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The Decline of Capitalism

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PREFACE

The time when this brochure was written was a very unfavourable one for determining both the more remote and the immediate perspectives of the world situation. Several factors that are important for gauging developments cannot be determined at this time. They are:

The American boom is at an end. But it is impossible at this time to say whether the sharp decline of the boom during the month of April is only a passing phenomenon or the beginning of a crisis. If the latter were the case, a new proof would thereby be furnished to demonstrate our contention that capitalism is, on the whole, on the decline.

The *Report of the Experts' Commission* (Dawes) has been published; likewise the acceptance in principle both of the Powers of the Entente and of Germany. But will an understanding really be arrived at on the basis of this report? Will not the militaristic imperialistic policy of Poincaré gain the upper hand, which fact would lead to a new catastrophe of the mark, since the Rentenmark, an artificial creation, would by no means be able to withstand such a blow?

The *outcome of the harvest* is of very great importance for shaping the course of the market during the ensuing business year. For the moment the prospects for the harvest are pretty poor in Middle Europe, especially in Germany. A decidedly poor harvest would put an end to the sparse beginnings of a recovery of business in Middle Europe.

It is also unclear what the *relation of Russia* toward the capitalistic states will be in the immediate future.

These and many other factors cannot be estimated at this moment with reference to the influence they will exert.

But it is doubtful whether a later moment would show less fluid conditions. The only stable thing in this period of crises is the uncertainty, the chaos!

E. VARGA

Berlin, May 5, 1924.

The Decline of Capitalism

I.—THE PERIOD OF DECLINE OF “NORMAL” CAPITALISM

The Communist International adopted its last theses concerning the economic position of the world on the occasion of the Third Congress.

Three years have passed since then. During these three years the proletariat has suffered big defeats in several countries that are very important from the viewpoint of the revolution, viz., in Italy, Bulgaria, and Germany. The bourgeoisie has succeeded throughout the world—barring, of course, Russia—in establishing its hegemony anew. Under these circumstances the question must be raised whether the position taken by the Communist International in its theses has proven to be sound or unsound.

The fundamental idea of the theses was this, that the crisis which followed the short, speculative post-war “boom” was no ordinary crisis of “normal” capitalism, but rather the beginning of a *period of crises* for capitalism. Within this period of crises the course of business progresses in cycles, just as it did under the normal capitalism of pre-war days: *periods of booms alternate with periods of crises*. The principal question is that of placing an estimate upon the whole period, and not upon the phases of which it is made up.¹

In the brochure² written for the Fourth Congress of the Communist International we made an attempt to sketch the difference between the “normal” capitalism of pre-war times and the capitalism of the period of decline more sharply. We wrote there (page 8) concerning pre-war capitalism:

“The capitalist form of production *expanded geographically*; new countries were increasingly opened up to capitalism.

“Capitalism *extended its sphere of operation* in the capitalist countries themselves by drawing the pre-capitalist strata of society into its vortex. The gold standard, which considerably facilitates the exchange of goods on a capitalist basis, found favour in a growing degree. Foreign trade increased in weight and value.

“Large accumulations of capital formed the basis of these developments, since the falling rate of profit in the highly developed capitalist countries—the effect of the steadily growing higher organic composition of capital—was compensated for by the export of capital to less developed capitalist countries, with higher rates of surplus value and profit. The centralisation of capital into monopolist forms of production, covering the whole economic field of a country, reduced the cost of capitalist management.

“The result was that, apart from the periodic crises, the level of production rose steadily in the world at large as well as in each particular country. The standard of life of the proletariat rose slowly. The credit system and the small company shares permitted the working men and the lower middle class to participate, with their savings, in the appropriation of the surplus value. The number of people who had an interest, or who believed to have an interest, in maintaining the capitalist system, was on the increase. The proletariat of the imperialist countries received from Capital a small share of the surprofits which it got out of colonial exploitation. The upper stratum of the proletariat, the aristocracy of Labour, got separated from the mass of the working people and became subservient to Capital. All classes submitted to the leadership of Capital. The great landowners turned into capitalists, and the capitalists invested money in land; the tendency of financial capital was to amalgamate all possessing sections of the nation with one another. The crises were transitory phases within an upward development—the effects of the anarchy of the capitalist form of production, and caused but superficial disturbances in the structure of capitalism. The system as a whole, however, lost nothing of its equilibrium.”

The whole system of capitalist world economics formed a dynamic whole! The alternating phases of booms and of crises recurred in all capitalistic countries at about the same time. The waves of booms and crises were rapidly transmitted from one capitalistic state to another. Even the larger tendencies of the capitalistic mode of production—concentration and centralisation of capital, etc.—were noticeable in practically the same manner in all capitalistic states.

On the other hand, capitalistic world business did *not form a component whole geographically*. The individual states had reached very different stages of capitalistic

development. (This is true even to-day, although in a somewhat less degree.) There was a *highly developed centre in Western Europe: England, Germany, Belgium*, and, less important, France, Holland, Czecho-Slovakia, Italy, etc. This centre, “the industrial workshop of the world,” was characterised by the following:—

(1) It was connected much more closely than other countries with the division of labour obtaining in the world business, *i.e.*, a much greater part of the annual values produced was exported into foreign countries in the form of manufactured goods, and large quantities of foodstuffs and raw materials were imported.

(2) These countries annually sent newly accumulated values in the form of new investments into countries capitalistically less developed.

(3) These countries annually received large values in the form of profits derived from their investments throughout the world and as the gain of the political extension of wide colonial areas, without their having to render any service in return.

Outside of Europe there were two other, fully developed, capitalistic countries: *the United States of America and Japan*. Also, there were numerous countries in Europe and the other parts of the world that were only just developing along capitalistic lines; furthermore, colonies and semi-colonies that served as sources of food and of raw materials under the dominion of the various highly capitalistic countries.

The equilibrium of this system was always an unstable one; disturbances were overcome by periodically recurring crises. That an equilibrium nevertheless existed, on the whole, is proven by the stability of the exchanges.

In the most highly developed countries capital assumed more and more the form of financial capital, which was intimately connected with the heavy industries. Internal development and the tendency toward a decreasing rate of profit forced the capital in these countries *to secure for the export of its investments opportunities made secure by monopolies*.

In the course of technical development the organic concentration of capital—especially in the heavy industries—becomes ever higher, the realisation on industrial capital ever slower, the rate of profit ever lower. To this must be added another circumstance of the nineteenth century. Thanks to its stronger organisation, the proletariat is gaining for itself an improvement of its standard of living. “The historical moment,” which helps to determine “the extent of the so-called essential necessities and the manner of satisfying them” (*Capital*, 1. 134) creates a tendency in the direction of increasing the wages. In other words, necessary labour is extended at the expense of overtime labour. The rate for surplus values decreases. When variable capital has reached a certain size, there results an acceleration of the falling tendency of the rate of profit.

Capital employs different means for combating the falling tendency in the rate of profit. One of these is organic combination, whereby capital combined in a trust reduces the *faux frais* of the sphere of circulation, lays claim to a part of the profit of trade capital, and raises its own rate of profit by fixing monopoly prices at the expense of other strata of society. The principal means, however, is the exportation of capital to countries where the time involved in labour is shorter and the rate of profit and for overtime is a higher one. To make possible the exploitation of these areas, they must be subservient to the condition imposed by capital in general; *i.e.*, they must be subjugated. Capital in every highly developed, capitalistic country is compelled, in order to retard the decrease in the rate of profit, to subjugate larger colonial areas.³

Essentially, the world war was a conflict of the imperialistic Powers for the control of colonies and spheres of influence, carried on with the most modern instruments and methods of mass murder. It ended by reducing the number of imperialistic world powers to four: England, France, the United States, and Japan; with the transformation of the rest of the world—excepting the Soviet Republics—into dependencies of the imperialistic Great Powers; with the new dividing up of the world among them.

The direct economic consequences of the war were the separation of the world into spheres of relative over-production and absolute under-production. This condition was partly overcome during the last six years by the “imminent tendency” of capitalistic world economics, by its mechanism for “automatic steering,” although it still manifests itself by the “dearth of credit” or of capital in these countries.⁴

The general crisis in world business during the years 1920 and 1921 was followed by a phase that is economically difficult to define and that is not at all uniform. There was a great boom in the United States; on the other hand a slow crisis in Europe with indications that a betterment of conditions was in sight—a betterment which, however, did not synchronise in the various countries with that of the rest of the countries and that did not lead to a general betterment within the whole capitalistic world.

II.—CHARACTERISTICS OF THE PERIOD OF DECLINE

The period since the end of the war and especially during the last three years was characterised above all by the *confusion of economic conditions*, through the *absence of uniform course of business* in the whole capitalistic world, through the existence of *tendencies and counter-tendencies* that crossed each others' paths in the world's business. For this very reason it is exceedingly difficult to extricate the chief characteristics of this period from this confusion. In an earlier work⁵ of mine I made an attempt to summarise the principal characteristics of the period of decline as follows:—

“(1) The geographical extension of the capitalistic method of production becomes narrower: besides the capitalistic countries there exist and continue to increase in numbers countries in which the workers are already establishing their dictatorship.

“(2) Within the various capitalistic countries there is a tendency toward the return to forms of production in existence in pre-capitalistic times.

“(3) The international division of work is restricted, trade with foreign countries decreases: world commerce, which was previously grouped uniformly about the highly industrial centre in western Europe, loses its balance and is dissolved into parts that are built economically upon entirely diverging bases.

“(4) Gold exchange, previously uniform and differing only as to the size of the various monetary units, is supplanted by uncertain, wavering paper exchanges: a tendency is discernible in the direction of reverting to trade in kind.

“(5) The accumulation of capital gives place to progressive impoverishment-disaccumulation.

“(6) Production decreases.

“(7) The credit system collapses.

“(8) The standard of living of the proletariat declines: either as a result of the fact that wages do not keep pace with the rising cost of living or as a result of tremendous unemployment.

“(9) Among the various strata of the possessing classes there is an ever-sharpening conflict for the distribution of the decreasing social production of values. Politically this shows itself by the constant change of governments, the collapse and new formation of parties, the absence of a uniform government party in the parliaments, etc.

“(10) Ideologically the faith in the eternal and unshakable character of the capitalistic order of society begins to wane: the ruling class is compelled to arm itself for the protection of its dominion.

“This condition of capitalism, which has been incompletely and hastily characterised in the above, may be called the declining stage of capitalism or the period of continuous crises.”

Not two years have passed since the above lines were written and although they are still true in the main, yet the importance of several of the ten points has been greatly reduced, *e.g.*, the tendency toward a reversal to economic forms of pre-capitalistic times (Point 2).

Whether the accumulation gave place to decumulation throughout the whole of capitalistic business, I set down as doubtful even then.⁶ In the light of the boom in the United States which has taken place since then, this sentence can be set down as incorrect. This does not mean, however, that it is to be regarded as incorrect for the European countries that were hit hardest by the crisis.

On the other hand, several very important characteristics of the present period of world economics are missing in the above.

i. The *lack of uniformity in the development of booms* as a sure sign for the absence of a uniform capitalistic form of production.

ii. The *agrarian crisis*, interwoven with the general phase of crises and extending over the whole world.

iii. The *social crisis in Europe and in the leading industrial countries of Europe* as a result of a decline in the division of world economic labour.

iv. The tendency on the part of European imperialistic countries, instead of extending their markets, to hinder production on the part of a competitor and to turn capitalistic development backward.

The result of the entire three years' development seems to us to be the following:—

THE ACUTE SOCIAL CRISIS of capitalism, the instinctive, unorganised rebellion of the working class against capitalistic society, seems on the whole to have been overcome. On the other hand, the “normal” conflict of capitalistic society seem to have been made very much more acute by fargoing concentration and centralisation on the one hand, and by the birth of revolutionary, communistic mass parties on the other.

THE ECONOMIC CRISIS of capitalism has become less but is not yet overcome. Production has scarcely reached pre-war levels; Europe's production has diminished, that of capitalistic countries outside of Europe increased! Owing to successful *offensive of capital* against the proletariat, owing to the *expropriation of the middle class* through inflation, and owing to the progressive *impoverishment of the farmers* as a result of the low prices of agricultural products compared with industrial goods (“shears”), the distribution of income has been shifted in favour of capital. In this manner capitalistic accumulation was made possible, in many cases at the same time that industry as a whole declined. Corresponding to the antagonistic character of capitalist society, the tendencies that are favourable toward overcoming the crisis have the imminent faculty of changing

over into the very opposite; through the reduction of income the buying power of the classes affected is in a like manner reduced, which fact becomes a source of new wars.

The CRISIS OF ECONOMIC POLICY continues unabated. None of the great economic problems—Reparations question, international debts, relation of the capitalistic states toward Russia, protective tariffs versus free trade, inflation or return to a gold basis—could be solved during the last three years. Economic chaos continues unchanged.

“We shall justly be reproached with the charge that our presentation of the situation is unclear. But we must repeat that the lack of clearness, the existence of contradictory tendencies is a characteristic of the present period. As far, however, as the prospects for a revolution are concerned, we should like to say the following, anticipating the results of our later observations:—

“The present position of capitalism, although the general feeling of rebellion on the part of the proletariat, observable immediately after the end of the war, no longer exists, is one of giving good prospects for a successful revolution in Europe. Whether this possibility becomes a reality, depends upon the attitude of the proletariat and of its revolutionary advance-guard, the Communist Party. There is no such thing as an economic situation which ensures a victory of the proletariat without long continued, enduring fights calling for numerous sacrifices. And there is no such thing as a situation that offers no way out for the bourgeoisie.

“We now come to the question of the revolutionary crisis as the basis of our revolutionary action. In this connection we must, however, mention two wide-spread errors. The bourgeois economists on their part represent this crisis simply—to use their elegant English expression—as ‘unrest.’ On the other hand, revolutionaries sometimes attempt to prove that there is absolutely no way out of the crisis.

“That is an error. There are no absolutely hopeless situations. The bourgeoisie acts like an impudent robber who has lost his head. It commits one folly after another, increases the difficulties of the situation thereby, and hastens its own destruction. All this is true, but one cannot ‘prove’ that there is no possibility for the bourgeoisie to put to sleep any minority of the exploited with the aid of some small concession, and to suppress the movement or the uprising of any small section of the oppressed and exploited. The attempt to ‘prove’ the ‘absolute hopelessness’ from the start is futile and is fencing with words. A real ‘proof’ for this or similar questions can only be brought by experience. The bourgeois order is now passing through an exceedingly revolutionary crisis throughout the whole world. We must now ‘prove’ by actual practices of the revolutionary parties that they are sufficiently class conscious, and that they possess an intimate enough hold upon the masses and sufficient determination and wisdom, to utilise this crisis for the successful, the triumphant revolution.

“To prepare this ‘proof’ we have chiefly gathered here at the Congress of the Communist International.”

The above was said by Lenin in 1920, at a time when the wave of revolution seemed still to be on the upward trend; when the great masses of the workers were on their way to joining the Communist Party; when the “notorious” Twenty-one Points were worked out in order to protect the Communist International from a flood of opportunistic elements; when the Red Army was in the midst of a triumphant march upon Warsaw.

But if it is true that there are no situations from which there is no way out for the bourgeoisie, it is also true that there are no situations in which the revolutionary proletariat cannot wage successful fights. The honest, earnest struggle of the proletariat for the improvement of its conditions within the capitalist system is a factor of prime importance for hindering the successful averting of the crisis. If it is possible for the Communist Party, as the leader in the fight of the whole proletariat, to lead into the fight also the masses of peasants who are exploited by the big landowners and the bourgeoisie, the struggle can lead to victory, even if the “normal” capitalistic system were apparently to be re-established.

III.—WORLD PRODUCTION AND ACCUMULATION

In the light of the characteristics of the present period of decline of the capitalist system mentioned above, we shall try especially to examine into world production and the accumulation of wealth.

WORLD PRODUCTION.—Table I in the Appendix affords a picture of the world production of the most important goods, in so far as statistics are available. If we compare the production of 1913 with that of 1923, we gain the impression that pre-war production has almost been reached. But in estimating the importance of this table we must emphasise the following:—

(1) The year 1923-24 was a very favourable one any way for wheat and grain; if we were to contrast the average for 1920-23 with that for 1909-13 (this average has unfortunately not been published as yet by the Institute of Agriculture), it would be clear that the normal pre-war production had by no means been reached as yet.

(2) The increase of production applies to the *non-European countries*. (United States, Canada, Argentina). Europe still lags far behind the pre-war period.⁷

(3) *Production in the heavy industries, which is especially important to capitalism, has not yet reached that of pre-war times.* In millions of tons the production was:—

	1913	1923
Coal	1,344	1,360 (our estimate)
Iron	73	65
Steel	75	73
Shipbuilding (1,000 tons)	3,330	1,643

In these branches of production, which are so characteristic of the capitalistic system, the production of 1913 has not yet been reached, although the year 1923 includes the apex in the American boom.

(4) Under normal conditions the production of *iron and coal shows a tremendous increase from decade to decade*. (See Table III in the Appendix.) During the decade 1913-23 this increase is wanting. Whether it will take place during the coming decade is doubtful. Considering the fact that the peak of the American boom, which before all others furnished the increase of production during the last few years, has no doubt been passed, and considering the fact that European business passed through no such boom, we deem it unlikely that a similar increase is to take place during the ensuing decade.

Production figures therefore furnish no basis for claiming that the critical period has been passed through. The low production in the heavy industries is all the more significant as the *capacity for production* is much greater than before the war. A large part of the plants is not producing at all. At the other extreme we observe the long continuing unemployment; we shall recur to it in another connection.

ACCUMULATION.—In dealing with the question of accumulation we shall differentiate between the accumulation of *wealth* and the accumulation of *capital*, to avoid the possibility of mistakes. Under accumulation of wealth we understand the increase of the objects of value in the possession of a people, irrespective of classes; in other words, the difference between a year's production of values and their consumption. By accumulation of capital we understand the increase of that part of the wealth that is used as capital and is in the hands of the capitalist. The accumulation of wealth and of capital under normal capitalism run along parallel lines, inasmuch as it is the capitalist class to whom the newly created wealth chiefly accrues in obedience to the law of capitalist production.

There is, however, also the possibility of the very opposite development in the accumulation of wealth and capital. It is possible for the wealth that is in the hands of all classes to remain the same or to become less, while at the same time an accumulation of capital takes place, in that apart of the wealth of the non-capitalist classes passes over into

the hands of the capitalists and increases their capital.⁸ Disaccumulation (decrease) of wealth and accumulation of capital are not necessarily exclusive one of the other.

The question now arises whether at present there is actually an accumulation of wealth and an accumulation of capital, or not. The answer to this question would be interesting for this reason: the comrades who adhere to Rosa Luxemburg's theory of accumulation consider this question as of vital importance in determining the prospects of a revolution. In general they are of the opinion that the capitalistic order of society cannot be maintained without accumulation; some of them draw from the premise that capitalism is still accumulating the conclusion that there is no crisis whatever of capitalism;⁹ and that therefore the prospects for a revolution are very slight.

I do not share any of these views, at least not when expressed so dogmatically.

The want of possibility for accumulation means reduced production and therefore a more bitter struggle of the classes for the division of the annual product; hence also better prospects for a revolutionary movement of the proletariat. The cessation of increase in the means of production means—under capitalist conditions—that new generations on reaching the age when they can work are unable to find work even during the height of a boom; this fact tending to aggravate the situation. *But the absence of accumulation or even disaccumulation is by no means a guarantee for the breakdown of capitalism.* Capitalism can move in a retrogressive direction; a partial return to pre-capitalistic forms of economy can take place; untold millions can die of hunger or be seized by plagues; one or several capitalist countries can accumulate at the expense of the capitalistic countries that are “decapitalizing” themselves; but the domination of capitalism can nevertheless remain if the proletariat does not wrest power from it by revolutionary means. It seems to us that speculation upon the impossibility of accumulation as a premise to the revolution represents considerable opportunism.

On the other hand the existence of accumulation by no means proves that a proletarian revolution is hopeless. The accumulation of capital may have been forced by reducing the real wages of the workers and by the successive expropriation of the middle class and the peasantry; it therefore by no means precludes the existence of revolutionary situations; in which connection it may be admitted that a real accumulation of wealth as the result of the raising of the standard of life for all classes creates a situation unfavourable to the revolution. The latter situation would, however, develop only in case capitalism throughout the world were to take a new lease of life.

It would certainly be useful to determine by means of figures whether or not an accumulation—in both forms, accumulation of wealth and accumulation of capital—took place during the last years.

The answer to this question is exceedingly difficult.

The question of actual accumulation of *wealth* is perhaps most easily determined by certain signs; by building activity in the broadest sense; by the size of visible stocks of wares; by the condition of the means of communication and of the cattle, &c.

The most important sign is certainly the *building activity*, since every extension of the establishments in which production takes place also means the extension of building operations, and since, on the other hand, *building activity signifies the conversion of present productive forces into a natural form, the amortisation of which will probably take place in 30-100 years*, and which therefore is the typical form of accumulation.

Now, we observe that in the United States, during the past two years, and presumably also during the year 1924, there is a tremendous building boom in the United States. Several billions of dollars are set aside annually for building purposes—for factory buildings, houses, warehouses, schools, &c. This means real accumulation; as does also the investment activity of the railways, the rapid increase in the number of automobiles, &c. This accumulation of wealth certainly also means the accumulation of capital in most cases!

A different situation obtains in Europe. Building activity everywhere is only a fraction of that of pre-war times. In all the large cities there is an appalling dearth of houses. Railway construction and other large operations likewise take place in only a reduced manner. From this one can draw but one conclusion, namely, that the accumulation of wealth proceeds, if at all, at a much slower pace than before the war.

An exception seems to be furnished by France, which during the last few years almost completely rebuilt its devastated areas. However, in evaluating this fact one must take account the further fact that operations in other parts of France were exceedingly limited; that France received payments of considerable size from Germany, and that it was supplied with credits from other countries; also, that a part of these investments was paid for at the expense of the middle classes through inflation.

As concerns the accumulation of *capital*, its progress is much more difficult to judge. The estimates of national wealth usually put forth by bourgeois writers, the inclusion of capital in stock companies, the deposits in banks, &c., cannot serve as an acceptable basis. Under national wealth are included *sham items*, such as land values (capitalistic ground rent); through the system of mutual participation and holding companies the same actual item of wealth appears several times; through the depreciation of gold (the purchasing power of which is at present about one-third less than before the war) all estimates seem

exaggerated. In countries with unstable exchange these estimates are encumbered with the further factor of unreliability.

For this reason we can do nothing with estimates of this kind.¹⁰ “We must rely upon the general observation of economic facts. These reveal the following:—

An accumulation of capital running parallel with the accumulation of wealth in the United States, in the English colonial settlements, and in general in the capitalistic areas outside of Europe.

An accumulation of capital upon the basis, for the most part or entirely, not of the increase of wealth, but above all as a result of the transfer, brought about by concentration and inflation, of wealth formerly in the hands of non-capitalist strata of society into the hands of capitalists in the countries of Europe.

Assuming that the sources of errors are about the same, certain interesting deductions may be made: if we eliminate government loans as not real accumulation, new emissions total 186.8 and 144 millions respectively for 1912 and 1913, and 131.1 and 97.9 millions respectively for 1922 and 1923. When we consider the reduced purchasing power of gold and its depreciation, a marked decrease of actual accumulation results. And as the economic position of England, despite the heavy crisis in the export industry, is by no means less favourable with reference to the possibilities of accumulating than that of the other European countries, we may conjecture from this that but limited accumulation is taking place in all of Europe.

IV.—THE LACK OF UNIFORMITY IN CAPITALISTIC WORLD ECONOMY

One of the most striking signs of the period of crisis is the lack of uniformity in capitalistic world economy. World business is constituted of loosely connected areas, in each of which the progress of the turn of the market is a different one, with currencies of unstable value substituted for gold as world money, with entirely different conditions obtaining with reference to credits, &c.

THE CONTRADICTIONARY PROGRESS OF THE COURSE OF BUSINESS.

While under “normal” capitalism the progress of the course of business is the same for all capitalistic countries, we note the unusual condition of late that the different capitalistic countries have booms at different times, and that the progress of these booms is contradictory and opposite. This is hard to express in figures, since the economic statistics of most countries are not adequate for this purpose. (In the Appendix, Table IV, a, b, c, we give the most important economic figures for the United States, France, and

England.) On the basis of our observations of the turn of the market we can point out the following development on a quarterly basis:

Quarter						
1922	U.S.A.	England	France	Germany	Czecho-Slovakia	Poland
1st	Improved	Poor	—	Good	Poor	Improved
2nd	Good	Poor, but improving	Improving	Very good	Poor	Improved
3rd	Boom decliming	Ditto	Improving	Gd., declining	Poor	Improved
4th	Good	Improving	Ditto	Ditto	Poor	Improved
1923						
1st	Boom	Improving	Worse	Poor	Improving	Poor
2nd	Boom	Improving	Worse	Poor	—	Poor
3rd	Boom, declining	Worse	Better	Crisis	Declining	Better
4th	Ditto	Improving	Better	Crisis	Uncertain	Better
1924						
1st	Boom, imp.	Improving	Better	Improving	—	Poor
2nd	Boom strongly decliming	Improving	Better	Improving	—	Poor

This characterisation of the course of the market is, of course, inadequate and vulnerable as to details, since within the individual countries, too, *there is not uniform trend of business in all branches of production*. (Even during the peak of the boom in the United States there were branches of industry that remained below the standard of 1919.) Hence, in estimating the course of the market one can arrive at different results depending upon the importance that one attaches to every branch of production. In any case the table demonstrates that the course of business is not a uniform one.

Also, it may be asserted that the improvement in business in one country is bought at the expense of that in another. Thus the improvement in the English heavy industry was attained at the price of the cessation of production in the Ruhr Valley and in part also in France. It would seem that capitalism is unable to bring about a general boom!

THE ISOLATED AMERICAN BOOM

The most important event of the last three years is the American boom. It reached its peak in April, 1923. (See Table IVa in the Appendix.) Of fundamental importance is the following:—

(1) That the American boom happened as an isolated fact and remained isolated, and failed to draw in its wake a boom of European capitalism.

(2) That it could take place although the crisis continued in Europe.

(3) The American boom depended entirely upon the purchasing power of the home market and had nothing to do with increasing export. This is manifest from the figures for the foreign trade of the United States. In millions of dollars, the trade figures were:—

	Imports	Exports	Excess of Imports over Exports
1921	2,509	4,485	1,976
1922	3,113	3,832	719
1923	3,950	4,025	75

[Note by transcriber—this seems to be the wrong way round. ERC 2007]

We see: the *export of goods* did not increase during the period of greatest boom. If we take into account the very high price of cotton in 1923, the export of goods of all kinds must have been less than in 1921. More characteristic even is the fact that during the highest peak of the boom, during the months of March, April, and May, 1923, the United States *had a passive trade balance*—a very exceptional case. The capacity of the home market to absorb the product was so great that, although production had been increased to the utmost, it was not adequate to the needs: Dutch tiles, French iron, English coal—everything found its way to America and was bought there. As the boom subsided, imports decreased rapidly, while exports increased.

This change means that a boom in the United States no longer had a stimulating effect upon the European course of business. European capitalism was unable to participate in this phase of business improvement; so overwhelming was the effect of the *period* of crisis that the *phase* of individual business improvement was suppressed by it.

Some are of the opinion that a boom will come in Europe only after the Reparations Problem has been solved on the basis of the Experts' Report. We consider this an erroneous standpoint, as we shall develop later. But even if the point were well made, the deduction would have to be made that the economic life of the United States had been completely severed from that of Europe and that boom and crisis do not coincide.

For, *nobody can doubt to-day that the American boom has reached its end.* All newspaper reports (the official statistics appear only two or three months later) agree in saying that the decline of business has extended to the entire heavy industry. The price of iron was reduced. Of 15 smelters of the Carnegie Company in Feddell, six were extinguished at one time. Tin works are employed at only 50 per cent. capacity. Production in the steel trust decreased 6-7 per cent. in April, that of independent steel companies 8-10 per cent. during March.¹¹ Ford is said to have one million cars on hand.¹² We will not presume to predict with certainty that a sharp crisis will soon ensue. But the capitalists of the United States will try to postpone the crisis by forced exportation of industrial product, and thereby greatly detract from the possibility of a European boom that is expected by optimists.

Let us briefly touch upon the special reason for the boom. In our opinion it was largely due to the circumstance that in the United States also accumulation was insufficient during the war. There was too little building and the railway material was not renewed sufficiently. The gigantic boom in the building industry and the enormous orders of the railways were, aside from the automobile industry, the most important factors of the boom which has just come to an end. This urgent call for orders to replace the gaps of the war period has already been satisfied; agriculture, on account of the "shear," is less able to absorb orders; Europe cannot buy, because it has no goods with which to pay America. For this reason the boom period, which, by the way, lasted very long—for three years—had needs to come to an end.

The relation of the United States to Europe is one of the weightiest problems of the crisis. Even before the war the trade balance of the United States with Europe was decidedly active a one—average annual export, 1910-14, 63.3 per cent., imports, 49.6 per cent. (See Appendix, Table IV.) The difference was covered by the money sent by immigrants, expenses of Americans in Europe, and interest on American securities in the hands of Europeans. The trade balance became even more favourable over against Europe during the post-war period: export to Europe, 1923, 54.4 per cent., import 31.8 per cent. And as American securities had during the war been bought back by Americans, the difference had to be made up by the exportation of gold from Europe to America. In point of fact the gold supply of the United States is growing from month to month. The notes of the central bank of issue are actually covered more than 80 per cent. by gold. The time is not distant when they will be covered 100 per cent., in which case the problem of "gold inflation" will become, acute. The continued accumulation of gold in the United States is a characteristic sign for the shift in the economic importance of Europe and America. At the same time it demonstrates how divided up the world's economy and business has become.

UNEMPLOYMENT

Somewhat like the boom, unemployment is of an irregular, zigzag-like character, but the opposite of the boom. In this connection it is important to remember that the number of unemployed in the most important capitalistic countries is at present, at the beginning of 1924, at least as high as three years ago, as the following figures show:

(In thousands)

Beginning	U.S.A.	England	Germany	Italy	Czecho-Slovakia	Poland	Together
1921	34,000 ¹³	977	300	112	95	74	4,958
1922	2,000 ¹³	1,926	120	606	113	221	5,086
1923	—	1,493	300	391	441	120	2,745
1924	1,000 ¹³	1,371	2,200 ¹⁴	270	220 ¹⁵	200 ¹⁵	5,261

These figures are, of course, only approximately correct. The number of unemployed is surely greater everywhere than has here been given on the basis of official statistics. The unemployed are estimated differently in the different countries. But we may assume that the sources of errors are on the whole the same, so that the comparison is not upset thereby. The total number remains unchanged, taken by and large. (The figure 300 for Germany, 1923, is actually much too low for Germany, inasmuch as there was great unemployment in the Ruhr as a result of the Occupation, which, however, was not registered as such.) While in some countries, as for instance in England and Germany at this moment (end of April, 1924), the figures are on the decline, they rise in the United States and Poland. There is variation, but no absorption of unemployment, no reduction to "normal" status of the industrial reserve army. This is proof of the fact that the period of crisis in the phase of booms has not yet passed. (See Appendix, Table VII.).

THE EXCHANGE CRISIS

Now as before there are no stable exchange conditions. Only in two countries, the United States and Sweden, is the money actually backed by gold. All other states are on a paper basis. During the last three years the exchange of Germany, Poland, and Austria collapsed completely, and stabilisation took place artificially on a new basis. We shall speak of the effects of this process upon income and fortunes later. The attempt of England to place the pound sterling back on a par with the dollar was unsuccessful. Nor can one claim that the exchange chaos may be considered as having been ended by the stabilisation of the German and Polish exchanges. The last few months witnessed the collapse of the French franc: down to 130 to the pound sterling and then a rise to 65 to the pound. Several exchanges that were considered quite stable—those of Japan, Denmark

and Spain—have depreciated considerably recently. The Japanese already shows a *disagio* of 20 per cent.

It would seem superfluous here to discuss in detail the catastrophic effect of fluctuating exchanges upon capitalistic business. These are generally known: instead of calculation and production—speculation; the advancement of trade-and-speculation capital at the expense of solid industrial capital; general insecurity, of which the big capitalists take advantage for the systematic despoiling of the little fellows. On the other hand, parasitic strata who busy themselves in the circulation field and who draw to themselves a part of the surplus capital. (See Appendix, Table VIII.)

DEARTH OF CREDIT AND CAPITAL

An interesting phenomenon of the period of crisis is the enormous difference in the interest charged in the different countries for money loaned. While in the United States and England money is plentiful and interests rate are low—3 to 5 per cent.—the interest charged at this time in Germany for gilt-edged credits is 24 to 96 per cent. First class industrial undertakings pay 2 per cent. per month. A similar situation obtains in Finland, Poland, and in general in the states formerly designated as the “territory of underproduction.” The term “credit crisis” is used. In reality it is a question of the *dearth of capital* as a result of the impoverishment of this territory. Under normal circumstances such a divergence in interest rates could not be maintained for a long time, in fact, could not come to pass at all, since capital available for loans is very mobile and in the briefest possible time flows from one country over into another and evens up the rates of interest. (There is a constant difference within each country, depending upon the security of the investment.)

For the present, however, the political situation in continental Europe is so uncertain that English and American capital, despite the high rate of interest, makes its way there in only a limited quantity.

On the contrary, capital fled from impoverished Europe to the United States, where, to be sure, the interest was low, but where it seemed to be invested safely. According to the reports of the Department of Commerce,¹⁶ there were bought in the course of the year 1923:—

Foreign securities by Americans	\$410,000,000
American securities by foreigners	\$394,000,000
American currency by foreigners	\$50,000,000

In other words, more capital was brought by foreigners to America than was exported from the United States.

Says the official report: "If it proved impossible for us to maintain our position as the first loaning country in the world which we were last year, this not due to lack of capital on our part, but rather to the unsettled conditions abroad, that made the investment in foreign countries less attractive for the Americans."

To sum up: there is no uniform world economy, since the course of the business, the position of the labour market, the exchange situation, the interest rates do not move along parallel lines in the various countries, but in contradiction to each other.

V.—THE DECLINE IN THE WORLD-ECONOMIC DIVISION OF LABOUR AND THE CRISIS OF THE EUROPEAN INDUSTRIAL COUNTRIES

The crisis in the European industrial countries is set off in sharp relief from the general crisis. During the war the special advantage of western European industry—a skilled working class, trained in specialised work, which produced at very little cost per unit of product—was partly eliminated. The normal process of industrialising the colonial lands received a severe blow through the interrupted emigration of the European industrial masses. A native industrial working class, capable of working, and native industrial capital developed as a result.¹⁷

Upon the ending of the world war sharp competition set in on the part of European industry for regaining these markets. But these newly industrialised countries are defending themselves, some by cheap labour power, others by tariffs! India demands a tariff not alone upon twine, but even upon iron. Canada declined the idea of a united British world empire and of preferential tariffs for the raw materials of the colonies, because it wants to carry out its own policy of protective tariffs. All this leads to increasing greatly the difficulties of exporting to these countries from Europe.

Paralleling this situation there is the phenomenon of United States taking up ever closer economic connections with extra-European countries. These countries need capital, which they can obtain more easily from the United States than from Europe. The British colonies, especially Canada, but also Australia, lean heavily upon the United States. In South America the United States have tried to gain economic and political control.¹⁸

The result of this development is:

(1) *The decrease of foreign trade in the world in general.* (See Appendix, Table VIII.)

(2) *The decrease in foreign trade for European industry in particular.*

Let us try to compare the export of the most typical European industrial countries in 1913 with that of 1923 by reducing the data of 1923 concerning the index figures for wholesale trade to those of 1913. This is a rough method and one that gives only approximate results, all the more so since the foreign trade data of France and Germany very rightly are considered as not very reliable.

Exports in millions of monetary units

	1913	1923	Wholesale Index	Transposed in terms of 1913	Minus	Plus
England	634	886	162 (Econom.)	547	87	—
France	6,880	30,400	419	7,250	—	370
Germany	10,097	6,079	(In terms of 1913)	6,079	4,018	—
Belgium	3,716	8,993	497	1,810	1,906	—
Switzerland	1,376	1,760	181	908	468	—

Thus we see that the exports from the “Industrial Workshop,” with the exception of France, where there was an accretion of territory and an inflation boom, lag far behind those of pre-war times: Belgium 52 per cent., Switzerland 30 per cent., Germany 40 per cent., England 13 per cent. (in the case of England the severance of Ireland plays a part).

(3) *The decrease of exports hits particularly those branches of industry that are mainly dependent upon export.* This is shown most clearly in the distribution of unemployment in England among the various branches of industry.

In a special Free Trade Supplement of the *Economist* for November 17, 1923, the following very interesting data is given concerning unemployment in the various industrial branches of England. The various lines of business are divided into three groups; one group in which exports exceed imports; one group in which imports predominate; and one, the so-called home industries, such as building trades, hotels, railways, water works, &c. The groups that in England show a surplus of imports are: fine metals, woodworking, silk goods, oil, leather goods, and paper.

The number of unemployed at the end of September, 1923, may be divided as follows among these groups:

Export Industry	698,337
-----------------	---------

Local Industries	395,018
Import Industry	83,762

These figures prove that it is not the importation of industrial goods from abroad that is the cause of unemployment in England, for unemployment is greatest in the export industries. For this reason tariffs upon imports would be senseless, all the more so, since the importation of industrial products is less than before the war. Nor does the fault lie in the fact that England's share in the world's trade has grown less. On the contrary: according to McKenna's estimates, England's share of the world's trade was as follows:—

1912	13.8 per cent.
1922	17.3 per cent.

The English Free Traders are quite right in their arguments against protective tariffs. In his programmatic free trade speech of November 5, 1923, Asquith was quite right in asserting: "The first real cause is the fact that the whole trade of the world has dwindled . . . The remedy lies in the re-establishment of the productive capacity and exchange power of the world."

In other words, this means: the restoration of England and Western Europe in general as the "industrial workshop" of the world. But this seems to be impossible.

"The old markets, that have disappeared, can for the most part never develop again, and that is one of the reasons why continental Europe cannot be reconstructed within its own borders."¹⁹

The shifting in the international economic relationships, the decrease in the economic division of work thus calls forth a special crisis in industrialised Western Europe. There is a tendency towards establishing a new equilibrium through the exportation of capital, emigration, return to agriculture, and limitation of offspring. But such a rearrangement needs much time and can only be brought about after severe class struggles. We shall revert to this when dealing with the perspectives.²⁰

Under capitalist conditions, of course, things stand quite different, since production there does not take place for the purpose of supplying the need. The president of the American Steel Trust, I.A. Farrel, was right in stating to the Department of Commerce: "In every business there is a certain portion of the produce, roughly figured at 20 per cent., that cannot remain unsold if the first 80 per cent. of the sales are to net a profit. If you leave off the last 80 per cent., the whole operation will cease to yield a profit." ("Annals of the American Academy of Political and Social Science, 1922.")

If, therefore, the individual branches of industry in the *capitalistic* countries are so organised that they dispose of 80 per cent. at home, but must export 20 per cent., and if for these 20 per cent. there is no market, then this simply means that there is no profit; in other words, it means crisis, unemployment, which, corresponding to the structure of capitalism, becomes transferred to all branches of production.

In our own opinion there is, therefore, no contradiction in my contention on the one hand that the importance of export trade for business “in general” is overestimated, and on the other that the limitation of export means a heavy crisis for *capitalism*. One must only read my contention aright.

VI.—THE AGRARIAN CRISIS

Closely connected with the general crisis is the agrarian crisis, which has been lasting for several years, but has received scant attention. In my “Crisis” I have already referred to the agrarian crisis as an important phenomenon, but only in connection with economic United States. The reason for this was the fact that that the agrarian crisis remained concealed for a long time because of the effect of inflation. The harm that came to the farming business through the low prices for agrarian products—low as compared with the general level of prices for industrial products—was compensated for through the automatic depreciation of mortgages, through the actual exemption of farmers from taxation, and through the circumstances that the farmers were able during the inflation period to purchase their industrial products below reproduction costs.

The agrarian crisis is of special social significance, since it has a tendency to separate the small and middle-sized farmers from the capitalist class, and to loosen their identity of interests. This expresses itself most sharply in the United States in the efforts to organise a third party.

The “Scissors.”—The economic reason for the agrarian crisis is the so-called “*Scissors*,” *i.e.*, the opposite development of prices for agricultural and industrial products during the post-war period. It is exceedingly difficult to express this in figures. From a purely economic viewpoint it is impossible to establish a normal relationship between the prices of agricultural and industrial products, unless one were to assume that the price for agricultural products must be so high that the cultivation of the unrented ground, the yield of which is still necessary for supplying the world market, nets the average profit on the capital. This is theoretically correct, but it can by no means be estimated in figures, since too many factors, modificatory in nature, are brought into play: land hunger, freight rates, varying productivity, depending upon the climate, weather, &c. There is no other recourse for us save to take the relationship of prices in a normal year, in other words, a price relationship uninfluenced by either agrarian or an industrial crisis, as our starting

point. Such a year is 1913, which in most cases was also chosen as the starting point for estimating the various index figures. Since, however, inflation has caused confusion in the price relationship and since there are no index figures for prices fixed uniformly for all capitalistic countries, it is hardly possible to use the index figure for determining the “scissors.” Depending upon the weight attached to the industrial and agrarian products in estimating the various index figures, contradictory figures are arrived at for the different countries.²¹

Under these circumstances it seems best to us to use the figures for wheat, the most important agricultural product, as our starting point. In Table X are given the market prices of certain grades of “wheat in the most important produce exchanges of the world, divided into export and import markets, as well as the notations of such European countries as on the whole produce their own supply. The price quotations of pre-war times show that the prices in the export markets were graded quite evenly, depending upon the distance from or freight charges to Western Europe. With the European countries there is a sharp divergence of prices, depending upon whether there is free trade or protection tariff. Thus the price for inland wheat per quarter was (all prices are expressed in gold francs):—

Average 1913

Free Trade Countries		Protection Countries	
London	19.86	Berlin	24.56
Antwerp	19.89	Paris	27.82
Rotterdam	20.60	Milan	28.10

If, now, we follow the prices, figured in gold francs, in all important exchanges of the world, we see that with the exception of France the price of wheat everywhere lags far behind the general rise of prices. If we compare the present moment, in other words, the course of prices at the beginning of April, 1924, with 1913, we find the following:—

	Average 1913	Beginning 1924, April
Chicago	17.19	20.37
Karachi (India)	17.26	19.16
Argentina	19.03	18.60
London-Manitoba I	20.90	23.05
London-Plata	20.61	21.77
Berlin	24.86	21.24
Antwerp	19.89	22.49
Paris	27.82	24.00 (about)

Milan	28.10	25.07
Rotterdam	20.60	24.83

These figures are all reduced to gold francs. If we take into account that the general purchasing power of gold, as reflected in the wholesale trade index figures for the United States, is about one-third less than in 1913, it is evident that the price of wheat at this moment is far below that of pre-war times in the whole world. And as wheat may be looked upon as characteristic for all agricultural products (except textiles), there can be no doubt but that the position of the farmers in the world's markets has become considerably worse, and that there is a "scissors" in the world market. The difference is sharpest in the countries where there was a high tariff on grain before the war, which, however, during the post-war period was either removed or greatly reduced: Germany, France, Italy.

THE CAUSES OF THE "SCISSORS"

The reason for this difference in the fixing of prices between agricultural and industrial products is above all the fact that during the war and after monopolies were established in industrial concerns in greatly increasing numbers. We have already referred to this in a previous chapter. Through the formation of trusts and monopolistic companies the prices of industrial products are more and more placed outside of competition, and the profits of organised branches of industry are increased at the expense of those not comprised in such combinations. Owing to the fact that there are untold millions of independent producers, a monopolistic fixing of prices is an impossibility in agriculture. The monopolistic fixing of prices can take place only in exporting countries with the help of the government, as was the coffee valorisation scheme in Brazil. Attempts of that sort were made in the United States and Canada, but thus far without success. Were such an artificial concentration of surplus export for purposes of raising prices to come to pass in the most important countries, the "scissors" would in all probability disappear rapidly. It would be quite sufficient for Argentina and Canada to create a monopoly for the export of grain, since these two states, together with Russia, which monopolises its whole foreign trade anyway, control the world's grain market.

The creation of such monopolies is prevented, however, by the circumstances that the capacity of the European market, which is decisive in shaping prices, for absorbing the product is very small as a result of the decline of European capitalism that is taking place just now. Thus the agrarian crisis and the crisis of European capitalism are closely interconnected.

DIFFERENT MANIFESTATIONS OF THE "SCISSORS" IN THE VARIOUS COUNTRIES

The reaction of agriculture to the “scissors” was and is different in the different countries. In this connection the divergent policy governing the fixing of prices in the belligerent countries during the world war is of importance. In the countries of the European continent a maximum price was fixed for the agricultural products, at which the farmers were compelled to yield their produce. Although these maximum prices were constantly circumvented by the farmers, this system, taken by and large, nevertheless led to a decrease of the gold earned from agricultural products and also to a decrease of production itself. In the Anglo-Saxon countries, however—England, the United States, and the British colonies—the very opposite price policy was followed. No maximum prices were fixed and everything left to free competition. But the governments bound themselves to purchase certain agricultural products, above all wheat, for a number of years at a fixed price which was set rather high. This system tended to the very opposite of the fixing of maximum prices in the continental countries of Europe: it led to the extension of production, as this proved very profitable for the producers. The surplus profit of agricultural producers was, of course, turned into capital and led to a sharp increase in the price of land. Then when this system was abrogated after the close of the war, the effect of the collapse in prices that soon followed was felt in the following manner:—

In England and the United States, where all land is in private hands, and where the rents had been increased, corresponding with the higher productivity during the war, the crisis was and is severest. It manifested itself in the United States in this manner: hundreds of thousands of farmers went bankrupt and left their farms, streaming into the cities. Other hundreds of thousands were only held on the farms because their creditors left them unmolested, their calculation being that if these debtors sell their land at auction, the creditors will eventually lose everything, while if they left them on their farms there was at least the hope that under more favourable business conditions they might be able to collect. In 1923 the crisis among the wheat farmers in certain parts of the United States (the Dakotas) became such that hundreds of financial institutions were driven into bankruptcy. The reason for this is the fact that the leases and rents went up during the war, but the farmers, who during the boom bought land at high prices on credit or leased it, are now, in the face of the low prices, unable to pay their interest or rent. In England, where the farms are in the hands of better situated capitalists, such a catastrophe did not ensue.

But in both countries the result is a *sharp shrinkage of the area devoted to the raising of grain*. The area under cultivation was:—

**Average
(In 1,000 hectares)**

	1909-1913	1917-1921	1922	1923	1924
IN ENGLAND					

Wheat	767	854	796	704	—
Rye	23	36	34	30	—
Barley	748	611	552	537	—
Oats	1,634	973	873	800	—
IN THE U.S.A.					
Wheat	19,065	24,670	24,779	23,574	16,263 ²²
Rye	905	2,212	2,513	2,118	1,771
Barley	3,084	3,251	2,991	3,228	—
Oats	15,118	17,311	16,468	16,498	—
Corn	42,181	41,635	41,152	42,152	—

In England the area under cultivation is far less in extent than during the pre-war period. In the United States the cultivation of winter wheat in the fall of 1923 was 13 per cent. less than in 1922. This means that the United States with an equally good harvest has only half as much wheat to export as in 1922.

In *Canada and Argentine* the area under cultivation has increased still further despite the low prices. This is to be ascribed to the fact that there is still free land to be had²³ and that the extension of grain cultivation includes lands that were thus far not tilled at all. The original fertility of this land is made use of, and with intensive cultivation and very small expenses harvests are achieved that even during the present time of low prices make the effort put into production worth while.

The area under cultivation in Canada was:—

**Average
(In 1,000 hectares)**

	1918-1919	1917-1921	1922	1923
Wheat	4,025	7,505	9,074	9,175
Rye	47	325	852	586
Barley	637	1,096	1,052	1,127
Oats	3,884	6,139	5,885	5,372
Corn	125	108	129	129
IN ARGENTINA				
Wheat	6,496	6,572	6,451	6,967
Rye	34	97	87	128

Barley	93	253	243	258
Oats	970	1,024	1,059	1,112
Corn	3,525	3,285	3,177	3,425

In *continental Europe*, where agriculture is for the most part conducted by peasants, the “scissors” began to show their full effects only now. Their detrimental effect upon the position of the peasants, as already intimated above, was prevented by the fact that the farmers during the inflation period for the most part got rid of their mortgages; that until very recent times, also as a result of inflation (in Germany, Poland, Hungary, Austria, in part also in France), they had to pay taxes that were minimal in comparison with pre-war times; that they produce but once per year and by the immediate use of the money realised can escape the losses due to inflation; and that, finally, in purchasing goods they profited by the circumstance that industrial products were being sold under production costs.

The peasants began to feel the full weight of the agrarian crisis the minute stabilisation had taken place. Immediately they are loaded down with taxes in gold. The new mortgages must be made out in gold values and the interest paid in gold. The fixing of prices now turns very much against the farmers, in that they must now pay for the industrial products that are manufactured from raw materials at a much higher advance than before the war.

The classic example for this is furnished by Germany, where at present the agrarian rests upon the peasants with all its weight. The change in the fixing of prices is especially significant. We here cite several figures from the *Borsen Courier* of Berlin for December 9, 1923:—

		Middle November	Increase
	1913	1923 Per 50 kg	(1913 = 100)(in gold marks)
Production costs for rye	8.22	9.75	
Rye Bread			119
Retail price of rye			
Rye Flour	15.00	31.50	210
Rye Bread	14.00	22.50	160

Notes

1. During the Third Congress there was a rather strong opposition, supported by the German delegation, which at that time was very “left,” and by the Italian and Hungarian delegations, which took exception to Comrade Trotzky’s and my prediction, made in the theses, to the effect that there was a possibility that the boom-period might enter upon a new phase. “The revolutionary character of the period of crises, in the midst of which we find ourselves . . . is not expressed sharply enough . . . in the theses,” Comrade Thalheimer declared (Minutes of the Third Congress, page 113). Comrade Pogany’s criticism went even farther. “Within the great economic crisis . . . the theses . . . give too much emphasis to the phase of prosperity and too little to the period of crises within the crisis which obtains to-day “We cannot and must not make prosperity and the future second world war our Leitmotiv, but, quite the reverse, we must talk about the crisis and the new civil wars” (Minutes, page 116). And Comrade Pogany was anxious to have the reference to a coming boom-phase eliminated entirely. Actual economic developments have, however, proven the correctness of the theses. Yes, it has even become evident that we ourselves underestimated the duration and intensity of the boom in the United States, the first signs of which were apparent at the time of the Third Congress.

2. E. Varga: *The Decline of Capitalism*.

3. We therefore find ourselves in agreement with Rosa Luxemburg with reference to the fact that highly developed capitalism in the form of imperialism leads to warlike conflicts of world dimension. The reason for this, however, is not the impossibility of accumulation without the existence of non-capitalistic elements, but the simple desire for higher rates of profit.

4. See the second edition of my *Crisis of Capitalistic World Economics*.

5. E. Varga: *The Declining Period of Capitalism*, page 9.

6. E. Varga: *The Declining Period of Capitalism*, page 17

7. The development of sugar production is characteristic:

Millions of Double Hundredweights

	1913	1923
Beet sugar (European product)	62	747
Cane sugar (non-European product)	95.0	127

8. In this connection one must distinguish still further between the actual transfer of wealth from non-capitalist into capitalist hands and the fictitious sham accumulation of

war times, during which the capitalist class received, instead of previous actual values, state obligations and claims upon the returns from the production of later years; in other words, when in many cases it enriched itself on paper only.

9. For a classic example, see the series of articles by Comrade Ollivier in the *Vie Ouvriere*, beginning with No. 208, 1923.

10. See the Appendix for Tables VA and VB, containing data about the emission of capital in the United States and England.

11. *Usine*, April 19, *Boersen Courier*, April 29, &c.

12. *New York Herald*, April 16. *Times*, April 25, reports a general movement downwards.

13. Unofficial estimates, which, however, coincide with the estimates of the Federal Reserve Bulletin. The latter takes employment in 1919 as the index figure 100, and then states:—

Monthly average 1921	83
Monthly average 1922	90
April, 1923, peak of boom	103
January, 1924	98

There were in 1919:

Factory workers	9.1 millions
Railway workers	2.0 millions
Office employees	3.1 millions

Adding the workers in petty industries, in commerce, &c., this means twenty million workers. Accordingly, the number of unemployed must be:—

1921	25% = 4 millions
1922	13% = 2.6 millions
1923	—
1924	5% = 1.0 million

14. Estimated.

15. December, 1923.

16. *The Times*, April 7, 1924.

17. A general summary of the results of this development is not yet available. We give a few examples, however:—

CANADA'S industry has grown 300 per cent. during the last century.

(*M.G. Comm.*, October 11, 1923.)

AUSTRALIA	Number of Factories	Number of Workers
1911	14,445	312, 000
1921	18,018	395,000

Commerce Reports, September 23, 1923

INDIA	Number of Textile Factories	Number of Spindles
1910-1911	226	6.0 million
1921	284	7.8 million
	Production (million yards)	Import
1913-1914	1,164	3,197
1922-1923	1,725	1,578

Report of Overseas Trade, 1922

CHINA: Of 109 modern textile factories, 77 belong to Chinese, 5 belong to Englishmen 25 belong to Japanese. *Statist*, April 16, 1923.

18. Interesting details concerning this are contained in: Helmer Key *Der Bankrott der Rekonstruktionspolitik und die Kolonialpolitik*, Berlin, 1924, page 47.

19. H. Key, *Der Bankrott der Rekonstruktionspolitik und die Kolonialpolitik*, p.7.

20. In the periodical issued by the Russian Socialist Academy, Vol. IV, 1923, Comrade Bronski launches an extended criticism of my interpretation of the crisis. He takes especial exception to a certain article published in 1916 under conditions of severe censorship, in which I demonstrate that the theory of the social patriots, according to which the proletariat has an interest in the exportation of industrial product, and therefore an imperialism and war itself, is unsound. I therein cite Germany to prove that even the complete suppression of exports would be more favourable to the proletariat than militarism and war, since the importance of exports as compared with the entire production is much less than the social patriots claim. Comrade Bronski seems to have misunderstood the semi-illegal character of this work of mine. I there speak of the relative unimportance of industrial export *in general*, in other words, on the assumption, concealed or covered up there, of a non-capitalistic order of society. *In general* it is quite

true—that a *large* modern country, such as Germany, France, Russia, or the United States might support its population without exports (hence also without imports). The standard of life would be lowered, poorer clothes would be worn, people would renounce certain pleasures, and possibly even suffer some hunger; but no catastrophe would result. At least none that would equal the world war as far as the proletariat is concerned. Even the English people could by intensive cultivation of the soil and by fishing sustain themselves at about the standard of the Irish fifty years ago, provided they got along without meat. The standard of life of the whole world would be lowered through the renunciation of the advantages of an international exchange of commodities, but in our opinion in a much less degree than most people believe.

21. The various German index figures are quite contradictory on this point. The index for wholesale trade of the federal statistical office of Germany, for instance, was fixed at the end of November at 98.9 for grain and potatoes, and 155.8 for industrial products, hence a very strong “scissors.” During the same period of time the index figure for wholesale trade given by the *Industrie und Handelszeitung* was fixed at 79 for grain, flour, &c., at the same time that the general index figure was 145, hence a divergence of almost 100 per cent. On the other hand the wholesale index figure for the *Frankfurter Zeitung* during the same period showed the very opposite tendency: food and articles of consumption, 1,584, total index for ninety-eight classes of goods, 1,565.

22. Without summer wheat.

23. Free Land in the economic sense, *i.e.* at prices that from an economic standpoint cannot be regarded as in lieu of rent; for example the low tax in Canada.

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