

Business Advice

GERMANY has recently been the recipient of some curious advice from those modern "miracle workers," the Allies, viz., "to set her house in order." In detail, to balance her budget; raise the price of coal, stop printing money; adjust her taxation to a higher level, and generally deliver her agreements. Which reads very nicely and sounds very sweet to the ear of "prosperity."

When a nation balances its budget it does exactly what a thrifty shopkeeper does when he takes stock—balances income and expenditure. If the house is in good standing—in order—the former always exceeds the latter. Which means that he has sold (exported) more than he has bought (imported), measured in exchange value. His trade status is, therefore, good. He is a successful—and therefore a respectable bourgeois; what Barrie might call a "man of parts." If Germany is to accomplish this, she must have a much more extensive trade than is now accorded her, and pursue a line not at all in harmony with the whispered councils in the inner courts of high finance.

To "raise the price" is by no means an uncommon procedure among profiteers. But it has its limits. And its limits are determined by competition. Market price is determined by productive cost (including average profit), not by arbitrary assumptions, and the competition for the world market holds this cost at average value, below which, for any considerable extent of time, it cannot go and remain economically secure. The abnormal conditions of post war Germany allow her to undersell her competitors, and those competitors are thus ousted from the market. With evil effects on their pocket-books,—and sinister threats to their privilege. But even if Germany did raise the price of coal? Coal is a key industry in Germany and as such would react on general production. For the competitive price of key products on the world market determines the average conditions of life production. In normal conditions, "raising the price" might equalise competition and regulate "money" and exchange; but it would also limit production and lead straight to crisis and war. In the abnormal conditions of today it would burst the bubble of fictitious German industry, and with it would vanish all hope of taxation and the last vain dream of reparations.

"Printing money" seem a good way to acquire riches. But it isn't. The printing press does not, and cannot, create wealth—(albeit as in American railroad finance, it may "cut the melon" of accentuated exploitation). Resort to the press is, in reality, a burden on future industry; is, in effect, an "advance" to tide over an immediate contingency. Inevitably the new level of exchange must be measured with the new unit of value. But if the process continues: if "paper currency" exceeds a stated constant of industrial circulation, it necessarily pre-figures bankruptcy. For it puts an altogether impossible strain on the "credit" industry of basic resource. Or in other words, price is no longer in economic stability, but fluctuates violently in the uncertain frenzy of financial interference. Let us look at this a little closer.

Capitalist states are traders' estates. They proceed on the principles of profit, and on the economic of profit they must swing as surely as the earth in its orbit. But profit is not "thrift" and "intelligence." Profit is a product of surplus labor, and the profit of exchange is put there by labor in production. And the sole incentive to that production, competitively carried on, is the profit contained therein. Although exchange is intricate enough in its manifold detail, its general principle is identical with the aim of the individual trader—that trading ventures shall leave a favorable balance. When a nation's trade balance is favorable, it's "credit" is good; it's exchange par. And just as competition in production balances price and value, so competition for the world market equalises foreign exchange with domestic currency. Above or below par to any extent exchange cannot fluctuate, without complet-

ely upsetting the sensitive organisation of modern commercialism. In continental Europe, where inflation (big "printing" or "subsidy") has been pushed to extreme, industry, on a basis of false currency, appears active and "prosperous," but in reality their conditions of existence are of the abjectest. In the West, where "deflation" is practised and exchange forced nearer par, wide spread and increasing unemployment is the inevitable result. Because the flickering market of unstable exchange, with a false credit on one side, and consequently a "crisis" on the other, ruins the industry of profit production.

The great war came on top of the worst "panic" in history. It "saved the situation" but disrupted business, substituting the financial demands of war for the economic market of peace. Thereby, it put a period to normal capitalist expansion and altered entirely the commercial relations of the world. Germany and her allies were cut off from the world, but the world was also excluded from the comity of essential intercourse. Both being vitally wounded, Germany, thus isolated was compelled to live within herself. With limited and lessening resource, she was forced on the ways of inflation, hoping—as did the Allies—to liquidate the deficiency by victorious post-war trade. But Germany emerged from war militarily vanquished, her commerce gone, her "wealth" annexed, burdened with reparations. The ruling class of defeat, to retain a tottering privilege were forced to more inflation, chasing an already precarious exchange still further down the slippery steps of bankruptcy, while the ruling class of victory, commercially stricken were forced to "deflation," driving a precarious trade almost to extinction.

Germany is an industrial country, living, like Britain, on its industries. But with exchange as it is, she must export enormous quantities, even to equalize imports. To do this she must have the world market—the only way by which exchange can be righted. As her trade stands at present it is millions of dollars on the left side of the sheet. To wipe out that deficiency entails a like default by the Allies. That is why, although the cry for reparations is determined, there is none willing to receive them. Because, in the countries of reflation, it would precipitate a social crisis. Economic necessity, has, long ago, abrogated the Treaty of Versailles. Germany can neither trade freely nor live adequately. And without commerce she can neither adjust taxation, nor pay indemnities—except with paper. Without German commerce all Europe stagnated, and the whole structure of capital, with its systematic famine production, falls. That is why the call goes forth for a new rendering of reparations.

To make Germany solvent means commerce. With whom, and in what channels this commerce will flow will be the main theme at Genoa. The need of Britain and Germany for trade, of Russia for intercourse, is obvious. They must have the world to trade in. Their needs are particular and mutual and can be abundantly supplied by each others bounty and technique. Only France, stubborn and obstreperous, stands in the way. For France, living not on industry but on finance, claims redemption of her bonds; reparations for her threatened insolvency; and sound financial security for the balancing of a budget which for the past 8 years has never balanced. As the case stands, the fortuitous Lloyd George is coincident with the forces of progress, striving in their need to realise themselves in fuller and adequate activity; the equally fortuitous Poincare, with the philosophy of reaction, with French Nationalism and self sufficiency, with the isolation of a ruling caste, reliquary of the antique wages of yesterday. What the immediate outcome of such a conflict of interests may be, cannot be determined, but its ultimate result is already settled.

The methods of Western Capitalism to acquire trade—by deflation—is likewise foredoomed. For although cost of production is the determinant in

competitive distribution, it must be determined internationally. It is not sensitive to local interests or national groups. Wage cutting, by forcing down prices, will competitively chase the foreign mark to lower levels, and by limiting, yet more, purchasing power; yet more, stagnate industry, and stiffen the depression it seeks to avoid. For, as disrupted exchange is caused, not by printing money, but by vanished commerce, so wage reduction accentuates the cause to be remedied. Printing money and vanished wages are both results of one cause—decayed commerce, and no activity which does not remedy the cause can alleviate the effect. To stop printing money is to right German exchange. But to right German exchange is to stimulate German commerce, and if German commerce is extended to the capability of par value and reparations, the commerce of the Allies must decline before the new infinity. And whichever way it happens it will affect us, the ragged sansculottes, similarly. By depressing industry it will depress jobs and liquidate wages. It will drive us through poverty to deeper misery, and through misery to the understanding of the one possible relief—the social ownership and control of the social means of life.

R.

THE "WESTERN CLARION" APPEALS TO THE READER

Buddy, the editor of this journal has given me to understand—without actually saying in so many words—that I might as well "fire" myself before being "fired."

For, despite all my efforts to enthuse and direct your efforts to rustle subs., I have been a woeful failure. There being no perceptible difference in the average number of subs. coming into this office during the past six weeks of the "drive" than had been coming in for every similar period preceeding this last one.

That, too, on top of my incentive for special efforts—an incentive which brings no results is useless—leaves me to find a rational explanation, a cause, for my failure to move you to action.

And the cause is found in those depressing conditions which calls for support of sundry schemes and organizations sordid and mundane; appeals sentimental and megalomaniac. With the result that the workers "bled white" are too weak financially to support even the things worth while.

Nevertheless, the campaign to extend the sphere, which the "Clarion" operates in, must continue.

The various locals comprising the Socialist Party of Canada must consider the possibility of a concerted drive towards this objective.

As signs are present which indicate that a certain stimulus (but uncertain quantity) will be given to industry about the middle and latter part of spring.

Immigrants will pour into this country from Great Britain and Europe, and subsidies will be made for such projects as will give employment for a time. So combined efforts are needful to make the most of this brief spasm in trade.

This appeal could be made the subject of a special "May Day" celebration—speakers concentrating upon short pithy speeches showing the power of the press in moulding the minds of the workers, and the need of a press than can remould these minds by planting new seeds of thought, new social concepts in the place of those uprooted.

Comrades will perhaps take this suggestion for discussion at their business meetings in order to see if it can be put into practice. And you, Buddy, might consider putting a still greater kick into your individual effort.

Make such a delightful nuisance and entertaining bum of yourself that, to rid themselves of your presence, the best friends you have will come through with that almighty dollar.

Remember all subs. must be in for the end of March, and the "Positive Outcome of Philosophy" (Dietzgen), and the "Social Revolution" (Kautsky), will be given to the one with the largest number of subs. to his or her credit, and the "Industrial History of England" (de Gibbens) goes to the second highest. Buddy, get busy!

R. K.