

The Problem of Finance

MUCH is heard, these days, about the impending collapse of Capitalism due to the peculiar money situation. That the present system can never readjust itself, and resume commercial transactions on a pre-war basis, is a theory generally accepted by dabblers in the intricacies of finance. The unprecedented fluctuations in exchange, the inflation of the currency, and the strange phenomenon of gold at a premium in so-called "gold standard" countries are factors that seem to warrant a little prophesying on the things about to happen. All such forecasts, however, are essentially speculative and contingent on factors not plainly revealed to the investigator.

That the industrial and commercial mechanism is badly strained, and showing signs of complete collapse, every student of society will readily admit. Our knowledge of the nature and tendencies of Capitalist production lead us to the conclusion that this system cannot indefinitely prolong its existence. It must eventually give way to a social form devoid of the contradictions inseparable from class ownership of the means of life. But, granting the inevitability of this transformation, still, a clear analysis of the subject would scarcely warrant the assumption that the eccentricities of the financial institution would, in themselves, make imperative a sudden change.

The basic cause of all the ills that afflict humanity today is found in the present social relationship—a relationship of Capitalists and wage slaves. A mere handful have possession of the means of wealth production, while the great majority must dispose of their labor-power to this wealth controlling few. The price they receive for the commodity they sell is barely sufficient to reproduce it in a saleable condition. The portion of the mass of wealth produced which the workers are able to buy back is continually decreasing. The remainder, which represents surplus values divided among the different sections of the ruling class according to their legal claims, must seek a market where it can be changed into money, which again enters circulation as capital, for the purpose of expanding itself through the addition of more surplus value. The greater the productivity of the worker, under these conditions, the less opportunity there is for the market to absorb this supply of commodities. A cessation of production, in order to relieve the congestion, becomes necessary periodically. But this does not remedy the situation. A shutting down of industry spells unemployment on a large scale, soup kitchens, and finally war for the possession of markets. But the end is not yet. Every move to ameliorate conditions acts as a means to hasten the downfall of class society.

But, then, this anarchy and confusion manifests itself in other ways as well as through the medium of finance. Every institution that functioned at the beginning of capitalism becomes affected by the change in the social foundation and starts to decay. A comparison between the legislative, military, legal, artistic, religious, and domestic institutions as they were at the inception of the present order, and as they are today, will reveal the truth of this assertion. All of them reflect the changing methods of producing and exchanging the social wealth. It would be obviously unsound to attribute the collapse of the structure to one isolated factor without paying due consideration to the cause behind it, and the others, associated with it. Even the degree of industrial development of nations cannot be taken as a rigid, hard and fast rule that determines the order in which they are transformed from class to social ownership.

The recent case of Russia can be submitted in support of this contention. History is replete with other examples of comparatively backward peoples invading and conquering much more highly developed sections. The Roman Empire fell before the barbarian hordes of Attila and Alaric. The Athenians gave way to the Persians, regardless of the fact that the victors, in each case, were far behind the vanquished in industrial development. Many circumstances must be considered, besides the purely industrial, before arriving at a scientific conclusion.

It is quite within the range of possibility, however, that all institutions will not cave in at once. One

may, indeed, set the pace, and that one may be the financial. Prior to the French Revolution, the impending downfall of the then ruling-class was most clearly portrayed in the financial affairs of the kingdom. Increasing expenditures in the face of contracting revenues forecasted disaster. It was one of the signs of the times that could not be ignored. The working of Capitalism manifests itself most clearly in a financial way. Buying and selling is the life of modern society. Most of the contradictions and incongruities of today make themselves known through the channels of circulation. But, to say that nothing can be done by the business interests to stave off, for some considerable time, the period of their dissolution is taking much for granted. We must not overlook the fact that only a few centuries ago, in England, there was a slave society where industrial capital was unknown, and finances a negligible quantity. Slavery, in still another form, prevailed in Roman and Greek society without the financial institution being developed to any extent. So, today, the limiting of capitalism to another three, five, or ten year term by simply viewing one of its effects is too much like betting on the ponies. You may make a good guess and, then, again, you may not. It is not the method of scientists.

The present condition of world affairs is, no doubt, a critical one. Before the war the United States occupied the position of being the greatest debtor nation in the world. Her vast natural resources could be tapped only through the instrumentality of borrowed capital. Those loans were not hard to obtain. A great surplus of money in Europe was seeking investment. The rule has ever been for the country outstripped in the race for industrial and commercial supremacy to invest in the one that has attained the coveted position. From Venice to Holland, thence to England, and later to the United States, has been the route over which surplus capital has travelled. In America, during the past century, the opportunities were better than elsewhere for profitable investment, so European Capitalists were willing to take a chance. The interest on the sums borrowed was paid by the export of products, so that the American exports, for many years, were greatly in excess of the imports. But the position is different today. War conditions reversed the balance of trade, and now Europe owes many millions to American capitalists. Until such times as exports and imports readjust their positions we can expect a continuance of low and fluctuating exchanges.

A section of the American business class considered the favorable position of the American dollar to be a great triumph over their fellow exploiters of England. But they reckoned too hastily. Regardless of its depreciated currency, and low exchange, London is still the money capital of the world and bids fair to remain so for some time to come. The recent propaganda by American interests to stimulate imports from Britain show that some of them are beginning to realize the situation. Canada and the West Indies, formerly the best customers the United States had, are now buying where their money is not subject to a vicious discount. The production of manufactured goods in America will soon be seriously curtailed if exchange continues to hang around less than four dollars to the pound sterling, which is more than likely to happen.

Of course, this condition of fluctuating exchanges is not an altogether novel phenomenon. Much excitement prevails in the ranks of the American bourgeoisie because of the trade obstacles erected by the premium on gold against what they ship to European countries. But this thirty per cent. fall in sterling exchange is less than half the fall between gold using Europe, and silver using Asia during the past forty years. This fall had a very detrimental effect on the export of British goods to China and India, and a decided influence on the transfer of Lancashire cotton mills and jute factories to the Orient.

Recent gold quotations from Britain giving 111s. 10d. per oz. fine as against a mint par of 84s. 11 5-11d. show that the gold standard is a thing of the past. It is not likely that it will ever again conform to Peel's "Act of '44," which enacted that no amount of notes above £14,000,000 shall be issued ex-

cept against gold coin, or gold or silver bullion. This stipulated amount was issued against securities set apart for this purpose. If this rule was reapplied today it would mean immediate ruin to the whole banking and business system of Britain. The increase of paper currency has been astounding in the past four years.

But in this respect, Britain is not alone. In the United States, the money in circulation has increased over one billion dollars between January 1st, 1918, and January 1st, 1920, and this has not been warranted by increasing production. Gold coin in circulation now equals \$846,392,000 as against \$972,561,000 in '18. Gold certificates \$423,804,000 against \$1,096,860,000, Federal reserve notes \$2,989,664,000 against \$1,227,243,000. Federal reserve bank notes \$209,314,000 against \$12,535,000. As here seen, the change has resulted in a great reduction in the amount of gold in circulation, while paper money has continually increased. This substitution of paper for gold cannot help having a tremendous effect on the prices of goods. Just where this interesting condition is going to lead us is a matter of conjecture. Prophecy was never our long suit, and it is rather late to attempt it now.

From the Socialist standpoint, the education of the world's workers to a knowledge of their class position under Capitalism, so that when occasion permits they will know how to act, is the safest method of gauging how long the present order of society is still to remain. We see no necessity in consulting ouija boards, clairvoyants, or mesmerists, to forecast events.

Our aim is to make Socialists, and when a sufficient number of these exist, the complicated affairs of a rotten social system will only be of interest to students concerned with unravelling the mysteries of the past.

J. A. McD.

Government

GOVERNMENTS are unstable these days. People are perishing for lack of accurate information on the subject, for this is not taught in the schools, the ordinary papers or the pulpit; therefore it is here supplied. The following statements are not debateable theories, but scientific facts.

There are two general plans of government (although there are infinite varieties of them), says Morgan in his famous book "Ancient Society." The older kind of government is founded upon purely personal relations and may be called a society with the gens of clan as the unit of this organization, passing into the union of gentes—the phratry, the union of phratries—the tribe, and finally into the confederacy of tribes—the people or nation. This is the government of Primitive Communism. The second, and much the more modern kind of government, is founded upon Territory and upon Property and may be distinguished as a State.

When man started on his upward career and had got beyond the savage condition, he realized that co-operation was a necessity to him because together with others he could more successfully face his enemies, hunt and fish than when he stood alone. Morgan proves that the mode of organization of the Red Indian settlements was the common type of the social system of all our ancestors. Now the Red Man, as Franklin pointed out, lived under a system of common property, such a thing as Private Property being unknown among them. They co-operated and they had a Central Directing Authority consisting of the "Sachems." And, note this—the work of this Authority was to direct the co-operative efforts of the communities, and, in so doing, it shared actively in the productive work of the communities. It was a beneficent and useful body for, without its work, the work if the communities would not have been done. A study of the chapter on the Iroquois Confederacy in Morgan's book will show how masterly elaborate was their government, and how intelligent were those Indians who conceived, carried out and lived under it—in this respect, a great contrast to the absolute lack of government noted by Darwin, in 1834, among those lowest of savages and communists, the Fuegians.

Now let the reader mark by what historic process the Communal Central Directing Authority changed