

- INTERNATIONAL -

PRESS

CORRESPONDENCE

Vol. 2 No. 34

9th May 1922

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The World Economic Situation in the First Quarter of 1922.

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General World Economic Survey.

Although all the material necessary for the estimation of the development of world economy in the first quarter of 1922 is not at hand, the fundamental tendencies of this development may already be clearly perceived. One thing must be emphasized in this connection: *The economic boom expected by the capitalists in the first quarter of 1921 has not developed.*

The general situation is characterized in the February report of the National City Bank as follows:—

“Society the world over is in a state of disorganisation and confusion. Millions of workers are without employment or regular income, and their dependent families are in distress. In the United States the crops of foodstuffs have been ample, but the producers are unable to dispose of them at remunerative prices because the would-be consumers are unable to buy. That this state of affairs is deplorable all are agreed. Nobody desires it to continue, but there is lack of agreement as to what may be done to remedy the situation.”

This picture of the situation contradicts the optimistic hopes expressed by the leaders of the American economic life last autumn. The following are some of the most important of these statements, according to the *Wirtschaftsdienst* of February 3rd, 1922:—

Coolidge, the Vice-President of the United States, says in a communication to the *New York Journal of Commerce*:—

“There are many signs that our land is at the beginning of a greatly increased economic boom. A thorough deflation in all markets has taken place and now appears to have been concluded. All appearances seem to indicate that business life has obtained a firm foundation.”

Hoover, Secretary of Commerce in the present Cabinet, states:—

“We have experienced the steepest fall of prices in the history of our country, and are still awaiting to a certain degree Europe’s reconvalescence, but we are in a better position than all the others and our prospect for the future are relatively better. We have gone through a great change in 1921 and are now in a good position to better our situation in 1922.”

William C. Redfield, former Secretary of Commerce, declares:—

“We are out of the mud and are now climbing up the slope. We are not yet out of the woods and have still very far to go before we arrive at normal conditions. But none the less, we must say that our progress is evident.”

Witchell, President of the New York National City Bank, concluded a speech on the economic situation with the following words:—

“The worst lies behind us. The liquidation of stocks in various branches of business which took place during 1921 and led to the thawing of frozen credits has gone as far as possible; businessmen must now look around for new possibilities for profit under the conditions of sharper competition. We cannot speak of complete economic prosperity of our country until the foreign market is again able to absorb our products. The return of a balanced foreign trade and the gradual realization of economic laws require time. In comparison with various leading countries which I visited recently we are at the present time in a period of comparative economic prosperity and are the most favored of all nations.”

Charles M. Schwab, President of the Bethlehem Steel Corporation, says:—

“We appear to be around the corner and are on the way to a new period of prosperity. We have reason to believe that the worst period of deflation is passed and that gradually adjusting our business to new conditions we will soon be back to normal times. The necessary adjustment of prices and wages may require one or two years or more, but I believe that we will experience a return to great prosperity when we realize that all of us must bear today’s burdens.”

On the other hand we must admit, that the slight tendency toward the improvement of the economic situation which was already noticeable in the last quarter of 1921 has continued through the first quarter of 1922. This improvement is not apparent all over the world. It is confined mainly to the capitalist powers—the United States, England and Japan—while the situation in Central Europe in general has not improved but has in various regions grown decisively worse. Among the latter is Italy, where unemployment has been growing uninterruptedly for the last six months and where there are at present 600,000 unemployed, Czecho-Slovakia where in the last few months the crisis has been greatly intensified, while in Germany, in the Succession States of the former Austro-Hungarian Monarchy and in the Balkans the situation can be characterized as bad but unchanged.

When we investigate the signs of improvement of the economic situation in the leading capitalist countries, we ascertain that this is a result of the inherent tendencies of development of capitalist economy and has not been brought about by conscious politico-economic innovations. The most important events in the economy of the last three months are the following:—

Rise in Grain Prices on the World Market.

The rise is rather important. Wheat which in November 1921 cost \$1.01 per bushel in Chicago, rose in the course of the first quarter of 1922 to \$1.48 per bushel and although in the

last few weeks a fall in grain prices is noticeable the increase is none the less of importance. Accompanying this there was a rise in the cattle market. Through the rise of food prices an important cause of the crisis in the United States and in the food supplying countries has been eliminated or at least very greatly reduced—the retardation of the prices of agricultural products behind those of industrial products.

A second important occurrence was the great fluidity of money in the capitalist countries with the exception of Japan. The rates for loan capital are very low in England, America and France and the total bank note circulation is on the decrease in all of these countries. The fall in the price of gold, expressed in money units, is connected with this phenomenon. Another aspect of this phenomenon is the continual improvement in the exchanges of the Western European and neutral countries, their gradual approach to the gold standard which has already been reached by the Swiss franc and the Swedish krone, while the pound sterling is gradually decreasing its depreciation as against gold, which at present is about 15%. On the other hand the depreciations of the currencies of the Central and Eastern European nations has continued during this period. Depreciation proceeded at a very rapid rate in Germany and Austria, and at a more moderate rate in Poland and the other Eastern European countries.

When we look into the general price situation we find no uniform picture. While in the United States a very slow if continuous rise of prices is taking place, the stabilization of prices in England which commenced last autumn has not held its ground. During the first two months of 1922 England has experienced a strong fall of prices. This appears to be connected with the rise of the pound. Japan is experiencing a continual rise in prices. In Central Europe the price rise has continued at a tremendous pace as a result of the depreciation of money. The picture can thus be sketched in as follows:—

A rise of prices in connection with the improving situation in America and Japan, the rise of prices overbalanced by the improvement of the exchanges in England and the countries of Western Europe, a tremendous rise of prices in Central Europe, not as the result of an improvement in the situation but as a reflection of the rapid depreciation of money.

On the economic field the entire quarter has been characterized by a feeling of uncertainty and expectation in view of the coming Genoa Conference. Not only has nothing been done toward the bridging of the chasm between the rich and the poor parts of the world, but beginnings in this direction in previous periods have been liquidated. The greatly advertised plan for the foundation of a Foreign Trade Finance Corporation in the United States with a capital of \$100,000,000 for the promotion of exports through the granting of credits to the impoverished European countries has finally been dropped. (London *Economist*, February 4th, 1922.)

American capital appears to have given up the plan of contributing to the reconstruction of Europe by the granting of extensive credits. This appears to be connected with the entire political attitude of the United States towards Europe. There are signs which go to show that the two great Anglo-Saxon world powers—the United States and England—desire to push *ad absurdum* the situation created in Europe by the Treaty of Versailles. The unexpected demand of the United States for the immediate payment of the costs of the American Army of Occupation on the Rhine, the rapid succession of American and English demands upon the European countries for the commencement of the payment of interest on their debts—demands which mean especially great difficulties for France—are evidently intended to compel France to adopt a new policy toward Germany by the application of financial pressure.

The debts of the various countries to the United States, according to a compilation of the *Federal Reserve Bulletin* in February 1922, are as follows:—

	In Millions of Dollars
Armenia	12
Austria	24
Belgium	409
Cuba	9
Czecho-Slovakia	97
Estonia	14
Finland	8
France	3635
Great Britain	4573
Greece	15
Hungary	2
Italy	1809

In Millions of Dollars

Latvia	5
Liberia	?
Lithuania	5
Poland	136
Roumania	39
Russia	212
Serbia	55

The plan which has been turning up now and again for the past year—the cancellation of English claims on the countries of Continental Europe, the subtraction of these sums from the payment obligations laid upon Germany by the terms of the London Ultimatum—is again being much discussed in the English and American Press. According to the London *Times* of February 15th, 1922, the English claims on the Allied countries are as follows:—

	In thousands of £
France	572,524
Russia	567,892
Italy	502,075
Belgium	12,550
Roumania	22,112
Greece	7,710
Portugal	18,472

If Germany's reparations burden was to consist merely of these claims, it would be reduced to approximately 50 milliard gold marks. There is as yet no definite sign that this solution—the only possible solution under the capitalist system—will be adopted within the near future. On the other hand the loans which England has made to the Eastern European countries recently are of more than ordinary importance. Thus Austria obtained limited credit, Poland £4,000,000 and Czecho-Slovakia £10,000,000. Plans for a loan to Germany have as yet not come to any practical result.

We see from all this that there has been as yet no sign of a broad minded economic policy which could lead to the restoration of the chaotic world economic situation.

Capital's offensive against labor has continued during the last quarter year and has even taken on intensified forms. The offensive is proceeding along three main lines:—

1. Reduction of wages, not only in relation to the fall in the cost of living but with the openly expressed purpose of reducing the actual standard of living of the working class. (Further details are to be found under the headings of the various countries.)
2. Lengthening of working hours.
3. Abolition of the rights which labor gained in the factories during the revolutionary period.

In general it may be said that the situation is extraordinarily favorable for capital. With cool condescension the great capitalist periodicals of the United States and England declare that the trade-unions have exhausted their treasuries as a result of the long period of unemployment and are therefore incapable of prolonged resistance.

The great conflict in the American coal industry clearly illuminates the situation. American industry and the railroads are provided with coal reserves for approximately 60 to 70 days' consumption. Furthermore they count upon the production of those mines employing unorganized workers and finally with a possible supply of coal from England. It is considered certain that the conflict will end in a defeat for the miners. The situation in the engineering lock-out in England is very similar. Here the rights of the workers in the factories are at stake, and it is interesting that the two great conflicts in the past in the English engineering industry—1852 and 1897—revolved not about wage questions but about the question of the relationship between workers and employers in the factories and that both former struggles ended with a defeat for the workers.

In Italy the struggle has taken on the following form. Socialist and Communist agricultural workers are only taken on by the great landowners when they resign their administrative posts in the town and village governments; thus an economic pressure is employed against the political role of the working class.

The offensive of capital has spread over the entire capitalist world. It has taken on the sharpest forms in Denmark where the capitalists locked out the entire working class and in South Africa where it resulted in a bitter struggle between the striking miners and government troops. But in general it must be admitted that the struggles have ended or threaten to end with a victory for capital.

However, this is no complete victory for capital. On the one hand, the costs of the victory are raised to an enormous figure by the prolonged, bitter struggles; on the other hand the efficiency of the workers is very unfavorably influenced by the bitterness caused by these struggles. In the above-mentioned report of the National City Bank the following statements are made in this connection:—

The explanation of the disorder which exists in industry is largely in the state of mind of the workers. It cannot be doubted that as a result of agitation that has been going on for years the wage-earning population has become to some extent imbued with the idea that wage-earners have been unfairly dealt with by the employing class. Many of them believe that they have not received a fair share of the fruits of their labors, and have determined to do less work and get more for it. One natural effect of this belief is to reduce the efficiency of the individual worker. Of course no one will work with good heart if he thinks he is unfairly dealt with”.

It is clearly stated by big business interests that the restoration of normal capitalist production is being hindered by a changed psychology of the workers. The great struggles which are now going on between capital and labor will not cause faith to arise in the ranks of the workers that their wellbeing is bound together with the continued existence of the capitalist system.

We now go over to a consideration of the economic situation of the various countries.

The United States of America.

Data on the economic situation in the United States are not at hand at the time of the writing of this report. It can, however, be stated that the situation is on the upward curve. The above mentioned report of the National City Bank, published at the end of February, has the following to say on the general situation:—

“The year 1921 was the worst for business generally that has been experienced by most of the men doing business today. The list of receiverships and bankruptcies since the close of the year has been a formidable one, but no worse than expected, and on the whole the business community has stood up under great losses remarkably well. Generally speaking a business has done well to make the transition from the high level of prices to the low level now prevailing without either loss or profit. It cannot yet be confidently said that the bottom has been reached in all lines; on the contrary, there is reason to believe that in manufactured goods and construction work costs have yet to be materially reduced.”

The rising curve of American economy is mainly caused by the already mentioned rise in the price of cereals, paralleled by the rise in the cattle market. Thus, for example, pork rose from \$7.00 to \$10.00 per cwt. The beneficial influence of the rising grain prices would have been greater if not for the fact that large quantities of grain have already found their way into other hands so that the rise did not increase the buying power of the farmers proportionally. The rise in the price of grain was mainly caused by the investigations of American experts into the conditions of the European market which led to the conclusion that Europe must buy large quantities of grain before the close of the quarter under consideration and through the unfavorable prospects for the next harvest. A further rise was prevented by the enormous supplies of wheat coming from Argentine.

Industrial production during the first quarter moved in general on a rising curve. During this period the weekly production of bituminous coal was almost 10,000,000 tons as against an average weekly production of 7,000,000 tons in November and December 1922. The rise in production may have some connection with the expectation of a coal strike.

The following is said by the Chicago *Economist* concerning the situation in the iron and steel industry:—

“We have not received such unsatisfactory reports from the iron and steel market for years as we are getting at present from the standpoint of actual ability to do business. Prices are still a bit uncertain but the independent concerns who recently quoted \$1.30—\$1.35 have returned to \$1.50 and in the Chicago district \$1.60 is being quoted.”

The production of steel ingots corresponded in February to a yearly production of 26,800,000 tons as against 22,600,000 tons in January. The daily production of pig iron was as follows:—

	Tons
January	53,000
February	58,000
March	65,639

Blast Furnaces in Production.

January 1st	111
February 28th	139
March 31st	155

This represents more than twice the number of blast furnaces in production eight months ago.

The Steel Trust is now working at 60—70% of its capacity as against 40% at the beginning of the year. Unfilled orders were on the increase in the months of March.

Petroleum production is also on the increase.

On the other hand reports on America's textile industry are rather contradictory. One outstanding fact is that the consumption of cotton in the last few months shows a rising curve. On the other hand the market has been depressed in the last few weeks.

Finally it must be admitted that prospects for building activities are considered extraordinarily favorable in the coming year. The value of the building permits granted is more than 138% higher than in 1921.

Unfortunately we have no data as to the amount of the reduction in unemployment as a result of this improvement in industrial production. One thing cannot be denied—unemployment is still extraordinarily great in all parts of the United States.

Foreign trade fell still further in the first two months of the current year. At the same time the export surplus is beginning to fall which is no doubt due to the fact that without the extension of new credits Europe is not in a position to absorb large quantities of goods from America. Many complaints are being heard in various branches about German competition which in spite of the high tariff is making itself felt in the American market.

The European rates of exchange are very important for American economic life. As already mentioned this development is a double one. While the currencies of Western Europe and the neutral countries are gradually approaching parity, the currencies of Central and Eastern Europe are rapidly continuing to depreciate. The following figures are characteristic:—

	Parity	Rate Dec. 31, '21.	Rate Mar. 30, '22.
London	4.87	4.20	4.38
Paris	19.30	8.02	9.01
Switzerland	19.30	19.52	19.43
Italy	19.30	4.21	5.10
Amsterdam	40.20	36.88	37.14
Berlin	23.83	0.54	0.31
Vienna	20.26	0.04	0.014

The price level in the United States has been rising slowly but steadily in the last few months. Bradstreet's Index was as follows:—

December	1087
January	1137
February	1142
March	1160

In the last nine months eight rises have taken place and the level of prices has risen almost 8% since February 1921. Since the price level of the United States is not very much above the pre-war level this increase is a sign of the improvement in American economic life.

The question, however, arises whether this tendency will continue. This depends above all upon an adjustment between the price levels of agricultural and industrial products, and further in how far the European market will again be able to absorb American products. The approach of the European exchanges to the gold standard and at the same time to parity with the dollar naturally facilitates the sale of American goods in Western European countries. None the less it is true that English and German competition is again forcing American goods from many non-European markets. In America itself clear-sighted economic circles are coming more and more to the opinion that without an economic restoration of Central and Eastern Europe a permanent improvement in America's economic conditions is impossible. American circles, however, appear to desire to avoid an active economic policy as long as political

conditions in Europe are not cleared up. They desire above all a limitation of military expenditures in Europe, a modification of Germany's reparations burden and a change in Russia's political conditions as to which latter they themselves are not clear. Furthermore, that tendency in America which considers American economic policy as depending upon a turning away from Europe and an increased activity in South America and China is still very strong, and the fight between these two tendencies results in a paralysis of American economic policy and a waiting for further developments.

We pointed out in the introduction that American capital is carrying on a sharp offensive against wages, for the lengthening of working hours and against the closed shop. At the present time the attack is mainly being carried on against the high wages of the railwaymen and the coal miners. In the capitalist press week after week the high wages of the workers are being mentioned as leading to the closing down of the railroad repair shops and the contracting for the work by outside firms. The difference in the hourly wage of workers of the same trade in the two sorts of shops is approximately 30%. It is interesting that the farmers who as a result of the high freight rates lose much of their profit—freight charges for grain and fruit from the Western to the Eastern coast consume in many cases 50% of the selling price—do not attack the railroad companies but turn against the workers. Thus we read in a bank report of a large fruit grower in Georgia who attempts to prove that the railwaymen receive more wages for the haulage of a car of fruit than the workers who tended the fruit trees and picked and packed the fruit. He goes as far as to maintain that the wages of the agricultural workers are so low because the railwaymen get too high a wage; the high wage causes high freight rates and the farmer has too little left over from his selling price to pay his workers a decent wage. This campaign against the wages of the railwaymen is being carried on in the entire American capitalist press.

On the 1st of April the strike of the coal miners began. The capitalists in the bituminous coal regions demanded a reduction of wages, while the workers in the anthracite mines demanded a raise. The American capitalist press treated the strike with surprising calmness. The Chicago *Economist* of March 25th writes in its leading article:—

“Whatever may be the result of this strike, if a strike actually occurs, it should be understood by all concerned that there must be liquidation in wages as there has been in everything else. It is only a question of time with the coal miners. Meanwhile the country is perhaps in as good position to meet this misfortune as it ever has been to face any great strike because of the considerable supply of coal, the season of the year and the improbability of getting public support for the strikers.”

In the New York *Nation* of March 22nd there is a very interesting article entitled “The Tragedy of Coal” by Benjamin Stolberg. After relating the history of the coal mines during the war and in 1919, he writes:—

“Basing his figures on the prices of December, 1919, Professor Ogburn of Columbia University has worked out an annual budget of \$2,234.93 for the maintenance of the barest minimum of health and decency in an average mining family. So that today the average miner earns less than half of this minimum American standard. At their last biennial convention the United Mine Workers of America voted for the continuation of their present wage scale, provided it is stabilized by an assured thirty-hour week, which would guarantee them a steady weekly income whose annual aggregate would amount to about \$1,400. In other words, all the American miner asks is that his poverty may be so regulated as to lift from his home the curse of debts and rags and hunger from which his family is now periodically suffering.”

He then presents a very good picture of the relationship between the miners and the leaders of the trade-unions:—

“The miner is by all odds our most radical worker. He is not especially class-conscious with any particularism, but rather elemental in his temper as compared with the urban worker. His is by far the most dangerous occupation. The price for every 260,000 tons of coal is a human life. Annually 2,500 miners are killed and 30,000 injured.

On the other hand, the leadership of this vast labor syndicate is almost as inevitably forced toward conservatism. The international and the district officers live in a state of constant and detailed administrative brokerage with Big Capital, for coal is interlocked with railroads and New York

finance. This spiritual discrepancy between the leadership and the rank and file always feeds an undercurrent of distrust which at any moment might break out into vindictive opposition, often complicated by factiousness, within the leadership itself.”

Thus the American coal miners have taken up the struggle under very unfavorable conditions.

The textile workers' strike in New England is still on. The workers are offering bitter resistance and there are no prospects of an early termination of the strike.

Great Britain.

** Great Britain's economic life in the first three months of this year shows slow improvement, often interrupted by certain reactions. Of England's basic industries it is principally the mining industry which shows marked improvement—at the expense of the proletariat. Production is at present higher than in the last quarter:—

Average Weekly Production in Millions of Tons.

January	4.42
February	4.94
March	4.98

In the first week of March 5 million tons were mined, a figure equal to the average pre-war production.

English coal is also regaining its position on the world market, having everywhere pushed back the competition of the United States whose export has been limited to Canada. At present English coal is being sold cheaper f. o. b. French ports than French coal and the British press has recently reported large contracts with Germany. The situation of the English mining industry is described in detail in an article of the London *Economist* dated March 25th from which we take the following figures:—

1921	Wages Cost		Total Cost	
	per Ton		per Ton	
	s.	d.	s.	d.
First quarter	29	8	40	3
Third quarter	19	10	26	10
Fourth quarter	13	9	19	11

This reduction of expenses is principally due to increased output and to the heavy wage reductions of labor. The average weekly production per worker and average weekly wage.

1921	Tons	Average Weekly Wage	
		s.	d.
First quarter	44.42	84	
Third quarter	48.40	63	
Fourth quarter	57.76	56	

These are the evident results of the betrayed and lost miners' strike in consequence of which the wage regulations in force throughout the country were abolished. At present a miner working underground in Durham is earning 37 sh. per week, while his fellow worker in Devonshire earns 69 shillings. This great variety of wages naturally makes concerted action of all miners impossible. It is generally conceded that the wage reductions of the miners were out of proportion to the decrease in the cost of living.

The boom in the iron and steel industries was less steady. While at the beginning of February business was so bad that the blowing out of blast furnaces was seriously considered, (*Economist* of February 4th) an improvement is noticeable in the middle of February and at the end of that month a number of fresh blast furnaces were blown in. March also showed a marked improvement. In the beginning of April business experienced a slump, however, due to the threatening lockout of the engineers.

The production in thousands of tons was:—

	Steel	Iron
December 1921	381	275
January 1922	327	288
February	415	300
March	549	390

Owing to heavy wage reductions and cheaper coal, the end of March not only witnessed the end of German competition, but even sales of English iron in Germany.

A steady improvement has set in in the textile industry. Orders from Asia increase and business is satisfactory both in the cotton and in the wool industry.

All this is, however, merely relative. So far England has not overcome the crisis. And though unemployment has somewhat decreased during the last three months, it has not decreased in a degree that would justify speaking of its approaching end.

The percentage of unemployed trade-union members has been as follows:—

	%
November 1921	15.9
December	16.5
January 1922	16.8
February	16.3

The corresponding figure for March is not at hand; weekly reports show, however, that the number of unemployed has shrunk only very little. In the last week of March there were still 1,700,000 unemployed (not counting short time workers). During the whole quarter the number of unemployed has only decreased by 190,000. It is safe to assume that owing to the engineering lock-out, the number of unemployed has at present reached the figures at the beginning of the year.

England's main difficulty is still her foreign trade balance, which has moved within very narrow limits in spite of the fact that wage reductions have enabled the English coal and iron industries to compete once more on the European market. It is obvious, however, that this regained ability cannot last, because England's sale of great quantities of goods to the Continent where the trade balance is unfavorable, will result in an increased movement of the £ and a proportional fall of the Continental exchanges both which will destroy the newly acquired ability of British trade to maintain itself on the Continent. Great Britain attempts to evade these consequences by credit grants, in the manner of the Polish and Czecho-Slovakian loans mentioned previously. The Genoa Conference is really merely the expression of the necessity for England's industry and commerce to reconstruct Central and Eastern Europa and Russia and reinstate them as steady buyers of English products.

The development of prices in England is rather stationary. The total index figure of the *Economist* is as follows for the last four months:—

December 1921	170
January 1922	167
February	166
March	167

The insignificant rise in March must be attributed to the increase in the cost of living. The cost of living index, referring to the beginning of the month shows a strong tendency to fall, however:—

November 1921	103
December	99
January 1922	88
February	88
March	86

The falling tendency of these figures is in open contradiction to the fact that the wholesale prices for foodstuffs for the same period show a marked upward movement.

Concerning Great Britain's finances, the figures for the budget year just closed show a surplus of £50,000,000. During this year the Government succeeded in repaying a respectable part of its debt, apart from the fact that it has declared that this year it will begin paying interest on its debts to the United States. This favorable result has to a large extent been made possible through the Washington agreement regarding the building of capital ships. It is furthermore hoped that during the coming years a considerable reduction of expenditure on the basis of the Geddes Report will be effected. All things considered, it can be said that, provided the boom continues, England can reasonably expect a considerable surplus for the coming year. It should not be forgotten, however, that taxes are very high in England and that the capitalists have launched a strong campaign for the reduction of the income tax.

The British rate of exchange is slowly nearing parity and the dollar rate. The rise is very slow and often interrupted, but viewed as a whole quite steady. The depreciation of the £ as against gold was at the close of the quarter under survey approximately 15%. Parallel with this process goes the fall of the price of gold on the London market. The price of silver has also suffered, a fact that has serious consequences for the exporting possibilities of the English textile industry to the great Asiatic territories with a silver standard. Following are the exchange quotations to the £ on the London Exchange for the last quarter:—

	January	April
Paris	52.33	48.47
Berlin	792	1260
Vienna	13,000	32,500
Prague	258	230
Warsaw	12,000	17,000
Bukharest	550	610
Sofia	612	640
Belgrade	295	355
Amsterdam	11.44	11.58
Kristiania	27	24.70
Stockholm	17	16.82
Athen	96	101
Rome	97.5	85.5
Zürich	21.50	22.56
New York	4.21	4.38
India	1 s 4 d	1 s 3 d

This table shows a two-sided development. Measured against gold and the dollar, British exchange is slowly but surely improving. The exchanges of the neutral countries and of France are moving in the same direction, if at an increased pace, with the effect that their exchanges measured against the £ are improving. The distance between the Central and East European rates of exchange and the £ is widening, however; the mark and the Austrian kroner are dropping very fast with the Polish mark and the Balkan exchanges following at a slower rate. The Czecho-Slovakian and the Greek exchange were propped up by the loans granted them by Great Britain. The "weighted" (that is compiled with regard to the amount of trade transacted with the respective country) Total Index of the *Economist* shows in its entirety a steady improvement of the English exchange for the whole quarter.

We have already mentioned the heavy wage reductions effected in England during the last half year. The miners and the steel and iron workers were as far back as 1921 compelled to submit to the greatest wage reduction, which, according to the *Labour Gazette*, amounted to £2 a week for the miners and to approximately the same amount for the other trades.

At the same time national wage agreements were abolished throughout the country and the employers are now negotiating directly with the workers in their respective districts. This system has led to great discrepancies in the wages paid in the various geographical districts, affecting not only the miners, but also unskilled laborers whose wages are generally taken as the basis of the skilled laborer's wage. According to a compilation of the *Economist* (January 21st) the wages for unskilled workers were in shillings:—

	Low	High
Agricultural laborers	34	50
Municipal laborers	50	76
Builders' laborers	53	71

The capitalist paper must needs laud the complaisance of English labor:—

"In many cases the men have recognized the force of economic pressure, and accepted drastic reductions in a manner deserving of the highest praise, and by so doing have given proof of the solid qualities which are needed if the ideal of partnership is to become the ruling principle between employers and workpeople. The reduction has also been accompanied, particularly in those industries in which payment by results obtains, by a greatly increased output per head per day—even where the weekly output is reduced by short time. The highest output ever attained by a single blast furnace in Great Britain was reported recently from South Wales, and similar results are being experienced in most parts of the country".

The great reductions of the miners' wages give the capitalists the idea that the wages of other trades must be cut down in a similar manner and the working hours increased simultaneously.

An extension of working hours was forced upon various sections of railwaymen in the North of England. It has been followed by the lockout in the engineering industry in April. In normal times there are 1,145,040 male and 84,210 female workers in the engineering and foundry industries. Of these 45,978 were in January working on short time while 26.6% were out of a job.

The trade-union bureaucracy has again done excellently—viewed from a capitalist standpoint. The attempt of the 47 small unions in the engineering industries not affiliated to the A.E.U. to

come through Henderson to a special agreement with the capitalists on the basis of a formula evading the bone of contention—"the rights of labor and the capitalist factory", is certain to betray the struggle of the engineers which from the very beginning was very heavily handicapped. There are, on the other hand, indications that sections of English labor have become embittered in consequence of the great wage reductions. *Capitalist papers complain of the growing influence of the Communists in the labor movement.*

France.

The economic situation of France is more stable than that of the other great powers, because that country is less dependent upon foreign trade, being able to satisfy most of its wants out home production. This fact notwithstanding, it can be said that in the quarter under survey the economic situation of France has, generally speaking, undergone a change for the worse. The reasons for this are the continuous improvement of the French rate of exchange and the difficulties France, with a young iron and coal exporting industry, is experiencing in selling these products on the world market.

Owing to the rise of the French exchange American and English goods, not to speak of Belgian and German wares, are in spite of the high French protective tariff, competing on the French market. The difficulties experienced by French large industry in finding a market for its products explains why the resistance of these interests against a trade agreement with Russia is gradually dying down. Of interest in this connection is the speech of a great industrialist, Deputy de La Salle, member of the Bloc National who bitterly attacked the Russian policy of the Government and demanded that trade relations with Soviet Russia be taken up immediately. Apart from this a solution is sought for in the creation of international trusts which are to regulate the sale of iron, steel and finished goods in conjunction with England, Belgium and if possible also Germany.

Concerning the various industries, we must point out that the prices of agricultural products have for the last month shown a tendency to fall. The last harvest has been excellent and suffices for France's needs. The price of wheat which was 100 frs. last year has sunk below 70 frs.; owing to the improvement of the French franc in relation to the dollar, the import of American grain has in spite of the high tariff (15 frs. per 100 kilo) become possible. This change in the situation is best characterized by the fact that beginning with March 15th all barriers against the export of agriculture products have been abolished and that French landowners are demanding new protective measures against the threatening import of foreign grain. The situation in the mining industry is becoming more serious as the months pass by. Very large quantities of coal have been stored up in the North of France and in the Saar District and are increasing month by month in spite of the fact that the output had not been increased. In the Northern districts holidays were instituted at the end of March, work being carried on only five days in the week. The cause of this is principally the competition of English coal and, in certain districts, of Belgian coal. French coal interests are endeavoring to bring pressure to bear upon the French Government with a view of having it reduce the freight for coal. They have divided France in four zones and have fixed special prices for the coast zones where English competition is greatest and for the Eastern districts where the competition of Belgian coal is making itself felt. In addition to this the Minister for Public Works has appealed to the great railway and electricity concerns to use French coal. After a number of conferences the great consumers have declared their readiness to favor French coal, provided that the price for foreign coal at the place of delivery and of the same quality is not more than 10 frs. less than that of French coal (*Deutsche Bergwerkszeitung* of March 14th).

Great endeavors have been set afoot to coke French brown coal, because, as is well known, France has a surplus of iron ore, but a shortage of coke necessary for smelting that ore. While brown coal is being heaped up there is a continuous lack of coke. These attempts are, however, hardly likely to improve the situation of the French coal market in a near future. And because the output of the Northern districts must increase in proportion to the progress of reconstruction (at present the output is less than 50% of the pre-war tonnage), it is to be expected that the situation will grow from bad to worse during the next two months. It is in this connection of interest to know that the daily output of the French mines per man in 1921 was even less than in the previous year: — 520 kilograms to 526.

The situation in the iron industry is no less serious. Of the remaining 196 blast furnaces there were, according to the reports of the *Comité de Forges* in the beginning of February only 66 in blast. The output of iron ore is insignificant, with the amounts in stock increasing steadily. In 1913 41 million tons of iron ore were mined in Lorraine, in 1921 only 13 million were mined while the stock of iron ore is at present much greater than in 1913. The sale of pig iron and steel is very difficult; English high quality iron and German and Belgian iron find their way into France in spite of all trifles and restriction. (*Journal Industriel* of April 4th.)

This state of affairs is the cause of the previously mentioned endeavors on the part of French industry to combine.

Similar difficulties are experienced in the newly acquired Alsatian potash industry where the output is four times as great as the French need and for the remaining quantity a market must be sought on the world market where bitter competition from the German potash industry is encountered.

A more favorable business prevails in the textile industry, in the cotton mills and in the garment industry. The production of artificial silk is flourishing because genuine silk is at present too expensive.

Building activity in France is still negligible. The reason for this is, in the opinion of the capitalists, to be found in the low restricting rents and in the high costs of building materials.

The shipbuilding industry is also going through a serious crisis which has been aggravated by the limitation put on the building of capital ships. According to data published by the Communist press 50% of the shipyard workers and a great percentage of longshoremen are out of work.

Regarding unemployment no reliable data are on hand. The official statistics merely mention the number of unemployed receiving assistance which during the quarter under survey has oscillated around 100,000. According to the reports of the labor press, however, unemployment is rather extensive in a number of districts, a statement which lacks confirmation, as French agriculture and the French mines have launched an energetic campaign for the immigration of foreign labor. 3,000 Polish workers are at present crossing the French border every week. The Polish workers are on account of their low standard of living given preference to the German and Italian laborers.

The price movement in this quarter shows a declining tendency. The wholesale index figure was as follows:

November 1921	384
December 1921	376
January 1922	363

Later figures are not on hand, because the French Statistical Bureau works very slowly.

The retail prices show a similar tendency though the downward movement here is less remarkable, a statement borne out by the following table:

November 1921	326
December 1921	323
January 1922	319

Here as everywhere the capitalists are asserting that the middlemen are making usurers' profits interfering with the rapid turnover of the goods and preventing wage reductions.

The foreign trade of France shows for the first two months for which data are available a favorable balance. Both imports and exports however, were of less value than in the last quarter of 1921, though the fact must be emphasized that the data of French export statistics are far from reliable. This is best evidenced if one considers the result of the two different methods which are at present being tried out in France. Imports in January were valued:

According to the value given by the importers at 1,488,000,000 francs; and according to official estimates made on the basis of prices in 1919, at 2,114,000,000. The difference is no less than 50%. Under these circumstances the worth of the statistics is rather doubtful, the more so as the export figures are always merely estimated officially.

The rise of French exchange, however, may be taken as indicative of the fact that the trade balance has really been favorable. In the course of the last quarter the franc has gone up steadily, as the following quotations witness:

	December	March
Pound Sterling	52	48.54
Dollar	12.31	11.10

The improvement is especially with regard to the dollar very remarkable; it is also the ultimate reason for the serious condition of French industry which is threatened by foreign competition as a result of the improvement of French exchange.

In consequence of declining prices and feeble business the money market is glutted. The official bank rate has been put at 5%. The opinion has been advanced that the bank rate has been reduced with a view of glutting the money market and thus insuring the success of a planned new great loan. The necessity for such a loan is to be sought in the unchanged bad situation of public finance. It is impossible to gain a clear survey as to the stand of French finances, because the French system provides for a final settlement on the budget year only after all expenditure of the budget has been compiled. The consequences of this system are that the results of the financial year 1915 were published in April 1921.

The proceeds of taxation for the first two months of this year have been very bad. In February they fell 250 million below the budget estimates. This financial situation is aggravated by the demand of the United States and Great Britain for the commencement of interest payment on a tremendous debt, while France shows no inclination to restrict armaments which procedure alone would make an improvement of the financial situation possible. French financial policy is quite innocent of any attempt to find a way out of this situation. While on one hand the French Minister of Finance declared in an interview to the correspondent of the *Sun* that France did not even entertain the idea of paying its debts to the United States or paying interest on them, the full sum of the German reparations is still counted in the budget, an item the vagueness of can hardly be doubted by anybody. If this policy is continued it will result in French finances going from bad to worse unless an agreement with America and England regarding the annulment of the debts is arrived at, which is impossible so long as the reparations problem is not put on another basis and French armaments are not restricted considerably.

Meanwhile the Wiesbaden Agreement has been ratified after much hesitation and a new agreement (Bemmelman's) has been arrived at. The new feature of this agreement is that the reparations in kind are not to be ordered through organizations but directly from the French to the German manufacturer. The French consumer gives an order for reparations goods to a German manufacturer chosen by him; he pays a certain percentage, varying with the goods and corresponding to the value on the world market, to the manufacturer directly in French currency; the remainder of the price is paid in marks through the German Government and will be credited to the reparation account. How the new agreement will stand the test of practice cannot be definitely stated today.

Meanwhile France is endeavoring to realize its imperialist plans on the economic-political domain. French capital is looking for investments in countries with a low rate of exchange which are politically dependent upon France. Lately much capital has been invested in Upper Silesian industry where it encountered sharp English competition. The participation of French capital in the Polish oil and textile industries is being extended. In addition to this a French Commission has been sent to Asia Minor to inquire into the presence of oil in the territory of the Angora Government which has granted France all rights of such exploitation.

It cannot be predicted how long the weak French finances will stand the strain of this imperialist policy. It cannot be doubted, however, that in spite of all territorial gains France's economic basis will in the end prove insufficient for so costly a militarist, imperialist policy.

Concerning relations between capital and labor we find in France the same state of affairs as in Great Britain and America. The struggle is merely more split up owing to the petty-bourgeois character of French industry. Endless small strikes and lockouts are following each other in rapid succession. The result is a reduction of wages and in some cases a lengthening of hours. The capitalist have for a long time been preparing for a general attack on the eight-hour day have been submitted to Parliament. Characteristic of the sentiments of the French bourgeoisie is that one of its spokesmen said that in 1919 the eight-hour day been a "premium against revolutionary movements" which had since become superfluous. So far these endeavors have been futile. The resistance offered by French labor varies according to districts and trades; in some cases it has been very stubborn, but generally speaking it can be said that here too capital has gained the upper hand.

Italy.

The development of Italy's economic situation during the last quarter has paralleled that of France with the difference that the bad features were more pronounced.

The most important is the marked improvement of Italian exchange. In London the quotation was as follows:

December 1921	97.5 lire
March 1922	87.5 lire.

Compared with the dollar and the gold standard the improvement is even more marked. The scant data on hand fail to explain this upward movement. The statistics of foreign trade for the current year have not been published so far. The results, however, are quite evident—they are exactly those experienced by France. In a speech held on March 12th the former Prime Minister Nitti said:—

"The industrial crisis will very probably be succeeded by an agrarian crisis. In some districts the cultivation of grain was abandoned owing to the world market prices which are lower than the Italian prices in spite of the high rate of exchange."

This is the problem of the future, however. The brunt of the crisis is borne by large industry, which having been artificially created for war purposes and being handicapped by unfavorable location cannot compete with foreign large industry in spite of high protective tariffs. The complete collapse of the "Ansaldo Works" is indicative of this state of affairs. The old capital of 500,000,000 lire has been completely lost and part payment to the creditors is only possible if the state renounces the 400 million lire profit taxes it is entitled to. Another great metallurgical concern, Terni, was obliged to reduce its capital from 100 to 80 million lire in order to make good its losses. Other plants build up during and for the war, so for instance, the great chemical works in Sovona must be liquidated.

Generally speaking business is very bad in the whole industry, proof of which is the steady increase of unemployment. Official figures for March mention 600,000 unemployed, a number which must be augmented by those workers absorbed by agricultural activities which set in very early in Italy.

The financial situation of Italy is just as vague as that of France. In a speech mentioned above Nitti mentioned the following figures: At present the state has a deficit of 5 milliard lire for the current financial year. Even with taxable capacity strained to its utmost the State is working with a deficit. Proportionally higher than that of the State the deficit of the provinces, communities and charitable institutions. All government-owned undertakings, railways, post, telegraph and telephone administrations, labor under a heavy deficit. That means that even when straining taxable capacity to the utmost the state has only brought together two-thirds of its expenditure. As the state is in debt to the utmost of its capacity it cannot obtain credit abroad. Nor can it find private persons to advance it money. This is the reason for the gigantic discrepancy between imports and exports. Italy's consumption exceeds its production to the extent of 1 milliard gold lire per month!

In search of new sources for revenue the Government intended to reinstitute the former grain consumption duty (7.5 gold lire per 100 kilograms) beginning with April 1st. This would have meant an increase of 30% in the price of bread. The protest of the labor parties and the People's Party resulted in a postponement of this measure.

In a later article we shall endeavor to explain the discrepancy between the bad economic situation and the upward tendency of the rates of exchange.

The Neutral States.

The Neutral States are continuing to suffer from the crisis. Their high rates of exchange render the sale of their products abroad very difficult. Unemployment is everywhere very great and shows no sign of abatement. The high dividends distributed by the rich Netherlands to its capitalists are principally derived from capital invested abroad. Foreign trade is decreasing; prices are stationary. The index figures were:

December 1921	188
January 1922	188
February 1922	185

The situation of Switzerland is even more difficult. The statistics on the import of industrial raw materials (which as Switzerland is very poor in raw materials is a certain indicator of a boom) shows the seriousness of the crisis. Imports were in millions:

	1920	1921
Coal (tons)	2.65	1.63
Iron (100 kilograms)	3.88	2.00
Copper (100 kilograms)	0.20	0.12

The import of machines has also gone down whereas the import of grain, fodder and cotton has reached the pre-war level. Swiss agriculture which relies upon the export of high quality goods (breeding cattle, milk, butter, cheese) is suffering under declining prices and the extremely high rate of Swiss exchange. In connection with the development of prices the same phenomenon can be noticed in Switzerland as in the United States: the fall of prices of agricultural products is greater than that of industrial products.

	Materials for Direct Consumption	Products of Agriculture	Products of Industry	Total Index Figure
1914	100	100	100	100
January 1920	308.4	329	365.5	325.5
January 1921	270.4	188.9	222	237.9
February 1922	181.3	151.2	169.2	170.7
March 1922	179.4	151	172.6	170.6

As in the United States, the decline in the prices of agricultural products is much more marked. The reason for this is to be found in the high price of coal and in the expensive transportation.

During the whole quarter Swiss exchange has remained at gold parity; the Swiss franc has even passed the dollar. New York quoted:

Parity	December 1921	March 1922
19.30	19.52	19.43

Returns of capital invested abroad and from the revival of the hotel industry are insuring Switzerland an active trade balance. Industrial production is to an always greater extent being removed to countries with a low rate of exchange. Switzerland is becoming the center of shady capital transactions and of international financial concerns, while unemployment is growing steadily.

The Scandinavian countries have undergone no marked change during the quarter under survey. Limited production, formidable unemployment, a slow decline of prices and insignificant exports are characteristic of the situation. The exchanges show a slight improvement.

New York quoted:

	Parity	December 1921	March 1922
Sweden	26.80	25.05	26.00
Norway	26.80	15.93	17.70
Denmark	26.80	19.93	21.13

Widespread unemployment and a bad economic situation have led to an attack of capital against wages. In Sweden and Norway great wage reductions were forced upon the workers who offered hardly any assistance. These wage reductions are altogether out of proportion to the insignificant fall of the cost of living. In Denmark the situation came to a head in a lockout of industrial labor at the time when auspices were far from favorable. The *Stinnes paper, Industrie- und Handelszeitung*, of March 15th wrote as follows:

"Even if the conflict has long been foreseen by both sides it can be said that it broke out at the favorable time for the employers because of the critical position of Danish industry. In the course of the last year the Employers' Federation has collected a war fund of 25 million kroner, while the funds of the labor organizations have decreased considerably due to the payment of unemployment relief."

Capital knows well how to chose a favorable time.

Germany.

Economic development in Germany has not deviated from its former direction, it has merely increased its pace. The pivotal point of economic life was the deterioration of the mark which has reached tremendous dimensions during the period under survey. The Berlin Bourse quoted:

	£1	\$1
January 1922	789	187
February 1922	872	204
March 15, 1922	1263	288
March 28, 1922	1478	339
April 4, 1922	1443	326

This depreciation of the German mark resulted in a soaring of prices which overshadows all past periods. The

various statistics regarding the increase of prices vary as to the degree of the increase. The official figures of the National Statistical Bureau calculate an increase of 40.4% for the three months and as compared with March 1921 of 155%. This, however, only applies to total expenditure, the cost of foodstuffs has increased to an even greater degree.

When calculating the existence minimum, Kuczynski estimates that in March alone prices have increased by 25%. The figures of the *Frankfurter Zeitung* give the following picture:

January 1922	317
February	352
March	434
April	525

The price of grain soared especially high, because the increase on the world market coincided with the depreciation of the mark. Coal and iron have also gone up, the price for iron having doubled since December last.

The new feature of this development is that the increase of local prices proceeded more rapidly than the depreciation of the mark. The state of affairs the German capitalists have so ardently longed for—German prices at the world market level—has come about. This means that the export of German goods is rendered difficult, but also that foreign goods which for a long time had had no access to the German market, can now reach it. Great quantities of English coal are at present imported into Germany. In February imports amounted to 320,000 tons and have almost certainly been much greater in March. We have already mentioned that English iron was imported into Germany. In April the import of foreign grain and flour was permitted and American flour found its way into Germany.

In this connection it must be remarked that this increase of prices is not the result of the recently concluded tax compromise (increase of the turnover tax and the coal tax and the freight increase amounting to 40% which took effect on April 1st). It is certain that prices will continue to soar even if the mark should cease its downward movement. The rapid increase of prices has resulted in difficulties for many enterprises and trades. Credit was strained to the utmost in order to satisfy the increased need for circulating capital.

A confidential circular of the administrative board of the *Disconto-Gesellschaft* in which the concerns affiliated with that institution are advised to be very careful in the matter of credits, which was published by the *Freiheit* is of interest. This circular sums up the situation as follows:

"Even if, generally speaking, wages and salaries respond to this development, one must not forget that sometimes a limit will be reached where the buying capacity of wide circles of the population will come to a stop. To this must be added the fact that in consequence of the continuous depreciation of the currency and the rapid and sudden increase in prices large sections of the population have laid in a store of goods and must be considered as saturated for a long time to come. One can therefore imagine that finally there will two groups, one which has no need for goods for a long time and can therefore not be considered as consumers, and another which cannot buy because it is unable to do so."

During the last quarter there has been a considerable increase of production in the mining industry, an increase which is less the result of a greater number of workers than of increased intensity of the part of the individual worker. Without overtime the output during the first quarter nearly reached the figures of the same period of the previous year when the overtime agreement was still in force. It would be wrong, however, to make this fact the starting point for speculation on the improvement of the economic situation. All reports agree that production in the smelters and especially in Central Germany in the cement factories and the chemical works is being impeded through the lack of coal. The *Kölnische Zeitung* of April 9th has the following to say in this connection:

"Over a fortnight ago Berlin industry had to break into its reserves. And if the continuous supply of coal should be interrupted through any occurrences whatsoever, great factories would be compelled to restrict their output or even close down altogether. Reports from Southern Germany which is also experiencing a shortage of coal and coke confirm this statement."

The reparations deliveries to the Allies are making themselves felt. Before the war Germany imported ten million tons of English anthracite coal annually. The increase of the output, however, has not even remotely reached pre-war production.

The iron industry has plenty of orders on hand. But it lacks coke and scrap. The prices for scrap which before the war were 20% less than those for pig iron are today higher. The shortage of local iron ore is made up for by huge imports. Great quantities of iron ore have lately been purchased from Newfoundland. There is a certain tendency to boycott French iron ore, the most natural resource, for political reasons. The iron industry is working at. There is a shortage of skilled workers. The railroads cannot cope with the transport of large quantities of goods. The iron, the potash and the cement industries are continuously protesting against the insufficient number of cars at their disposal. The *Kölnische Zeitung* of April 9th writes:

“The freight service of the railways is no longer equal to the demands of commerce and industry. The exaggerated demands of our enemies for the surrender of railway material and especially of locomotives are responsible for this. The condition of the railways is such as to make an increase of traffic with its consequent greater deterioration appear dangerous. Because the railway has proved a failure, as it necessarily had to, it has been replaced by the motor truck and anybody living in a coal district or its immediate neighborhood can every day witness processions of trucks which in spite of the damage to the roads, represent the only possibility of guaranteeing a continuous supply of coal as far as this supply is available.”

The textile industry is fully employed. The cotton mills have orders booked for half a year. Matters are worse in the silk industry which had to restrict its output in the middle of February. The entire picture of German industry and trade is quite favorable if viewed from a purely financial and commercial standpoint, a phenomenon always experienced in times of extraordinarily high prices. Nearly the whole labor power of Germany has been harnessed. At the end of February there were 209,000 unemployed, only a little more than in January. Agriculture and a number of skilled trades report a shortage of labor.

If, however, we ask for the results of these apparently intensive activities, the answer is difficult to give. The output of coal has as was already mentioned, increased. Regarding the production of pig iron no official figures were published. Ship building has also increased considerably. During 1921 ships with a total tonnage of 400,000 left the yards. The German merchant fleet has again reached 1,000,000 tons.

Building activities, however, are still insignificant. Only the great capitalist groups are ordering new buildings for factory purposes in order to protect their capital against the depreciation of the mark. The Thyssen concern has sunk a number of new shafts. It is said that these new undertakings will cost no less than three milliard marks.

All things considered, it appears that the total production is much less than should be expected under these circumstances. Part of the boom is certainly artificial.

This question is at present intensively dealt with by a number of German economic experts. Recently a pamphlet entitled “Paper Profits” was published by Prof. Prion and Schmiedenbach in which the authors attempted to prove that in spite of their great paper mark profits the German concerns are becoming poorer in real property. The same opinion is advanced by Parvus in the “Glocke”, by Calwer in his monthly report and by a number of other economic writers. A very impressive article concerning this question was published by Landsburgh in the April number of the “Bank”. The author points out that owing to the great vacillations of exchange the risk imposed by foreign buyers and sellers upon the German merchant when concluding a contract in the form of higher or lower prices amounting to three milliard gold marks a year. All these statements are partly intended to paint the German economic situation as black as possible in connection with the reparation demands. The factis, however, that when foreign raw material is bought abroad and sold in Germany (and that with a reasonable and some times even very high profit in mark) after a period of production its proceeds will buy less raw material abroad than at the beginning. In spite of the profits in mark the real assets grows smaller with every period of production.

The foreign trade of Germany gives no chance for judging this situation. The most important figures are the following:

	Quantities		Values	
	Import	Export	Import	Export
	Millions of Tons	Millions of Tons	Milliards of Marks	Milliards of Marks
December 1921 . . .	20.8	19.3	13.7	14.5
January 1922 . . .	23.1	20.3	12.8	14.5
February 1922 . . .	14.8	17.5	12.0	14.5

These figures prove that foreign trade has decreased considerably during February. The value of the imports has decreased, while the exports have remained stationary. The result is an excess of exports over imports for the first two months to the amount of 4 milliard paper marks. If one takes into consideration the great increase in prices during February, it becomes obvious that exports have also decreased considerably. The data for March are not yet at hand. The starting point for the new rapid fall of the mark was the note of the Reparations Commission, which demanded that the so-called tax compromise be passed by the Reichstag before the end of April and that before the end of May new taxes amounting to 60 milliard paper marks be voted by the Reichstag. Of these 60 milliards 40 had to be available in the course of the current financial year. The first demand has already been complied with, while the second was refused for the time being. The situation of the German budget is really impossible. The deficit for the financial year 1922 amounts to 199 milliards marks of which 176 will be used for fulfilling the terms of the Peace Treaty. The estimated returns under the tax compromise are not included in this sum while the reparations payments have been included in the original amount. The payment of the reparations instalments, however, which must be paid in gold marks, requires, as a result of the new fall of the mark, much greater sums. It must also be considered that the real tax return of in Germany always falls below the sums estimated in the budget. The continuous agitation of the bourgeois press has succeeded in permeating public opinion with the idea that all taxes were going to the former enemies. Those taxes with which the working people are burdened (wages taxation, turn-over taxation, duties) are being collected automatically whereas the direct taxes are with the conscious or unconscious help of the government organs being evaded to a high degree. The result of the financial methods of the Government in the financial year just ended presents the following picture:—

	Milliards of Marks
Total Expenditure	188
Returns from taxes	82.5
Covered by new debts	105.5

Parallel with this Government deficit and the depreciation of the mark goes the increase in the banknote circulation. In the course of the last week in March 7,768,000,000 marks were issued. The present banknote circulation is 131 milliards as against 69 milliards in March last year. During the same period the amount of bills discounted has increased from 67 to 147 milliards. The Government is at present paying 1200 paper marks for a golden 20 mark coin.

The depreciation of the mark is naturally not only of importance to Germany, but also to the rest of the world. Keynes has estimated that the damage the Allied countries have suffered owing to the depreciation of the mark is in excess of the reparations payments. Characteristic of the state of affairs is the fact that the Federation of German Plush and Velvet Manufacturers at the end of March adopted the Swiss franc as standard for its bills on the domestic market since all raw materials had to be paid for in foreign exchange. We see that German economy is following the same line at an increased pace that we pointed out one year ago. The insignificant relief granted by the Reparations Commission will improve the perilous situation of the German state, just as little as the change dealt with under the heading France caused by the payment of the great part of the reparations in kind.

All indications are that during the coming year matters will continue to develop in the same direction.

Austria.

Austria's economic development parallels that of Germany. But the depreciation of Austria's currency and the high cost of living there are beginning to resemble Russian conditions. The principal features are the following:—

Banknote Circulation.

	Milliards
December 1921	160
March 1922	282

Within three months the circulation increased by 122 milliards, that is to say, 40%!

The rates for foreign exchange soared in proportion:— as witness the following London quotations:—

	Kr. to £
December 30th, 1921	12,000
February 1922	13,000
March	24,000
April	33,000

Quotations in Vienna itself were higher than abroad. The existence minimum compiled by the *Oesterreichischer Volkswirt*, which is very low and does not cover the means for bare existence, gives the following index number:—

1914	2.29
January 1921	100
July	160
January 1922	989
February	1445
March	1673
April	1725

Prices have increased 800 times as compared with the pre-war figures and 400 times since the beginning of this year (*Oesterreichischer Volkswirt*, April 8th, 1922).

The pace of the depreciation of money was so rapid as to compel the Allies to grant a fraction of the often-promised credits. After years of squabbling, Austria finally received from:

England	£2,000,000
France	55,000,000 fr.
Czecho-Slovakia	500,000,000 kr.

News of these transactions merely acted as a brake on the speed of depreciation. Nor need this cause any wonder, because those credits amount to 90 milliard Austria kroner. According to estimates—in the absence of any official data—the Austrian trade balance is unfavorable to the extent of 300 milliard kroner annually. (*Industrie- und Handelszeitung*, February 19th, 1922). The credits only suffice to cover the deficit of three months.

Meanwhile the artificial boom of Austrian industry has collapsed. The endeavors to do away with the state's deficit by means of discontinuing the food subsidies, increasing postage rates, imposing new taxes, etc. (all measures based upon the financial program of the Austrian Social Democrats) have driven all prices up to the level of world market prices and partly above, a process which we have already met with in Germany. Austria is on eve of a gigantic industrial crisis. In spite of the general increase in prices the foundries have been obliged to cut their quotations on account of foreign competition. It is generally conceded today that living in Vienna is dearer than in Berlin. The increase of unemployment can be taken as heralding the great crisis; the number of unemployed, which was 10,000 at the beginning of the year, has grown to 100,000.

The capitalists are attempting to reduce the real wages of the workers and thus regain their ability to compete on the world's markets; they have figured out that the real wage of an Austrian worker is higher than in Germany and demand the annulment of the agreement compelling them to increase wages in proportion to the increase in the cost of living. On the occasion of a manifestation arranged by the *Hauptverband der Industrie Oesterreichs*, the president of that body had the following to say:—

"Industry is no longer in a position to comply with further wage demands. If production is not to be restricted, productivity must be greatly increased. The average Austrian worker is producing 25% less than in pre-war times. The workers are today doing as much in eight hours as they did before the war in six hours. Taking the pre-war nine-hour day as a standard, production has been reduced by 50%. For these reasons the Social Democratic leaders must bring their influence to bear upon the workers in order to make them excel peace production. That is the only way out of our misery. Industry needs a breathing space to recover from the hailstorm of laws. At a time when a crisis of unheard-of extent is looming in the background, the bourgeois parties must forget all their quarrels." In a resolution it was declared that "industry could not bear

to be saddled with fresh burdens and that labor must be made to see it would further its own interests if it would assist in regaining ability to produce and compete by increasing output and adapting its demands to the situation at hand". (*Neue Züricher Zeitung* of April 2nd, 1922.)

The public appeal to the Social Democratic leaders to drive undernourished and weak labor to intensified productivity is characteristic of the political situation in Austria.

Speaking of the immediate future, it appears that the Austrian Government is attempting an interesting financial experiment. Of the sums granted by the Allies a fund of £4,000,000 is to be put at the disposal of a Vienna banking syndicate which is to stabilize exchange by either selling or buying kroner, as the case may be. Though this system was successfully tried out in Russia by Witte and by the Austro-Hungarian Bank it will meet with a like success. Judging by appearances, Austria has an unfavorable production balance, that is to say, the country consumes more than it produces. Stabilization of the exchange is only possible if the difference between production and consumption is made up by grants from the outside, if in other words, Austria succeeds in getting a favorable money balance. Profitable transactions of Vienna Banks in the Succession States and the Balkans and foreign investment are factors in favor of such a balance. But the difference is so very great that the planned stabilization will very shortly use up the available fund.

Poland,

The slight improvement, which has apparently taken place in Poland's situation can be attributed to the following facts:

1—An excellent crop, in consequence of which the import of foodstuffs was quite negligible.

2—Improved business in industry, especially in the textile industry which has allegedly reached its pre-war production (A fact to which it is said Russian orders placed in Lodz have heavily contributed.)

3—Foreign credits a part of which Poland has already received (£4,000,000 from Great Britain) and another part of which she will receive in the near future. (\$10,000,000 worth of goods—motors, fittings, raw materials—from the United States; interest on this loan to be, according to the *Bergwerkszeitung* of March 28th, 8% in gold.) In addition, Poland is trying to obtain a loan of 1,000,000,000 francs from France, which, however, is rendered difficult by the fact that the French bankers demand that the French Government guarantee the loan.

Polish industry and commerce is more and more coming under the influence of France who has secured for herself a monopoly in the oil industry whose output is, by the way, decreasing steadily. In Upper Silesia where French capital has to contend with British capital, the former have acquired great advantages under a trade agreement.

But neither the favorable harvest and good business, nor the ample credits from abroad have been able to stop the decline of the Polish mark.

London Quotation for £1.

	Polish marks
January 1922	12,000
February	14,000
March	18,500
April	17,000

The improvement in April must be considered in the light of the previously mentioned credit transaction and will almost certainly be followed by a further drop.

The issue of new bank notes has been continuously going on throughout this period:—

Banknote circulation in

	Milliards
November 1921	207
December 1921	230
January 1922	240
February 1922	247

(No newer data have been published.)

The cost of living is climbing steadily. Further developments depend directly upon the harvest and indirectly upon whether or not the imperialist-militarist policy which—as is the case in France necessitates a military apparatus altogether out of proportion to the economic basis can be overcome.

Czecho-Slovakia.

Czecho-Slovakia is of all European countries the most affected by the crisis, a fact which has become apparent in the course of the last three months. It is characteristic of the anarchy prevailing in the world's economy that this crisis has been caused by the favorable economic situation of the country.

The rapid improvement of the kroner is responsible for the crisis. Until the end of the last year the Czecho-Slovakian kroner had been dependent upon the German mark and had faithfully followed all the latter's vacillations. In the beginning of this year, however, the kroner freed itself from the mark which continued to drop rapidly, and started upon a steady upward movement that came to a close in March and was followed by a certain reaction. The rate of exchange for the first four months of this year in London was as follows:—

	kr. to £
January	290
February	225
March	270
April	298

It must also be remembered in this connection that for the same period the pound sterling gained considerably on all other currencies while those of Czecho-Slovakia's neighbors (Germany, Austria, Hungary and Poland) whose rates of exchange are very important for her, suffered a very marked drop.

The causes of the improvement of the Czecho-Slovakian kroner are:—

1—The very favorable general situation of the country (Highly developed agriculture; rich natural resources; an intact great industry).

2—The country is not burdened with war debts reparations, foreign commission, &c.

3—The financial policy of the state was directed towards the establishment of a sound currency by means of assessing banknotes, high taxation, &c. The total banknote circulation was:—

January	11.68
February	11.23
March 1st	10.74
March 23rd	9.96

(Lately the state has attempted to counteract any further advance of the kroner by buying foreign currencies).

4—The favorable trade balance, exports in 1921 are said to have exceeded imports by not less than 3 milliard kroner.

5—The influx of French and English capital in industrial enterprises; the success of the great loan amounting to £10,000,000.

The rise of the Czech kroner and the sharp fall of the currency of the neighboring states resulted in a catastrophic crisis for Czecho-Slovakian industry. The number of unemployed increased rapidly, amounting according to official figures to 50,000 although estimated by labor leaders at four times that number. Orders from abroad not only ceased to come in, but a large number of those already effected have been annulled. The pig iron industry has come to a complete standstill. The *Prager Eisenindustriegesellschaft*, the greatest concern in the country, blew out all its blast furnaces. The mining industry has also suffered a serious set-back.

"As early as the end of January there were 4160 carloads of coal and 16,596 carloads of coke representing a total value of 140 million kroner lying in the Ostrau-Karvin district. Three coking works have been shut down completely, while another will have to adopt the same course in the near future. The remaining coking works have only under great difficulties and at a heavy expense succeeded in keeping up production. The export of brown coal to Germany has also decreased considerably, with the effect that, beginning with February last the Bohemian brown coal works calculated the price for brown coal destined for Germany on the basis of marks, a policy that is expected to have a very beneficial effect upon export which had suffered considerably from the fact that bills were calculated in kroner. This remedy comes rather late, however, Saxony and Bavaria having almost entirely ceased to import Bohemian brown coal, owing to the kroner prices." (*Bergwerkszeitung* of February 26th.)

The glass-industry came to a complete standstill in the middle of March, having suffered tremendously from the rise of the kroner.

"The results of the upward movement of the kroner are:—

1—Orders are becoming scarcer every day, because nobody feels inclined to pay double the amount he would have had to pay a few weeks ago.

2—The annulment of orders is assuming formidable proportions. Customers simply refuse to accept delivery of goods worth untold millions.

3—The losses of exporters who sold in foreign currency are of gigantic dimensions.

4—Deliveries contracted for in kroner are not being paid, which fact results in a serious scarcity of money." (*Bergwerkszeitung* of February 26th.)

The description of the situation is certainly exaggerated, because at the same time a wage dispute was going on in the glass industry. The closing down of the works was also intended to compel the workers to accept a reduction of wages. Hence the closing down was simultaneously a lockout.

Owing to the kroner rise the sugar industry which does a very heavy export trade is losing 250 kroner per kilogram. The porcelain and wood industries are likewise seriously affected.

In regarding to the textile industry, the *Bergwerkszeitung* wrote as follows on March 28th:—

"The rise of the kroner has resulted for the cotton industry in a complete stagnation on the domestic market and in a stoppage of the export trade in textiles; the once flourishing finished business for foreign firms has also abruptly ceased. The German mills dominate the whole foreign market because their wages are little less than half of what our employers must pay. Not only are no new orders coming in; but annulments of old orders and demands for price reductions on deliveries already contracted for and on open bills constitute the answers of customers abroad, and especially in the Succession States, to the high quotation of the kroner. Big Jugoslavian buyers declare that the German products are much cheaper than the Czecho-Slovakian and refuse to buy anything. At a recent session in Brünn the employers of the textile industry in Czecho-Slovakia expressed their fear of losing the Roumanian market. The situation in the garment industry in Moravia is simply catastrophic, a number of great firms having already declared themselves bankrupt."

The impossible state affairs, and the blind anarchy of capitalist economy is illumined by the following fact mentioned in the *Neue Züricher Zeitung* of April 4th:—

"it is characteristic of this state of affairs that the *Prager Eisenindustriegesellschaft*, which had to blow out all its blast furnaces, recently blew one of them in again owing to the arrival of coke from Westphalia; in the district of Moravian Ostrau coked is being heaped up to mountains and Czecho-Slovakian smelting works can buy their coke cheaper in Germany than in their own country."

Such an insane state of affairs is the outcome of the present system.

As everywhere else, capital is endeavoring to find a way out of the crisis by a reduction of the costs of production, that is to say of wages. Great wage disputes are either under way or have already been ended. The attempt of the capitalists to carry out wage reductions in the mining industry was defeated through the miners' general strike. In other branches, however, labor was compelled to agree to considerable wage reductions, which will not however affect real wages, owing to the fall of prices. The whole economic situation and the phase of the class struggle resembles most the situation in Great Britain, though in Czecho-Slovakia the existence of a strong Communist Party is a powerful support for the proletariat in its struggles.

The Balkans.

As statistical figures on the economic development of these countries during the first quarter of 1922 are rather faulty, we must content ourselves here with a general outline.

The economy of all the states in this group is still suffering from the effects of the war. The victorious states, Serbia and Roumania, have not yet succeeded in welding the newly gained territories and their old domains into one economic unit. The railway system which was built to meet other political requirements cannot be made to fit into the new combinations

of territories, a fact which results in formidable transportation difficulties. The two defeated states, Bulgaria and Hungary, find it extremely difficult to adapt their trade and industry to a smaller territory. Hungary has lost its access to the sea, Bulgaria only that to the Mediterranean. The state apparatus of these countries (and especially that of Hungary, where the White Terror necessitates the upkeep of a very strong armed force) is altogether out of proportion to the economic basis. The rapid fall of the rate of exchange of these countries is evidence of their unstable economic situation:—

Rate to £ in London.

	Pre-war	January 1922	April 1922
Bukharest . . .	25,22	550	610
Belgrade . . .	25,22	295	355
Budapest . . .	24,02	2450	3950
Sofia	25,22	615	640
Athens	25,22	96	85

In my last report I dwelt in detail on the situation of Greece which though it is a Balkan state (geographically speaking) cannot be included in their number when speaking in an economic sense as it is not an agrarian country. The upward movement of the Greek rate of exchange has been caused both by English credits and by the likelihood that the expensive campaign against Turkey is nearing its end.

The situation of Bulgaria and Hungary is being made worse by a burden of reparations, though neither has so far paid anything on it. The former has been saddled with a reparation debt of 2.5 milliard gold leva, amounting at the present rate of exchange to approximately 65 milliard leva, a sum which the country will very likely never be in position to pay. Bulgaria has been granted a moratorium for 5 years in return for which it will have to submit to financial control. Hungary's burden has not yet been definitely fixed. Both countries, however, are infested with numerous very expensive Allied commissions. In the House of Commons it was recently mentioned that four English admirals each with a full staff had been dispatched to supervise the disarmament of four small Hungarian river monitors, and that the monthly salary of one official in that mission equalled the annual salary of the Hungarian or Bulgarian Prime Minister.

Meanwhile foreign capital is securing an ever increasing foothold in these territories. French capital is predominant both in Hungary and in Yugoslavia; in Roumania, too, part of the oil industry is controlled by French capitalists. In Bulgaria where France is also endeavoring to gain a footing, she is meeting with German competition. Great Britain controls Greece and the shipping on the Danube. Italian capital is heavily engaged in the Roumanian wood industry. The Balkans are more and more becoming a colony of Allied capital.