

WESTERN CLARION

A Journal of
CURRENT
EVENTS

Official Organ of
THE SOCIALIST PARTY OF CANADA

HISTORY
ECONOMICS
PHILOSOPHY

No. 911.

TWENTIETH YEAR.

Twice a Month

VANCOUVER, B. C., MARCH 17, 1924.

FIVE CENTS

An Economic Survey

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THE economic year 1923, the fifth since the end of the world war, has not brought with it the expected consolidation of Capitalism on a world wide scale. Neither has the crisis of Capitalism been overcome in this year. During the year, it has also become very apparent that at present there exists no uniform capitalist world economy, with a uniform conjuncture and with the alternation of boom and depression which is so characteristic of the capitalist system. While the first half of the year witnessed a boom of great intensity in the United States, the economic life of Europe, with minor fluctuations in the individual countries, remained constantly in a state of crisis and depression. This is perhaps best indicated by the fact that the sum total of unemployed in Europe at the end of 1923 was greater than at the end of 1922. This separation of world economy into various parts, each of which is passing through its own course of development, makes it impossible to present a unified picture of the economic situation of the whole world. It is necessary to consider each division separately.

America

In the entire picture of the capitalist world, there stands out with special prominence, owing to its special development, America; by which we think particularly of the United States and of Canada. The South American States present in many respects a somewhat different picture. As we have already mentioned (*) the economic situation in the United States experienced a big trade boom in the first half of 1923. This boom culminated about April and May. At that time the production reached a level which was about 25% higher than the best of the past years. In the middle of the year the boom subsided, without it coming to a crisis. Production and the whole economic life of the United States and Canada continue on a fairly good level, without so far showing any clear signs of an approaching crisis. We do not wish to say that this crisis will not soon arise. In accordance with the general experience of capitalist production, this should be the case in the not distant future, but so far as we can observe, there are no objective visible signs at present.

Of special interest is the fact that this boom in America is based entirely upon the demands of the home market. Of special significance in this respect is the fact that the foreign trade of the United States, in the period when the boom was at its height, that is the months of March, April, May and June, had a surplus of imports which is very exceptional in the history of the United States. With the decline of the trade boom this changed, and from July on, America shows once more an active balance of trade resulting from a large reduction in imports and a small increase in exports. This points clearly to the fact that, precisely on account of the end of the boom within the country, it became necessary to purchase less abroad and to sell a larger amount to foreign countries.

The Connection with the European Economic Situation.

As we have already stated in a former article, it

(*) See Clarion January 2, 1924.

was a matter of decisive importance for the fate of the old centre of the world capitalist system—for Europe, whether the boom in the United States would exercise its influence upon the stagnating business of Europe in such a manner that a trade revival would also come to Europe. To express it in another way: Is the trade boom of America capable of spreading to Europe and resulting in a trade revival for the whole capitalist world? This question which could not be answered six months ago, now appears to permit of a negative answer. The crisis in Europe is like nearly every crisis in capitalism, a question of markets.

The American trade boom could only have succeeded in stimulating Western Europe if the adverse balance of trade for the United States were a permanent thing, that is if the United States, for a long period, had bought more from the world market than it sold. The increased importation of the United States consisted only for a very small part of the products of European industry (iron, building material) and consisted for the most part of raw materials which were bought in other parts of the world. But the increased purchase of raw materials in these countries and the decreased export of the products of American industry, if it had lasted some time, would have enabled European industry, which is suffering from lack of markets, to have placed its products on these markets. With the change in American foreign trade this possibility disappears. Thus Europe finds itself in the same economic situation as it was in before the boom in America. The paths of American and European capitalism seem to have diverged for a long time to come.

The United States continue to draw not only goods, but actual gold in large amounts in return for its surplus exports, and for the interest upon its capital which is invested in other parts of the world. In the last eleven months of the current year the United States had an effective surplus import of 261 million dollars in gold. The amount of gold in possession of the Treasury Department and the state controlled note banks increased from 3,473 million dollars on December 1st, 1922, to 3,771 million dollars on December 1st, 1923. The total amount of gold present in the United States now is estimated at 4,168 million dollars which is an increase of 120% since the beginning of the war. The United States now possesses already one half of the gold in the world which is estimated at about 8,500 million dollars.

The export of gold which was announced by Hoover for the year 1923 did not take place. The question arises: what chance is there at all of the European capitalist states returning to a gold currency if the United States continues on the same scale to suck up gold out of the whole world and to concentrate it in its own hands. If the same process continues for another twenty years the remainder of the world will be absolutely stripped of its gold reserves. The fact of the piling up of the half of the gold supply of the world in the United States is symbolical of the transfer of the centre of gravity of the world capitalist system to the United States, which has already come about.

The Development of European Economics.

In contrast to the high American trade prosperity, the economic situation in Europe has, on a whole, become worse rather than better in the course of 1923. An improvement of the economic condition has taken place in the neutral countries, on a small scale in France and Italy and, in the last quarter, the first signs of a better conjuncture are showing themselves in England.

But this improvement in the economic situation of the surrounding states has been bought at the price of the almost complete cessation of business with Germany. The occupation of the Ruhr destroyed the production of this district which is the most highly industrialized in the whole world, and the ending of passive resistance has, up to the present, altered nothing. As a result of the violent change in the fixing of prices, the stagnation has extended over the whole of Germany. At the end of the year there was about 3½ million unemployed in the whole of Germany, including the occupied territory and several million more on short time. One does not need to be much of a prophet to foresee that at the moment when the Ruhr and the whole of Germany begin to produce again, the state of the markets in the surrounding states, France, England, Italy and Czecho-Slovakia will once more become very bad.

The fundamental problem for western Europe consists in the question of liquidating the over-industrialization which proceeded during the war period. To reduce it to rough terms, it means that there are one hundred blast furnaces too many in Europe. Or to express it in another way. Is it possible for the industrial states of Europe: England, Germany, France (since the end of the war), Belgium, and Czecho-Slovakia to feed their populations by the export of manufactured articles and the import of food and raw materials? The decision of this question depends upon the ability of the world market to absorb industrial products. As, however, a great industrialization took place during and after the war in the younger capitalist lands, and especially in the British colonies, and as China, which appears to be the only land which is suited to the extension of capitalist production, cannot be colonized for the time being owing to political reasons, while, in addition, Soviet Russia is no longer accessible for capitalist expansion in the old style, there exists little prospect that the economic situation of Western Europe can be regenerated upon the pre-war basis. The feeling of this impossibility shows itself before all in the economic and political chaos in England.

The English Problem.

The question of the fate of Western Europe: whether it can re-establish itself upon the pre-war basis, confronts England the most sharply, for it is the country which had developed the furthest in this direction. The economic and political events of the last three months in England demonstrate most clearly the embarrassment of the English bourgeoisie, who are usually so clear in their views and conscious of their aims. All possible economic and political tendencies cross each other. One group favored the creation of an independent British world empire, which would bind the colonies and the moth-

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