; it fluctuated around 130 to the pound. Since the first days of March a renewed depreciation has set in, leading after some fluctuation to a rate of exchange of 146 to the pound by the middle of April. We have frequently dealt with the causes of the depreciation of the franc, and need not repeat here<sup>39)</sup>. To these old causes there must now be added the failure in Geneva, the sabotage of the disarmament plans, etc.

Prices have not yet followed the latest depreciation, if the official figures are to be believed.

## Wholesale trade price index figures:

	Foodstuffs			Industrial materials
	Total	Vegetable	Animal	
End of December 1925 . . . . .	646	531	514	751
End of January 1926 . . . . .	647	538	511	748
End of February 1926 . . . . .	649	534	515	749
End of March 1926 . . . . .	645	539	516	740

## The cost of living in Paris.

	General	Cost of food
Fourth quarter 1925 . . . . .	421	437
First quarter 1926 . . . . .	451	473

## The increased Tariffs.

The increase of duties by 30% is of importance from the standpoint of economic politics. The member of parliament reporting on the subject stated that in 1913 the customs duty amounted to 8.8% of the sum total of the imports, in 1922 to 8.09%, but in 1925 to 3.33% only. Parliament decided to exclude foodstuffs: corn, sugar, coffee, etc. from the higher duties; the Senate rejected this decision, and the Chamber of Deputies submitted.

## The Budget Comedy.

In our last report we dealt in detail with the problems of the French financial crisis. This time we shall merely make a brief survey of the present state of affairs. Briand, alleged to be governing with a "Left majority", has employed his methods of "continuous threats", of endless changing of Ministers, and of utilising the aid of the Senate, to such effect that he has succeeded in wearing out the Left, that is, the parliamentary representatives of the petty bourgeoisie, to such an extent that they have at last acceded to all the demands of the big bour-

<sup>39)</sup> "Le Temps", the semi-official organ of French foreign policy, and in sharpest opposition to the Left bloc in home politics, published an article on 28. March 1926 in which it attempted to show that every attack made by the Left against capital had caused an increased depreciation of the franc. And this is true: the capitalists have intimidated the petty bourgeoisie by the fall of the franc.

geoisie. At the decisive division on the increase of the turn-over tax from 1,3% to 2%, — that turn-over tax the abolition of which was one of the main points in the programme, the Left Bloc — 70 socialists and 60 radicals abstained from voting.

Had the 70 socialists voted against the tax, it would have been rejected by a majority of 38. The socialists have thus rejected their own programme<sup>40</sup>).

An increased revenue of 4500 millions is expected from the new taxes, the distribution being as follows:

	Million francs
Increase of turnover tax . . . . .	1233
Increase of price of tobacco . . . . .	720
Increase of price of alcohol . . . . .	112
Increase of price of matches . . . . .	38
Increase of price of petroleum . . . . .	237
Increase of duties . . . . .	275
Increase of price of salt and pharmaceutical goods . . . . .	64
	<hr/> 2679 •

Besides this, there is the "citizen tax", which is expected to bring in 570 million francs, and which is borne for the most part by the working population. (The tax is imposed on all those with an annual income of not less than 7000 francs, or scarcely fifty pounds a year.)

**Budget and Taxation Receipts.**

The budget has now been balanced on paper: 37,55 milliards revenue as against 37,3 milliards of expenditure, and all the items hitherto placed under special headings as: "To be replaced by Germany" or "Restoration", have been included in the budget itself. No doubt this is a great advance. But the budget for 1925 was also balanced on paper! And yet we have it on the authority of Doumer<sup>41</sup>) that it closes with a deficit of 3 milliard francs. The following factors are to be considered when estimating this year's budget:

The revenues do not contain:

- a) Reparation payments 1,5 to 2 milliard francs (according to rate of exchange),
- b) The special Loucheur taxes 2,8 milliard francs.

Both of these sources of income are to be reserved for the amortisation of the debts.

The depreciation of the franc must be taken into account in the estimate of expenditure. Expenditure has been calculated on the basis of 100 francs to the pound sterling. 54% of the expenditure consists however of interest on state loans and pensions, items unaltered by the depreciation. The remaining expenditure, 15 milliards, rises almost pari passu with the sinking of the value of the franc. If a rate of exchange of 150 francs to the pound is assumed — and this is certainly a moderate assumption — an increased expenditure of 7½ milliards must be reckoned with, and therefore a deficit of the same amount. And then it is a question as to what extent the taxes will be actually collected. One part of the revenues (turn-over tax, etc.) increases with increasing prices. The other part remains untouched. And since the direct taxes come in very late, in semi-annual instalments, the amount realised by them shrinks rapidly if the currency is depreciating. The following figures give an idea of the meagre yield from taxes during the last few months:

Tax receipts in million francs<sup>42</sup>):

	I. Quarter 1925	IV. Quarter 1925	I. Quarter 1926
	6526	9364	8202
Direct taxes			
Indirect taxes			
Land Tax			
	in million francs.		
January 1926 . . . . .	1546	2369	13
February 1926 . . . . .	929	1762	18
March 1926 . . . . .	148	1903	13

<sup>40</sup>) Parliamentary corruption in France is unparalleled. At the decisive divisions all the parties voted in two or three groups: for, against, and abstention! Except among the communists, there is no party discipline whatever.

<sup>41</sup>) "Economist", 17. April 1926.

<sup>42</sup>) "Le Temps", 15. April 1926.

It will be seen from this that in March only one million pounds, in round figures, were received as direct taxes.

**The Taxation Sabotage of the French bourgeoisie.**

We may gain an idea of the taxation sabotage practised by the bourgeoisie by glancing at the following compilation on taxed incomes, submitted to parliament by the Minister of Finance, and showing the position on 31. December 1924.

Amount of taxed income in 1000 francs.	Number of taxpayers
7 to 10 . . . . .	248,652
10 to 20 . . . . .	529,588
20 to 30 . . . . .	168,883
30 to 50 . . . . .	105,019
50 to 100 . . . . .	57,815
100 to 200 . . . . .	20,817
200 to 300 . . . . .	5,327
300 to 500 . . . . .	3,124
500 to 1000 . . . . .	1,287
over 1000 . . . . .	363
	<hr/> Total: 1,140,875

According to this there were:

Not more than 362,000 people with an income of over 30,000 francs (equal at that time to £ 275 a year).

Not more than 31,000 people with an income over 100,000 (equal at that time to approximately £ 1300 a year).

**The State Treasury Problem.**

Assuming that the state revenues really cover the current expenditure, the Exchequer may still find itself in considerable difficulties should there be any interruption in the renewal of the Bonds.

It is interesting to note that the terms of the *Bons de Défense* (treasury bonds of the national defence loan) are rapidly becoming shorter. These were issued for the following terms (in million francs<sup>43</sup>):

	1 month	2 months	6 months	1 year	Total
1925 31. December	4877	3544	3704	33,610	45,735
1925 31. January	2715	2523	8685	40,963	54,886

In the course of 11 months the state treasury was obliged to redeem bonds to the value of 9 milliards; besides this the short term bonds have increased at the expense of the long term; the debt has become more "floating" than before.

**The Episode of the Petroleum Monopoly.**

One of the fig leaves with which the socialists hoped to conceal their treachery was the founding of a state sugar and petroleum monopoly. This transaction afforded many points of interest. When the petroleum monopoly was being discussed, the Minister of Finance, Doumer, called to the Right opposition: "Do you really believe that the petroleum monopoly does not already exist" (Loud applause from the Left and extreme Left). "Do you believe that there is such a thing as free trade in petroleum . . . . the question here is one of great foreign interests, and the government cannot remain indifferent to these<sup>44</sup>."

The Senate rejected the petroleum monopoly; the chamber had to content itself with accepting it "on principle". The organ of the big bourgeoisie found this "as platonic as it was regrettable"<sup>45</sup>.)

This same paper had reported on the previous day that the last sentence had been suppressed from the wording published by Havas Telegraph Agency of the American statement on the project of the French petroleum monopoly, this sentence being as follows:

"The ambassador Harrick may be given instructions to make a semi-official communication to the effect that, according to the feeling of the Washington government, the recommendation of a petroleum monopoly could only have unfavourable consequences for Franco-American commercial relations."

<sup>43</sup>) "The Statist", 20. March 1926.

<sup>44</sup>) "The Temps", 7. March 1926.

<sup>45</sup>) "Bulletin Quotidien", 1. April 1926.

The interests of the Standard Oil are most definitely represented by the Foreign Office of the United States. The note signifies the prohibition of the monopoly:

### ENGLAND.

Public life in England is entirely dominated at present by the conflict in the coal mining industry. Apart from the extent of this strike — about one million workers are involved — the conflict raises various fundamental questions of principle in the relations of the classes to one another.

The conflict of principle between the workers and capitalists in the coal mining industry was an established fact nine months ago, and was only bridged over for nine months by the subsidy. The subsidy has enabled the English mine owners to earn normal profits. Nineteen million pounds were paid as subsidy, and the capitalists calculate that they would have suffered a loss of 4.2 million pounds in the last three months of 1925, had they not been in receipt of government aid<sup>40)</sup>.

At the time when the subsidy was granted, a Royal Commission was appointed, under the chairmanship of H. R. Samuel, to investigate the whole coal question. The report of this commission, a 300 page volume, has now been published. It deals with every question relating in any way to the situation in the coal mining industry. Like all English reports, it is clearly written and well worked out, and keeps up the appearance of perfect impartiality, but none the less it represents the standpoint of the capitalists only. It is difficult to select what is most important from the mass of uniformly interesting material here given.

After agriculture, coal mining is the most important branch of industry in Great Britain, and employs over 1 million workers. One twelfth of the total population lives direct from coal mining. The value of the annual output is 250 million pounds.

Output, export, and home consumption, have all fallen off considerably during the last few years, as compared with pre-war figures.

	1909/13	1924	1925
	Million tons <sup>47)</sup>		
Output . . . . .	270	267	244
Export . . . . .	88	82	69
Home consumption . . . . .	182	185	175

The decline in export is mainly due to the reduced demand from Germany, Russia, South America, and Italy. The Coal Commission attributes the decline in the first place to the general depression in Europe, and to the development and increasing use of other fuels than coal — and to a lesser extent to the competition of other coal exporting countries. Nevertheless the reduction of coal prices in the latter half of 1925 brought a considerable increase of export<sup>48)</sup>.

The English coal mining industry is in a state of anarchic disorganisation. There are 2481 pits, in the hands of 1400 undertakings. But 98% of the output is obtained from 715 undertakings employing over 100 persons each, 93% of the output from 467 undertakings employing over 500 persons, and 84% of the output from 323 undertakings employing over 1000 persons. Expressed in other words: 84% of British coal is produced in 23% of the undertakings.

The Report gives an exceedingly interesting account of the advantages of large-scale undertakings in coal mining<sup>49)</sup>. It is shown that the output per head is less in the small pits than in the large, while the cost of production is greater.

The output per head in England has fallen off greatly since the eighties:

Yearly average	1884 88	310
"	1880 03	282
"	1894 08	287
"	1890 03	287
"	1904 08	283
"	1909 13	257
"	1914 18	252
"	1919 23	105
Year	1924	220
"	1925	217 (provisional figures)

<sup>40)</sup> "Times", 27. March 1926.

<sup>41)</sup> Coal Report, p. 4.

<sup>42)</sup> Coal Report, p. 14.

<sup>43)</sup> Coal Report, pp. 49 51.

This falling off in the output is one of the chief causes of the conflict between the miners and the capitalists. The Commission emphasised, however, that the falling off is not the fault of the men, but is due to the following circumstances: 1. Shortened working hours; 2. Worsened natural conditions of production, that is, deeper pits, exploitation of shallower seams, etc. The output per head of the workers employed is however much greater at the present time in England than in France or Belgium, and is approximately the same as in Germany, but only one third that of America. The large American output is attributed to the great thickness and proximity to the surface of the seams. Unless the lessened output per head is counteracted by means of new technical equipments, it must be regarded as an unalterable fact.

### The Economic Situation

has improved, but only very slowly, during the first three months of the year.

### Unemployment.

	Percentage of all insured	Percentage organised in trade unions	No. of registered in 1000	No. in receipt of unemployment benefit in 1000
1925 Jan. . . . .	11,5	9,0	1320	—
1925 March . . . . .	11,4	9,0	1308	—
1925 Dec. . . . .	10,5	11,0	1243	1127 <sup>1)</sup>
1926 Jan. . . . .	11,1	10,6	1318	1221 <sup>2)</sup>
1926 Feb. . . . .	10,5	10,4	1248	1126 <sup>3)</sup>
1926 22. March . . . . .	—	—	—	1039
1926 5. April . . . . .	—	—	—	1050

<sup>1)</sup> 21. December 1925. <sup>2)</sup> 11. January 1926. <sup>3)</sup> 22. February 1926.

These figures show certain inconsistencies; the percentage of unemployed workers organised in the trade unions was considerably greater in February than a year ago, that of the total of insured workers 20% less. This may be due to the fact that the labour market has improved in those branches employing less organised labour. The number of unemployed in receipt of benefit was fewer by 117,000 on 5. April than it was a year ago. This is chiefly attributable to the increased employment in the coal mines, due to the subsidy. A certain number have ceased to receive the unemployed dole and have become dependent on poor law relief. In any case there is no great improvement to record.

Coal production has remained at almost the same level as in the previous year.

### Average weekly coal output.

	Million tons	
	1925	1926
January . . . . .	5,08	5,09
February . . . . .	5,35	5,40
March . . . . .	5,24	5,34

Iron and steel have increased somewhat.

### Output of the iron and steel industry:

	Iron	Steel
	1000 tons	
1913 Monthly average . . . . .	869	649
1923 " " . . . . .	630	719
1924 " " . . . . .	620	696
1925 " " . . . . .	528	626
1925 March . . . . .	618	696
1925 December . . . . .	511	617
1926 January . . . . .	542	651
1926 February . . . . .	510	715
1926 March . . . . .	578	794

The combined production of iron and steel in March was 4% higher than a year ago; a very slight increase.



The industries working up metal also show slight signs of improvement. Ship building, on the other hand, is still suffering severely; the situation is even worse than before.

	End of December 1925	Ende of March 1926
Ships in course of construction, in 1000 tons :	884	843
Ships launched . . . . .	217	191

The tonnage of new ships under construction has however somewhat increased.

The cotton weavers have been on still shorter time since the end of January, only 30½ hours being worked per week, with two days complete idleness.

In agriculture, the land under cultivation is still declining<sup>50)</sup>. The area under cultivation has been as follows, in 1000 acres:

1914 . . . . .	109,980
1918 . . . . .	21,123
1925 . . . . .	10,682

The area under wheat cultivation has decreased in one year by 45,000 acres to 1,5 million acres, the smallest area since 1904. The country is being converted more and more into meadows and pastures.

There is no improvement in foreign trade. The following is a summary of the results of the first quarter:

	Million pounds sterling	
	1925	1926
Imports . . . . .	352	321
Export of British goods . . . . .	209	190
Re-export . . . . .	40	37
Total export . . . . .	249	227
Import surplus . . . . .	103	94

The export of British goods is almost 10% less than last year; the visible deficit is also smaller, but this is a result of the great shrinkage of imports. More detailed statistics show before all else that the quality of the textile goods exported has declined.

**Rate of Exchange and issues of Securities.**

During the last few months the rate of exchange of the pound has remained perfectly steady, the bank of issue even being in receipt of additional gold. The level of prices is sinking on the whole<sup>51)</sup>. Though business is slack, many issues are being made for inland transactions. The value of these amounted in the first quarter of the year to the following sums, in million pounds<sup>52)</sup>:

	1924	1925	1926
Total . . . . .	36,0	47,6	75,0

Consisting of:

British state loans . . . . .	—	4,6	5,4
Foreign and colonial governments . . . . .	19,1	0,8	16,9
Colonial and foreign enterprises . . . . .	3,5	5,9	16,1
Mines . . . . .	3,4	4,6	3,9
Petroleum and rubber . . . . .	0,3	1,5	2,0
Home industries . . . . .	11,0	29,3	29,2

The Future Economic Development is — apart from the coal conflict — the subject of various opinions. The bankers are, in general, much more optimistic than the industrialists. Thus Beaumont Pease stated at the general meeting of Lloyds Bank that the bank had granted 44 million pounds in fresh loans between July 1924 and July 1925, 41 million pounds of which were to be employed for the expansion of business. Mc Kenna,

at the general meeting of the Midland Bank, was equally optimistic.

The optimist standpoint finds its broadest expression in an article by Layton, the editor of the "Economist", published in the American "Annalist"<sup>53)</sup>. This article is obviously a reply to the pessimistic statements of Harvey. Its main line of argument is:

The world's trade will increase in the twentieth century just as it did in the nineteenth. England's local advantages still remain undiminished. Therefore British foreign trade will increase. The prerequisites are: Peace, abolition of artificial hindrances to world trade, stable valuta.

It is scarcely necessary to go further into details. Mr. Layton demands peace and free trade (low tariffs); two things which are impossible in the present period, as they were impossible for the imperialism of the pre-war epoch. Thus all the beautiful conclusions to be drawn from peace and free trade fall to the ground.

**THE UNITED STATES OF AMERICA.**

The economic prosperity of America was maintained in the first three months of the current year. This is generally demonstrated by the statistics of production. We append two tables showing the general trend of the economic situation:

General character of the economic situation:

	Index of industrial production issued by Federal Reserve Board (basic industries)	Index of degree of occupation of workers	Loaded wagons, last week of month in 1000 tons	New building orders million dollars
1925 Jan. . . . .	127	95,0	896	300
1925 March . . . . .	120	96,4	931	491
1925 Oct. . . . .	116	97,0	—	520
1925 Nov. . . . .	115	97,2	923	465
1925 Dec. . . . .	121	97,1	968 <sup>1)</sup>	530
1926 Jan. . . . .	120	96,3	925	457
1926 Feb. . . . .	120	97,0	913	389 <sup>2)</sup>
1926 March . . . . .	—	—	968	507 <sup>3)</sup>

<sup>1)</sup> Middle of month. <sup>2)</sup> 22 days. <sup>3)</sup> 27 days.

Production figures for the most important industries:

	Soft coal, million tons	Anthracite, million tons	Iron 1000 tons	Steel 1000 tons	Motor cars 1000	Cotton consumption 1000 bales
1925 Jan. . . . .	51,0	7,4	3370	4100	213	500
1925 March . . . . .	37,6	7,1	3564	3336	332	582
1925 Oct. . . . .	53,2	Strike	3023	3893	452	544
1925 Nov. . . . .	50,8	Strike	3023	3907	376	543
1925 Dec. . . . .	52,8	Strike	3250	3976	319	575
1926 Jan. . . . .	53,7	Strike	3316	4157	316	583
1926 Feb. . . . .	46,8	2,1	2923	3795	376	567
1926 March . . . . .	—	—	3430	—	447 <sup>1)</sup>	—

<sup>1)</sup> Provisional estimate.

Despite the generally favourable picture given by these data, there is a great deal of pessimism prevalent among certain circles of American bankers and industrialists regarding the actual basis of this good development of business. It is being pointed out in various quarters that signs of slackening trade are already visible. The most important of these signs is the

<sup>50)</sup> "Daily Herald", 15. February 1926.

<sup>51)</sup> "Economist", 3. April 1926.

<sup>52)</sup> Ibid.

<sup>53)</sup> "The Annalist", 2. April 1926.

diminution of the orders on hand with the Steel Trust, as is to be seen from the following figures:

	Steel Trust orders, in 1000 tons	Blast furnaces working at end of month
1925 Jan. . . . .	5087	251
1925 July . . . . .	3539	190
1925 August . . . . .	3513	192
1925 November . . . . .	4582	—
1925 December . . . . .	5033	234
1926 January . . . . .	4883	378
1926 February . . . . .	4617	375
1926 March . . . . .	—	373

The greatest sensation was aroused by the abrupt decline of prices on the stock exchange in March, a decline which degenerated into a panic during some days.

**Stock exchange speculation.** The economic boom which has, now lasted for several years, in combination with the great quantity of money available, has brought about a great amount of speculation in the security market. Stock Exchange speculation has been facilitated by the loans granted by the banks, as the brokers and agents deposited securities in return for loans. The credits granted on securities to the brokers on the New York exchange were as follows:

In million dollars:

on 31. January 1926 (published for the first time) . . . . .	3513
on 28. February 1926 . . . . .	3536
on 31. March 1926 . . . . .	3000

The decline in price on the Stock Exchange was a very extensive one, from the maximum index figure 162,31 to 129. It is impossible to judge from here whether this drop in the prices of industrial securities was caused by the restriction of credit alone, or whether premonitions with regard to a possible economic decline have also played a part. We must however emphasize that this collapse in security speculation only touches the actual economic situation in a very indirect manner, in that the rate of interest for money or call money has sprung up to 5½%. Apart from this, this crisis does not affect the general bases of the economic situation. The same applies to the speculation in building sites.

**The system of payment by instalments.** The system of granting credit to the consumers, and the system of payment by instalments, continue to make enormous strides in America.

The extent to which the instalment system has spread may be gathered from a statement published by the Farmers Loan and Trust Co. Goods have been sold in the United States on the hire purchase system to the following proportions:

Motor cars . . . . .	75%
Washing machines . . . . .	75%
Gramophones . . . . .	80%
Pianos . . . . .	40%
Typewriters . . . . .	25%
Furniture . . . . .	85-90%

A great number of one-family houses are also being sold on this system<sup>54)</sup>.

#### Foreign Trade.

The developments in foreign trade have so far shown no indication of lessened prosperity. On the contrary: during the last three months America's foreign trade balance showed an excess of imports over exports. The absorbing capacity of the home markets has been such that, despite the enormous production, it has still been possible to absorb an increased quantity of foreign goods.

<sup>54)</sup> "Berliner Börsen Courier". 4. April 1926.

#### Trade in goods.

	Import	Export	Export surplus	Import surplus
Million dollars				
1925 October . . . . .	374	491	117	—
1925 November . . . . .	377	448	71	—
1925 December . . . . .	398	469	71	—
1926 January . . . . .	414	399	—	15
1926 February . . . . .	389	353	—	36
1926 March . . . . .	396	362	—	34

The gold movement has again changed its direction during the last few months. The past months show a great surplus of gold export over import:

#### Import and export of gold:

	Import 1924	Export 1925	Import 1925	Export 1925
December . . . . .	10,3	39,7	7,2	6,0
Whole year . . . . .	319,7	61,6	128,3	262,6
	1925		1926	
January . . . . .	5,0	73,5	19,4	3,1
February . . . . .	3,6	50,6	25,4	3,9
March . . . . .	7,3	25,1	—	—

#### State Finance and Taxation Reform.

The economic prosperity has had a very favourable effect upon the state revenues. For this reason the taxation reform passed in February considerably reduced the income tax. We give a survey of developments during the last few years<sup>55)</sup>:

Income	T a x			
	1918	1921	1924	1926
D o l l a r s				
3,000 . . . . .	60	20	7,50	—
4,000 . . . . .	120	60	22,50	5,63
5,000 . . . . .	180	100	37,50	16,88
10,000 . . . . .	830	520	165	101,25
50,000 . . . . .	11,030	8,640	6,095	4,878,75
100,000 . . . . .	35,030	30,140	22,575	16,058,75
1,000,000 . . . . .	429,575	—	—	241,058,75

It will easily be observed from this that the classes of the population with low incomes are not burdened with income tax in a manner in any way comparable with European conditions. Incomes up to £ 600 yearly are entirely free from income tax; 24/— are paid on an income of £ 800. The taxation reform has, of course, not failed to alleviate the burdens of the rich, as may be seen from the following figures<sup>55)</sup>.

	Finance year 1924/25	According to the new assessment
In dollars		
Henry Ford . . . . .	2,608,808	1,147,875
Edsel Ford, his son . . . . .	2,158,055	949,544
Secretary of State Mellon . . . . .	1,882,009	828,348
F. W. Vanderbilt . . . . .	792,986	348,909
Cyrus S. Curtis, owner of the largest newspaper concern (including the "Saturday Evening Post") . . . . .	583,872	256,903
J. P. Morgan . . . . .	574,379	252,726

#### Questions of Economic Policy.

We have already dealt with these, in the general section, in so far as the relations between the United States and other States are concerned. In home politics the most important change has

<sup>55)</sup> "Bulletin Quotidien". Supplement No. 387.

been the above-mentioned reduction of the income tax. Another point worthy of notice is the existence of a certain struggle between the government and the Trusts, a struggle which is naturally not meant seriously, and serves in reality to prepare the way for the elections.

Two events aroused much sensation during the period of this report.

1. The prohibition of the so called Nickel Plate Fusion by the Interstate Trade Commission. The amalgamation of three great railway lines had been planned. It is asserted that the drop in railway shares caused by this prohibition was the first impulse towards the collapse of stock exchange speculation.

The second sensational event was the prevention of the formation of the Bread Trust. Here it had been planned to combine five great foodstuff enterprises, with a common share capital of 2000 million dollars. The projected Ward Food Products Corporation would have amalgamated the three largest wholesale bakery concerns in America, enterprises which in themselves again comprise 157 bread factories, mills, sugar factories, dairies, and yeast manufactories. These three concerns are said to have produced about 17 million hundredweights of bread and one million hundredweights of confectionery in 1925. This would mean that they had supplied about 5 million people, or 4% of the population of the United States, with bread<sup>24)</sup>.

Public opinion was extremely strong against this proposed combine, and this led to its prohibition by the government. It is interesting to note that two of the leading American bourgeois newspapers, the "New York Times" and the "Journal of Commerce", are extremely sceptical about the prohibition<sup>25)</sup>. Experience has shown that concerns forbidden by the government generally contrive some means of realising their projects in some form or another.

**Wage conditions among the working class.**

It is generally assumed that the economic prosperity of the last few years has been accompanied by higher wages for the American workers. It is interesting to observe that actual statistics flatly contradict this assumption.

We have before us a table published in the official organ<sup>26)</sup> of the American Labour Office. This gives the proportional rise in real wages, calculated on the budgets of 12,000 families taken from 92 different localities in the United States, the basis employed being the hourly wages, according to tariff, of the workers organised in trade unions. The following is the result (1913 = 100). Real wages:

1923	123,2
1924	133,6
1925	137,1

According to this, there has been an upward tendency during the last three years.

The official statistics of the International Labour Office<sup>27)</sup> do not however confirm this. Here we have a table stating the real wages received in various cities of the world, the real wage paid in London on 1. July 1924 being taken at 100. The costs of food alone are taken as a criterion. In the United States Philadelphia is selected as a typical city. This following table shows the movement of real wages.

Date	Real wage index figure
1. July 1924	213
1. October 1924	207
1. January 1925	202
1. April 1925	194
1. July 1925	180
1. October 1925	176
1. January 1926	166

According to this table, the real wages of the American workers have thus fallen by about 23% during the last 1 1/4 years.

<sup>24)</sup> Data taken from an article in the "Frankfurter Zeitung", 16. March 1926.

<sup>25)</sup> "Literary Digest", 17. March 1926.

<sup>26)</sup> "Monthly Labour Review", January 1926, p. 17.

<sup>27)</sup> "Revue Internationale de Travail", April 1926, p. 637.

It is true that the table takes the price of food only as a basis. But it is by no means to be assumed that if the statistics of the prices for industrial products and other necessities had also been included in the calculations, there would have been any great change in the tendency shown by the table, for there has been no marked falling of prices observable in this direction during the last 1 1/4 years.

It is extremely difficult to explain these contradictions. One point however is significant: the American official statistics take as a basis the hourly wage of the workers organised in trade unions, although these constitute the actual labour aristocracy of America, and represent but a small minority of the working class. It is therefore possible that the wages of this workers' aristocracy have risen, whilst the level of wages of the working class as a whole has sunk. On the other hand, the wholesale trade price index figures have rather fallen than risen in America during the past year. If the statistics as regards Philadelphia be correct, then there must have been a general reduction of wages in that town amounting to 15 to 20%.

In opposing these two sets of statistics to one another, we wish to show the extreme difficulty there is in forming a correct judgment on the position of the working class, even with the aid of official publications. It seems however safe to assume that the wages of the working class of America taken as a whole, have rather fallen than risen in the last two years.

**III. South America.**

The transference of the centre of capitalist world economics from Europe to America has not only made the United States the leading imperialist world Power; it has at the same time accelerated the capitalist development of the countries of Central and South America.

The great imperialist Powers not only have their eyes on China for the realisation of their future plans, but also on the continent of South America. We have but little knowledge of these regions, and it will be necessary to give here the most important geographic and statistical data.

**LATIN AMERICA.**

In Great Britain and America the term Latin America is used to designate these regions. This designation includes South America, Central America, and Mexico, that is, the whole of the states of the continent of America south of the United States.

The term itself has been chosen as emphasising the difference between the English and the Spanish-Portuguese languages and civilisations. As a matter of fact in all these regions Spanish or Portuguese (Brazilian) is the official language, and their political superstructure is greatly influenced by Spain or Portugal. We are however of the opinion that the really great differences existing between the United States and Canada on the one hand, and the states of Latin America on the other, are not so much to be ascribed to these lingual and cultural differences as to important differences in their economic foundation.

The whole of Latin America, with the exception of the narrow portion at the southern extremity, possesses a tropical or subtropical climate. The average temperatures of vast regions are 25 degrees centigrade and more. This renders work in these regions exceedingly difficult for white men, for European immigrants, and this is doubtless the reason why there has been so little emigration to these countries in comparison with that to the United States and Canada. It is also one of the reasons why the relations between the immigrant conquerors and the natives have developed differently here from what they have in North America. Although the conquerors of South America have been equally cruel to the natives, and the high civilisation already existing in many parts of Central and Western South America has been ruthlessly destroyed, still there has been no actual war of extermination waged against the natives here, as in North America. Thus we find all over Latin America a mixed population of whites, native Indians, and Negroes — these last having been brought from Africa as slaves, as in North America.

These three races have become mixed in the most various ways, and there is no strict differentiation into castes, no sharp line between the white population and the Indians or negroes,

as is the case in North America. That the climatic conditions have prevented white men from settling in many parts of Latin America to any great extent is shown by the fact that the population becomes more and more European (Argentina, Chile) in proportion as the climate more resembles that of Europe.

One of the fundamental economic facts relating to these regions is the sparseness of the population. The whole of South America, with an area of 19 million square kilometres, has about the same population as Germany, in round numbers 66 millions. In the interior the population is very thinly distributed, whilst comparatively large numbers of people are concentrated in the large coast towns.

The possibilities of development in these countries are almost unlimited. Penck, the famous German geographer, estimates that in South America alone, with the aid of up-to-date agricultural technics, food sufficient to support 2000 million people could be produced.

And yet the Europeans deprive the natives of land, so that they can force them to become wage workers on the plantations of the Europeans. This process of expropriating the land belonging to the natives, which is still going on, has had the effect of placing a land monopoly in the hands of the ruling class, before there was any possibility of having the land properly cultivated. In this manner huge tracts of country have passed into the possession of individual capitalists or capitalist undertakings. In Mexico there are stretches of land as large as Belgium and Holland together, which have been taken possession of in this way. The Terraza property is 5.2 million hectares in extent; another claim in Yucatan 15 million acres, etc!

Here, as everywhere, the penetration of European civilisation has brought misery and poverty to the native population. In this case the process has been carried out under the cloak of the Catholic religion.

"We are born Indians, slaves of the priest, slaves of the governor, slaves of everyone who has a stick to drive us on."

Thus wrote a Peruvian writer, and was banished from the country for doing so.

Thus all these countries have one point in common, and that is the sharp dividing line between the working class and the ruling class of large landowners and capitalists. Almost everywhere there is an entire absence of the middle class, the rural and city petty and middle bourgeoisie. The prevailing order is that of the agricultural undertaking on a large scale; plantations in Brazil and in the neighbouring countries, gigantic cattle breeding ranches in Argentina, Uruguay, and Paraguay, carried on by the help of wage workers whose position in many cases borders on actual slavery. It should here be remembered that in Brazil slavery was not abolished until 1887. But in many cases slavery seems to continue at the present day, under the form that the "free" worker is in debt to his employer, and is not permitted to leave this employer until the debt is worked off. Military and police authorities are completely in the hands of the large planters and capitalists.

In Argentina, and more recently in Mexico, the position of the workers appears to be improving. It is difficult to obtain a correct idea of actual conditions, as all the available literature emanates from representatives of capitalist interests.

Economically considered, all these regions are essentially raw material producing countries, but have made great strides towards industrialisation within the last few decades. Only a small part of the natural wealth of these countries has hitherto been exploited, and yet they already hold a most important position as sources of supply for various indispensable raw materials and foodstuffs—coffee, saltpetre, cocoa, meat corn, petroleum—and this importance for the world's economics has increased enormously during the last two decades.

All these countries are in need of foreign capital. There is a great shortage of capital, and the rates of profit are very high. If we glance through the reports published by the British companies operating in South America, we find that dividends as a rule are about 20%. At the present time the bank rate in the most important countries is 8 to 11%, in the more remote lying regions 2 to 3% a month.

The proletariat and poor peasantry of this part of the world suffer direct exploitation at the hands of the large landowners and capitalists, and indirect exploitation from the foreign capitalists. In all these countries the middle class is substituted by

a class of parasites: politicians, officers, priests, administrative officials, who exploit the people, and arrange revolutions and counter-revolutions, in the alternate service of British and American capital. Slowly indeed, and at the cost of infinite labour, according to the progress of industrialisation, there is being formed a modern working class and a modern labour movement.

### CENTRAL AMERICA, THE SPOIL OF THE UNITED STATES.

Although Central and South America have many features in common, yet there is an important difference in the roles played by them in the struggle among the imperialist world powers. In Central America this struggle is already practically decided in favour of the United States. All points of economic and strategic importance are already in the hands of the United States: the Panama Canal, the small Central American States; Cuba, Haiti, San Domingo, etc. Mexico is surrounded on the North, South, and East by the strong positions of the United States; in the interior huge territories, and a great part of the best sources of raw materials and petroleum, are in the hands of American capitalists. The supremacy of American capital in Mexico can now be broken by only one means; an anti-American social revolution.

In the most important countries of South America the position is different. Here the imperialist Powers are still contending with one another for decisive influence. The United States and Great Britain are the chief combatants, but all the other great Powers are trying to secure a share of the booty. Germany has succeeded in regaining to a great extent its strong prewar position<sup>60</sup>. France, Italy, and Spain are exploiting the catchword of their common Latin culture, and Italy in particular is endeavouring to gain additional foothold by an extensive immigration of Italian workmen. Even Japan is trying to gain a foothold on the west coast of the continent, in the form of colonies and capital investments.

These imperialist attempts to transform these countries into colonies are opposed by a comparatively rapid development of the native bourgeoisie. The position of the bourgeoisie in the countries of decisive importance here: Brazil, Argentina, and Chile, whose collective population forms two thirds of that of South America, and whose collective economic power preponderates to the proportion of five sixths, is obviously much stronger than that of the bourgeoisie of the Asiatic semi-colonial countries. Here the bourgeoisie has the state apparatus in its hands, and it is making full use of the possibility of developing home industries by means of protective tariffs. At the present moment it is uncertain which force will gain the victory in the competition between foreign capital and the development of a national capitalism.

These circumstances justify us in differentiating between South and Central America, despite their common features. We shall take a later opportunity of dealing in detail with the conditions in Central America, and shall here confine ourselves to the most important economic facts in relation to South America. Here two points must be specially emphasised: the dynamics of South American economics during the last two decades, and the conflict between the United States and Great Britain for decisive influence on this continent.

### The Development of South American Economics in the last two Decades.

The extremely scanty statistical data render it difficult to gain any clear idea, in actual figures, of economic developments during these last two decades, nevertheless it is possible to distinguish three factors:

1. A "normal" development until 1914; constant increase of population, enhanced by immigration; a steady development of productive forces; increased linking up with world economics.

<sup>60</sup> By 1924 Germany had already regained its prewar level in Brazil's exports (calculated in pounds sterling), and in imports it had reached the average of the last three years before the war. During the first nine months of 1925 foreign trade increased even further, exceeding the prewar trade. "Bulletin Quotidien". 16. March 1926.

2. Rapid developments during the war. Greatly increased demand for all the most important products of the continent: corn, meat, coffee, copper, saltpetre, etc. Rapid sales at high prices, extension of agricultural production. Simultaneous decrease of import of industrial goods, which creates the possibility for the development of a native industry. And this in spite of the return of large numbers of emigrants.

3. The post-war crisis with its decline in business. Lessened export, increased competition from imported foreign goods. As a reaction, increase of protective tariffs.

As an illustration we give the foreign trade data of the most important countries<sup>1)</sup>. The missing countries can be disregarded.

	Export:					
	1904	1914	1919	1920	1923	1924
Argentina, gold pes. . . . .	264	519	1031	1044	771	1011
Brazil, £ sterling . . . . .	39,4	65,5*)	130	106	73,2	95
Chile, gold pes. . . . .	216	391	331	204	332	—
Columbia, gold pesos. . . . .	34	33	79	71	60	85
Uruguay, gold pesos. . . . .	38	68*)	147	81	107	—

  

	Import:					
	1904	1914	1919	1920	1923	1924
Argentina, gold pes. . . . .	187	496	656	935	868	829
Brazil, £ sterling . . . . .	25,9	67,2	78	125	50,5	69
Chile, gold pes. . . . .	157	329*)	387	441	237	—
Columbia, gold pes. . . . .	29	21	47	101	58	52
Uruguay, gold pes. . . . .	21	50*)	113	133	51*)	—

\*) Pence.

With the exception of Argentina, the decline caused by the post-war crisis is fairly evident.

On the other hand, so far as one can judge by newspaper reports, South American economics now appear to be on the upward trend again. The stabilisation in Europe, the rapid economic progress in the United States, the absence from the markets of the Soviet Union, potentially Argentina's most powerful competitor in the world's markets — all this has increased the demand for South American products. Thus it is fairly safe to prophesy a fresh advance for South American economics, the more so as the industrialisation and expansion of the home markets are proceeding steadily.

**The Struggle between the United States and Great Britain.**

A few decades ago South America was, economically, an almost uncontested object of exploitation by British capitalism. As early as 1823 the United States laid down in the "Monroe Doctrine" the thesis that, on the American continent, no European power was to formally reconvert into its colony, a country recognised as free by the United States. This thesis was later extended in the sense that no European power was to interfere at all in the affairs of America.

The more the United States developed into an imperialist power, the wider the interpretation placed on the Monroe Doctrine. The United States endeavoured to subject South America to its political leadership; with this object the secretary of states Root journeyed to South America, and with this object a number of Pan-American conferences were held in 1899, 1901, 1906, and 1910. But more successful than all these ideological and political strivings was the ever growing economic penetration of the whole continent by North American capital. As a proof of this we see the rapid increase of trade in goods and of American capital investment. Commercial traffic between the United States and the whole of Latin America has developed as follows:

In million dollars

	Export	Import	Total trade	Percent of total trade
1860 . . . . .	40,7	70	120	19,6
1880 . . . . .	58	179	237	18,3
1900 . . . . .	124	199	287	20,8
1910 . . . . .	258	406	664	20,1
1918 . . . . .	726	1127	1853	20,2
1922 . . . . .	557	814	1371	19,7
1923 . . . . .	693	1050	1743	21,9
1924 . . . . .	770	1059	1829	22,3

<sup>1)</sup> Taken from the Balfour Report, I. Survey of Overseas Markets, London 1925, for 1904, 1914, and 1923. Supplemented from other sources.

More than one fifth of the total foreign trade of the United States goes to Latin America. Of Latin American foreign trade a still greater proportion naturally falls to the United States; the latter buys more than one half of the coffee exported by Brazil, almost all the sugar from Cuba, the copper from Chile, etc. Unfortunately, our available data give no statistics of the distribution of Latin American exports among the different countries. The North American trade statistics do not give any full data for South America, for the very interesting reason that the United States statistics do not differentiate geographically between Central and South America, but between a "Caribbean Section" and South America. The Caribbean Section includes not only Central America but also the northern states of South America, Columbia, Venezuela, and the Guianas!

On the other hand, Latin American trade with Great Britain shows in absolute figures almost complete stagnation, in percentages a decided falling off:

**Great Britain's trade with the leading Latin American states.**

(million pounds sterling)

	Import from			
	1911	1923	1924	1925
Cuba . . . . .	3,7	8,7	12,4	11,6
Mexico . . . . .	1,9	6,3	5,9	5,3
Argentina . . . . .	42,5	66,1	79,0	68,5
Brazil . . . . .	10,0	5,9	4,8	5,9
Chile . . . . .	5,4	5,8	10,9	12,3
Peru . . . . .	3,2	8,6	9,7	8,5
Uruguay . . . . .	2,7	4,9	5,5	4,9

**Total import**

258 303 461 451

**Total export**

136 104 103 184

	1911	1923	1924	1925
Argentina . . . . .	22,6	28,2	27,2	29,2
Cuba . . . . .	2,2	2,9	3,2	2,0
Mexico . . . . .	2,3	2,8	2,4	3,1
Brazil . . . . .	12,5	11,0	13,7	16,1
Chile . . . . .	6,0	6,7	5,4	6,0
Peru . . . . .	1,5	2,6	2,7	2,4
Uruguay . . . . .	2,9	3,2	3,2	3,2

**Trade of the United States with Latin America**

(million dollars)

	Export to				Import to			
	1910		1910		1910		1910	
	to	to	to	to	to	to	to	
	1914	1922	1923	1924	1914	1922	1923	1924
Mexico . . . . .	59	110	120	135	71	132	140	167
Cuba . . . . .	63	128	192	200	122	268	376	362
Columbia . . . . .	5,8	20	22	29	12	36	46	58
*Argentina . . . . .	47	96	113	117	33	86	115	75
Brazil . . . . .	32	43	46	65	111	120	143	179
Chile . . . . .	14	23	31	31	23	60	92	90
Peru . . . . .	6	14	20	24	10	16	24	23
Whole of Latin America . . . . .	302	558	655	771	436	815	1051	1060
Percentage of total Export . . . . .	14	—	16,7	16,8	25,8	—	27,7	29,3

The data relating to the United States for 1925 are not yet available. The sum total of British trade with Latin America has stagnated in the last few years, that of the United States has increased. (The price level has changed but little in the last few years.)

### The Struggle for Capital Investment.

It is even more difficult to gain a correct idea of capital investments, for a great deal of foreign capital is concealed beneath the mask of home capital. It is however possible to ascertain that in the nineteenth Century British capital had practically no competitor in South America; the only countries which had also invested capital here were **Germany** and **France**, the latter to a very small extent. The **United States** were at this time still importing capital themselves, and invested nothing here. At the beginning of the war there was not a single **North American Bank** carrying on business in South America; there was not a single American shipping line for passenger traffic between North and South America. In 1913 only one ship from the United States arrived at **Buenos Aires**.

British capital has been, and still is, invested chiefly in railways, state and provincial loans, in the saltpetre industry, and in banks. Thus the currencies of most of the South American countries are related to the English pound (1 gold peso = 160 par). British shipping played a decisive part in traffic all over South America.

The **United States** did not begin to invest capital here till the twentieth century. American capital at once began to operate as **industrial capital**, and devoted itself mainly to those branches of industry which threatened to compete with American industry in the markets of the world. Thus the great **Chicago packing houses** established themselves firmly in **Argentina** from 1907 onwards, and have got into their hands the greater part of the meat export. About 60% of Argentine meat business is in American hands, and similar conditions prevail in the case of petroleum, copper, cement manganese ore in **Brazil** (**United States Steel Corporation**) etc.

After the war American capital penetrated into South America in every form. As **banking capital** — the money institutes controlled by the great banks of the United States number more than one hundred — as loans to the states and cities, as commercial credit. A deliberate effort is being made to convert **South America** economically and politically into a colony of the United States, on the same lines which have proved so successful in **Central America**.

British capital has been unable to continue the struggle with full force of late years. The long continued depreciation of the pound caused it to be supplanted by the dollar in many cases. The embargo on foreign loans quite excluded British capital for a time. Since the embargo was raised, the competition has set in again as acutely as before. The **Brazilian coffee loan**, the placing of which for subscription in the United States was prevented by Hoover as serving to raise the price of coffee, was at once demonstratively accepted and subscribed in **London**. British capital is attempting to resume the conflict with American capital. This conflict at times assumes **political** forms. The party struggles in the South American states, many ministerial crises, and many of the so frequent "revolutions" are, in reality, nothing more nor less than phases of the struggle between British and American capital.

A fact of particular importance is the strong reaction observable in the great South America states: **Argentina, Brazil, and Chile**, against the endeavours of North American capital to subjugate South America. This reaction finds expression in the writings of many South American authors, and is combined with a "Latin" cultural ideology. This ideology is obviously the reflection of the economic rise of the South American bourgeoisie! Brazil's veto at the League of Nations Conference against Germany having a permanent seat on the League Council if Brazil is not also granted a permanent seat, is, in part, another form of expression of the increasing self-reliance of the South American bourgeoisie.

On the other hand, despite all terrorist methods, progress is observable in the labour movement, which, though chaotic and anarchist in general, is revolutionary. The attempts made by the American Federation of Labour to bring the Latin American labour movement under its influence, in accordance with the imperialist aims of the American bourgeoisie, are not very likely to succeed. The objective conditions furnish an excellent soil for a revolutionary labour movement under communist leadership.

### BRAZIL.

"The time will come when the centre of the world's economic life and activity will be found here."  
A. Humboldt.

Brazil is the largest and most densely populated state of South America. It has an area of about 8.5 million square kilometres, and is thus almost as large as the whole of Europe, and about one and a half times as large as the whole of capitalist Europe. In 1920 the population numbered 30,0 millions; at the present time it is probably, in round figures, 34 millions.

The climate is of special importance for the economic life. The climate of nearly the whole country is tropical or sub-tropical. There is an enormous rainfall almost everywhere, and the vegetation is thus of a luxuriance scarcely paralleled anywhere else in the world. About one half of the country is still primeval forest, only about 15% is under cultivation. The richness of the flora may be judged from the fact that there are no fewer than 22,000 varieties of plants<sup>(\*)</sup>.

This prolific vegetation is one of the causes why the country is so little opened up to traffic. In the whole of this vast region there are only 30,000 kilometres of railways. Roads are equally rare. Both are mostly confined to the **south eastern** districts.

The network of waterways is however unparalleled in any other quarter of the globe. The **Amazonas** is navigable for seagoing ships for a distance of 1500 kilometres, and this river, with its fanlike complexity of ramifying tributaries, forms a network of navigable waterways possessing a total length of 8000 kilometres.

The main thing lacking for the development of Brazil's economic possibilities is the necessary population. The hot climate, averaging 25 degrees centigrade, with but slight alterations of temperature, is almost unendurable for emigrants from northern Europe. For this reason there has been comparatively little emigration until recently. Most of the emigrants come from southern Europe, and the stream of emigration is for the most part to the southern parts of Brazil, where the climate is more favourable. In order to meet the demand for workers, the plantation owners, during the 19th century, imported large numbers of Negroes from Africa. Their number was estimated at over 2 millions in 1872. In 1888, after the abolition of slavery, there were still 700,000.

The number of emigrants has been as follows<sup>(\*\*)</sup>:

1908 . . . . .	90,536
Average for the war years . . . . .	30,000
1920 . . . . .	71,027
1922 . . . . .	66,968
1924 . . . . .	98,125

Of these last 23,000 were Portuguese, 22,000 German, 14,000 Italians, 7000 Spaniards.

As in all South American countries, there has always been much intermingling of races in Brazil. In 1920 the various races were estimated as follows:

Whites . . . . .	40 per cent
Mestizos . . . . .	32 " "
Negroes and mulattos . . . . .	15 " "
Indians . . . . .	9 " "
Others . . . . .	4 " "

### Agriculture.

As already mentioned, only a very small part of the arable land is cultivated. Apart from the plantations, tillage is carried on on primitive methods, requiring much ground for small yields, a system made possible by the superfluity of land. In many districts it is customary to set fire to the vegetation over a certain area, and then to cultivate the ground thus won for a number of years, till its fertility begins to diminish, upon which it is left to grow wild again and a fresh tract is treated in the same way.

<sup>(\*)</sup> Andrée: "Geography of the world's trade", III, p. 175.

<sup>(\*\*)</sup> "Report of the Economic and Financial Conditions in Brazil," p. 68.

Under these circumstances property conditions are naturally very uncertain. According to the agrarian statistics of September 1920 there were 648,153 agricultural undertakings in Brazil with an average area of 270 hectares. One half of these were farms and small holdings averaging less than 40 hectares<sup>(4)</sup>.

**Data of coffee cultivation.**

	1909-10	1922-23	1923-24	1924-25
	1912-13			
	Average			
1000 hectares Yield	1,805	2,194	2,437	2,000
100 double cwts.	7,952	11,407	8,592	8,741

After coffee the four export articles next in importance are: **cotton, tobacco, rubber, and sugar.** It is however interesting to note that both the output and the export of these four articles has decreased during the last decades, although great possibilities of production exist. The wild rubber trees of Brazil have been supplanted of late years by the rubber plantations. It is however probable that the present high prices for rubber will cause the caoutchouc of the wild trees to be gathered again. The production of cane **sugar** has suffered through the cane sugar plantations financed by American capital in Cuba.

**Cotton** has the best prospects for the future. There are wide tracts of country suitable for cotton plantations. The yield per hectare is greater than in North America or anywhere else in the world. Crops up to 2000 pounds per hectare have been obtained on irrigated soil.

The export of **Brazilian cotton** has decreased more and more in the course of the last decade as the following table shows (in 1000 tons):

1861/70 maximum	289
1881/90	228
1901/1910	194
1911, 1920	151

The following is a survey of the production and yield of the most important foodstuffs:

	In 1000 hectares.			
	1921	1922	1923	1924
Maize	2592	3058	3424	2500
Rice	507	242	344	544
Wheat	—	107	62	98
Cané sugar	351	—	300	—

	Yield in million double cwts.			
	1921	1922	1923	1924
Maize	46	51	40	—
Rice	7.4	3.6	7.3	—
Wheat	1.4	0.8	1.2	—

Live stock in 1920:	
in millions:	
Horned cattle	34.3
Horses	5.3
Asses and mules	1.9
Sheep	7.9
Pigs	16.2

The quantity of live stock is very great in proportion to the numbers of the population.

#### Industry.

Brazil's industry is developing rapidly, but is nevertheless still relatively behind the times. Industrial development is hampered by the lack of coal. (It is of course possible that great stores of coal lie hidden in this vast country, but at the present time coal is being imported.) On the other hand there are great deposits of iron ore, scarcely exploited as yet, and huge sources of water power, already being used in part for generating

electricity. The lack of roads and railways is, of course, another great hindrance.

The high protective tariffs enable the Brazilian industrialists to demand very high prices. The profits gained on industrial goods in the country itself are correspondingly high. Profits up to 100% are not uncommon. Every possible means is being employed to promote home industry. Thus, for instance, Brazilian iron ore may only be used when a certain percentage has been smelted in the country itself, although the necessity of importing coke makes this very difficult. Besides this, the government grants cheap credits to new industrial undertakings, freedom from taxation, etc.

The result of this artificially promoted process of industrialisation is as follows:

According to data furnished by the "Jornal do Commercio" the industrial undertakings in 1924 were<sup>(5)</sup>:

	Number of enterprises	Number of workers in 1000	Per cent
Up to 4 workers	6,917	15.7	5.7
5 " 10 "	4,675	40.0	14.5
20 " 49 "	918	27.8	10.1
50 " 100 "	586	57.7	21.0
200 " 499 "	147	44.3	16.1
500 " 999 "	62	43.2	15.7
1000 workers and upwards	31	46.7	16.9
	13,336	275,512	100

With respect to the separate branches of industry, the textile industry with 112,000 workers heads the list; this is followed by the food industry with 52,000, and the clothing industry with 28,000 workers. The production of means of production is still very undeveloped, the whole metal industry employs only 14,000 workers.

The country almost entirely covers its own requirements in leather, shoes, hats, and glass ware.

The textile industry covers not only the needs of the home market but exports to neighbouring countries. The export of cotton goods has been as follows<sup>(6)</sup>:

1913	186	kgs
1926	44,570	"
1920	154,920	"
1922	800,751	"

The number of cotton spindles exceeds 1,5 millions at the present time.

The export of industrial goods had already begun during the war. Of the total exports of the country, the share falling to industrial goods has been<sup>(7)</sup>:

1913	0.9%
1917	16%
1918	20%
1919	12%

Newer data are not to be had; the decline after the end of the war is remarkably noticeable.

#### Banking and credit.

As might be expected from the whole character of the economic development of the country, there is a great shortage of capital. The State Bank of Issue is the leading bank. Besides this, 13 foreign banks are operating in Brazil (German, British, American, Spanish, Portuguese, etc.).

The rates of interest are extremely high, in the second half of 1925 the bank of issue discounted bills at 10 to 15 per cent. The banks charged 12 to 18% for current account loans, 18% for discounting bills. Under these circumstances the banks earn enormous sums. Despite enormous bonuses and sums placed on reserve, the Central Bank of issue still pays out 20% dividends.

<sup>(4)</sup> "Ibero-amerikanisches Archiv", Vol. 1, No. 3, p. 271.

<sup>(5)</sup> Ibid. Vol. 1, No. 1, p. 17.

<sup>(6)</sup> Ibid. p. 12.

<sup>(7)</sup> "The South American Handbook", p. 120.

North Argentina possesses great opportunities for the development of cotton growing, and in the last few years much progress has been made in this direction.

### Industry.

The industrial development of Argentina is still somewhat small. There is a shortage of coal and ores. All three great petroleum trusts have recently prospected for petroleum in many directions, and deposits have already been found. The existing industries confine their energies to working up the agricultural products. There are great slaughter houses belonging to the Americans and English, meat extract factories, and more recently condensed milk factories, etc. In 1913 there were 48,779 industrial undertakings, employing a total of 410,000 workers. Of these enterprises 31,483 were in foreign hands, Argentine 15,763, mixed 1533. No fresh industrial statistics have been compiled since 1913. It is however probable that industry developed greatly during the war.

Rapid progress has been made in the industries producing leather goods, shoes, clothing, glass ware, oil, soap, perfumery, jute sacks, cement, etc.

The British Consular Report estimates the number of the labouring population in Buenos Aires at 408,398 in 1924. It would thus appear that industrialisation is proceeding somewhat rapidly.

### Foreign trade.

As already mentioned, Argentina's foreign trade is extremely large in comparison with its population. In 1924 exports amounted to the value of 1011 million gold pesos, imports to 829 million. Thus exports came to more than £ 20 per head of the population. Were Germany to attain a proportionate export, it would have to export goods to the value of over 25 milliard marks yearly.

Argentina's exports consist almost exclusively of the products of its agriculture: wheat and the products of cattle breeding. Almost every kind of industrial article is imported.

The trade with Great Britain, the greatest importer of Argentine foodstuffs, is thus of paramount importance. England imports the greatest quantity of food from America, and the next greatest quantity from Argentina. For British exports Argentina takes the fourth place, after the United States, France, and Germany. It is thus obvious that British influence is great in Argentina, and that on the other hand Great Britain is exceedingly anxious to maintain trade with Argentina at its previous level. Last year's visit of the Prince of Wales to Argentina was a move in this direction.

The competition for the Argentine markets is very great at the present time. All the industrial countries of Europe, as well as the United States, are endeavouring to increase their sales in Argentina, the more so that it may be expected that these sales will be accompanied by an increase of population and a rapid increase in prosperity. Thus we observe from South American reports that the British have to contend against ever-increasing competition from other countries, iron from Belgium and Germany for instance, textile goods from Italy, machinery from the United States.

Imports in percentages were<sup>1)</sup>:

	1913	1923
Great Britain . . . . .	31.0	23.8
United States . . . . .	14.7	20.0
Germany . . . . .	16.9	13.6

These data show the rapid strides being made by the United States as purveyor, and the corresponding loss to the European industrial countries, not one of which has been able to maintain its quota. It is interesting to note that imports from Brazil have increased from 2.2 to 5.3%, from Mexico from 0.3 to 1.8%. There is thus an interchange of goods among the countries of Latin America itself, though this is comparatively small owing to the similar economic development of these countries.

<sup>1)</sup> Data from the Balfour Report, p. 470.

### Money and Capital.

Of the South American states, Argentina has about the best position with respect to money and finances. The budget is approximately balanced. The expressly class character of the state is shown, as in Brazil, by the fact that the state revenues are derived almost entirely from indirect taxation. Thus the budget for 1926 contains the following items:

#### In million paper pesos:

Import duties . . . . .	292
Consumption taxes on tobacco, alcohol, beer, etc. . . . .	109

On the other hand, only 68 millions are estimated as income from direct taxation, and 40 millions of this are stamp duties, in themselves in reality indirect.

The Argentine system of currency, with its parallel use of gold and paper pesos, is extremely involved. A paper peso is equal to 0.44 gold pesos (44 gold centavos). The gold peso has however no longer a gold basis, not having been redeemed in gold since 1914, and has been subject to considerable fluctuations since the beginning of the war. The paper peso, having fixed relations to the gold peso, shares its fluctuations.

The rate of exchange of the gold peso, in relation to British currency, has been as follows:

Par . . . . .	47.62	British pence to 1 gold peso
1918 . . . . .	51 <sup>3</sup> / <sub>4</sub>	British pence to 1 gold peso
1920 . . . . .	59 <sup>1</sup> / <sub>8</sub>	British pence to 1 gold peso
1923 . . . . .	41 <sup>1</sup> / <sub>2</sub>	British pence to 1 gold peso
1924 . . . . .	42 <sup>3</sup> / <sub>4</sub>	British pence to 1 gold peso
1925 . . . . .	45 <sup>3</sup> / <sub>16</sub>	British pence to 1 gold peso
1926 spring . . . . .	46	British pence to 1 gold peso

During the last few years American capital has penetrated more and more into Argentina. In 1924-25 the state floated four loans, totalling 145 million dollars, in the United States, and on very favourable terms: 6% interest and rate of issue 92 to 93.5. We have the impression however that British capital still predominates in the country. Evidence as to this is the fact that Argentine currency recognises the British standard and not the American.

### The Position of the Working Class.

But few data are at our disposal on this subject. The money wages are fairly high. For agricultural labour 6 to 12 paper pesos per day, or about 12 to 24 shillings. But despite these high money wages the real wages do not appear to be high, industrial goods and house rents being very dear. The statements as to wages are somewhat contradictory. The Consular Report, for instance, gives 6<sup>1</sup>/<sub>2</sub> to 7 pesos as the daily wage paid in Buenos Aires, and the minimum wage for all persons employed by the state at 0.40 pesos per day. About 20% of the wages goes for housing, 50% for food. House rents have risen by 50% in the last 10 years, whilst expenditure for clothes and other articles except food has risen by 80%.

The British Consular Report states expressly that there is no immediate opportunities employment here for British unskilled workmen, or, as a rule, for emigrants of any kind from the United States. When to this statement there is added the fact that since the last seamen's strike in 1924 there has been no great strike movement in Argentina, we must conclude that the huge influx of European immigrants, and the rapid introduction of machinery into agriculture, have brought about a situation unfavourable for the working class.

### CHILE.

The third country of South America playing an important part in world economies is Chile. Whilst in world economies Brazil signifies coffee, Argentina meat and wheat, Chile's importance lies in its saltpetre and copper mines.

<sup>2)</sup> Approximate figure.



Compared with the two gigantic countries just dealt with, Chile is as small country. Its area is 750,000 square kilometres, one and a half times as large as Germany, with about 4 million inhabitants, 5 to the square kilometre. Although the population is denser than in Brazil or Argentina, still it is an "empty country". Geographically it consists of a narrow strip on the west coast of South America; its length from north to south is 4500 km, its breadth however only 170 to 450 km. The vast mountain range of the Cordilleros runs along its whole length; it is only near the sea that there is a flat strip of coast. The country looks entirely to the West, and all traffic is from the sea. The climate varies greatly, owing to the long extent from north to south and the great differences of altitude, but is in general healthy for Europeans. There are extensive tracts of dry desert-like country, permitting deposits of saltpetre and guano.

Of the population, 50,000 are pure Indians, 120,000 foreigners (of whom 26,000 are Spaniards, 12,000 Italians, 9000 Germans, and the rest South Americans); the remainder consists of native whites, creoles, and halfbreeds. In 1920 two million of the population were rural, 1 1/2 million inhabitants of the cities; these figures show that the country is considerably industrialised<sup>82)</sup>.

**Agriculture.**

For Chile agriculture is not of such decisive importance as for Argentina. Owing to lack of rainfall and the rocky soil large districts are unsuitable for cultivation. Only one sixth of the total area can be rendered fertile. The area under cultivation is 20 million hectares, over 1 million of which are artificially irrigated.

The land is distributed among agricultural undertakings as follows:

Enterprises	Number
Over 5 hectares . . . . .	38,640
5 to 20 hectares . . . . .	28,814
21 to 50 hectares . . . . .	13,233
50 to 200 hectares . . . . .	11,288
201 to 1000 hectares . . . . .	5,012
1001 to 5000 hectares . . . . .	1,604
Over 5000 hectares . . . . .	473
	60,004

As with the extensive method of agriculture employed 20 hectares do not suffice to keep a family, it follows that 65% of the undertakings have insufficient land, and 40% are purely dwarf enterprises. No data are obtainable on the comparative distribution of the soil, but it is evident that the greater part of the land is in the hands of 2000 large landowners, and that on the other hand there is a broad stratum of proletarian peasantry. Although there is still much free land, especially in the south, the price of land is fairly high in the central districts: 5000 gold pesos per hectare, or 4000 for irrigated land<sup>83)</sup>.

The land under cultivation is as follows<sup>84)</sup>:

	1913/14	1923/24	1924/25	1925/26
	1000 hectares			
Wheat . . . . .	412	594	560	608
Barley . . . . .	62	62	50	51
Oats . . . . .	49	41	33	37
Maize . . . . .	24	28	24	
Beans . . . . .	—	39		
Lucerne and clover . . . . .	—	338 <sup>85)</sup>	—	

Chile exports a large quantity of wheat yearly; in 1923 to the value of 8 million gold pesos. Besides this, wine, cane sugar, and fruit are produced. (Vineyards in 1923/24: 63,232 ha.)

<sup>82)</sup> These and most of the social data are taken from a report issued by the Information Department in Moscow (Nr. 370).

<sup>83)</sup> "South American Handbook", p. 207.

<sup>84)</sup> Data supplied by the Rome Agricultural Institute.

<sup>85)</sup> 1922/23.

**Live Stock.**

Cattle breeding is not so extensive as in Argentina or Uruguay. In 1922 the live stock of the country was as follows, in 1000<sup>86)</sup>:

Horned cattle . . . . .	1995
Sheep . . . . .	4569
Horses . . . . .	329
Pigs . . . . .	263

**Mining.**

is of decisive importance for the economic life of Chile.

The saltpetre mines are of the greatest importance. These are for the most part in the hands of British capitalists. (Even in the nominally Chilean undertakings British capital preponderates.) 60,000 workers are employed in the saltpetre undertakings. The output, in round figures, is 2 million tons annually and this is almost entirely exported. The discovery of the possibility of extracting nitrogen from the air has so far done no damage to the export and sale of Chilean saltpetre.<sup>87)</sup> The capitalists continue to make huge profits; one of the great British companies, Tamarugal, has paid 35% dividends four years in succession, Lautaro Nitrate 15%, etc. Chile still possesses a world monopoly, and the state is in a position to impose high export duties upon saltpetre; in 1925 85 million gold pesos flowed into the state treasury from this source<sup>88)</sup>.

Copper mining is also of considerable importance. This again employs many thousands of workers, and much copper is exported. Chile has further the advantage of being the only country in South America with a considerable coal output: over 12 million double cwt. 20,000 workers are employed in the coal mines. The various mines together employ almost 100,000 workers.

**Industry**

is making rapid progress. In 1919 there were, in round numbers, 3000 large undertakings employing over 70,000 workers, producing goods to the annual value of approximately one milliard gold pesos. An extremely high protective tariff, sometimes amounting to 200% of the import value<sup>89)</sup> serves to promote home industries. Up to the present the industrial enterprises have occupied themselves with working up agricultural products, and manufacturing light finished articles: shoes, clothing, hats, furniture, glassware. Machinery, metal goods, and textiles, are imported in large quantities.

**Foreign Trade.**

Chile's foreign trade per head is very considerable. The following are the figures, in gold pesos:

	Imports	Exports
1913 . . . . .	330	409
1921 . . . . .	381	434
1922 . . . . .	329	332
1923 . . . . .	329	537

Eighty per cent of the exports are saltpetre and copper. In 1923 saltpetre to the value of 310 million pesos was exported, copper and copper ores 130 millions. The imports are industrial goods of every kind: textiles, machines, metal goods, chemicals, coal, petroleum, and sugar.

**The Struggle between Great Britain and the United States.**

The struggle for the markets of Chile is very acute between these two states. The United States has gained a great advan-

<sup>86)</sup> Data from Hübner: "Geographisch-statistische Tabellen". The "South American Handbook", p. 207, gives very different figures for 1921.

<sup>87)</sup> According to reports from Chile, "South American Journal", of 20th February 1926, Chile saltpetre was sold in February 1926 to German sugar beet growers, at a price £2 higher than that of German nitrogen.

<sup>88)</sup> The gold peso is a theoretical money unit, equal to eightpence.

<sup>89)</sup> See Balfour Report, p. 480.

lage by the opening of the **Panama Canal**. Despite the extensive investments held by **British capital** in Chile, American trade is supplanting **British**.

The participation in foreign trade has changed as follows <sup>(9)</sup>:

	Exports in percentages:		
	1909	1913	1922
To Great Britain . . . . .	32.7	38.9	11.8
United States . . . . .	—	21	36
Germany . . . . .	—	22	7
	Imports in percentages:		
	1909	1913	1922
From Great Britain . . . . .	36.5	30	24
Germany . . . . .	—	24.5	14
United States . . . . .	—	16.7	26.8

The extent to which Great Britain has been supplanted by the United States is plainly to be seen from these figures.

#### State finances and Currency.

Since the end of the war boom, Chilean state finances have shown a considerable deficit <sup>(1)</sup>:

1925	94 million paper pesos
1926	159 million paper pesos (estimate)

Up to now this deficit has been covered by home and foreign loans, American capital again pushing forward at the expense of British.

Nominally, the currency has a gold basis, one gold peso to 18 English pence, or 13.33 pesos to the pound. In actual fact the

currency is paper pesos, whose rate of exchange has fluctuated as follows:

Par . . . . .	13.33 to the pound
1918 . . . . .	16.27 to the pound
1920 . . . . .	19.33 to the pound
1922 . . . . .	37.13 to the pound
1923 . . . . .	37.08 to the pound
1924 . . . . .	41.42 to the pound
1925 . . . . .	40.90 to the pound
1926 March . . . . .	39.00 to the pound

The peso has thus dropped to one third of its original value; an improvement has however been noticeable lately.

#### The Position of the Working Class.

Of all the states in South America Chile has the most closely concentrated industrial proletariat, and hence the acutest class struggles. As in all the countries of Latin America, there are frequent revolutions and counter-revolutions. The last was in 1925. The actual conflict was between the middle bourgeoisie inclining to America and the big bourgeoisie inclining to **Great-Britain (saltpetre capital)**. But as soon as the workers took part in the struggle, the various strata of the bourgeoisie joined forces against this common enemy. The result was a bloody campaign against the working class of northern Chile, in which thousands of workers were imprisoned or killed.

The wages of the workers are very low: 5 to 8 pesos per day, although a kilogram of meat costs 5 pesos. Industrial articles are equally dear, owing to the protective tariff. The position of the working class is very bad, and for this reason there is but little emigration.

<sup>(9)</sup> Balfour Report, p. 484.

<sup>(1)</sup> "South American Journal", 20. March 1926.