Paying Our Way

PART 2.

THE same principle which governs individual payment, applies similarly to nations. The unit is merged in the collectivity; individual enterprise summarised in trade statistics. The merchant class gather up the production of their respective countries and exchange it with each other, securing in the process profit and livelihood. They neither cut, nor carve, nor carry. They merely translate incorporated value into market price, expressed in national currency, but in the terms of international exchange. In the terms of international exchange, because market price is not set or controlled by individual or nation, but by the continually fluctuating conditions of the world market.

This process of exchange is based on money value, on the par value of gold. That is, the unit of national money—the £ stg. for instance—indicates a precise quantity of social labor. The value of gold—in its time-setting—may be "regarded" as constant, but price is always changing in accordance with market necessities. And although over a period of time, value and price equilibrate, in the transient conditions of actual practice, they never do. The technique of social production of a given time puts the hall-mark on commodity value; the volume of trade and state of the market govern price.

Capitalist exchange is based on sale; on exchanging all its production for gold. And in terms of gold, payment is made. But with the mighty expansion of capitalist commerce, actual gold became inadequate to the circulation of commodities. More and more credit became a necessity, and only by continual extensions of credit could business be carried on. Paper became legal tender, therefore, in token of payment in gold, while gold itself—in bar or coin, passed into the passivity of reserves, i.e., it acts in commerce as the gryroscope in mechanies as a stabiliser, steadying the constantly growing baloon of credit. So that, roughly, movements of specie correspond with movements of commerce. Potentially, they correspond exactly. But in the actual ebb and flow of trade, with its shifting balance of "invisible" returns, this correspondence does not always appear.

Consequently, the wealth of capitalist nations appears as an increase of exports, not at all as an increase in production. And it is calculated in the moonshine of money profit; not in the fundamental essential of social use. Obviously capitalist production is stimulated by the incentive of gain, not for the benefit of capitalist society as a whole, but for the benefit of the capitalist class in particular. As obviously, the advantage of the capitalist class can only be secured in the exploitation of the governed mass. In this servitude is the key to the whole position. Without this exploitation there could be no buying or selling. For in a society economically free, the principle of service would take precedence over the interest of profit, and it would be accounted in the terms of value, not by the ratio of price.

In commercial practice, consequently, commodities are not actually exchanged for gold, but, in effect, for other commodities. It is only in the final balancing of international accounts that specie is shipped—and then not always. The "settlement" is frequently postponed (especially in continental Europe) even when, seemingly, it would pay better to ship gold and gold is actually in existence. The process of commerce is carried on by bills of exchange. These bills are precisely similar to checks on a local bank. They are orders to pay stated monies to named individuals. They are bought and sold in the open market, at the current price of "money" in international trade. They represent exchange commodities (in goods, services or securities), and the condition of trade between two countries is reflected in their prices, in the prevailing rate of exchange. If one country exports more to another country than it imports from it, the rate of exchange will move in favor of the exporting country, and the price of bills of exchange will move in sympathy. If, for example, Britain imports more from America than America imports from Britain, then the price of dollars, as measured in sterling, in London, will rise, and the price of sterling, as measured in dollars in N. Y. will fall; because, since bills of exchange represent commodities shipped there are of necessity, more bills on London, in N. Y., than there are bills on N. Y. in London. Sterling in N. Y. is weak, and the supply strong, because buying in N. Y. has been light, and few people have payments to meet in London. While conversely, dollars are in demand in London, and the supply "wan as the pale moon," because buying in London has been heavy, and many people have payments to make in N. Y.

The rate of exchange is determined, mainly, by the volume of commerce, and the "mint par" around which the exchange fluctuates is determined by the social labor in the gold unit (£, $, mks., or kr.), of the respective countries. The mint par of dollars and sterling is $4.83¾; cost of shipment is 2⅝, making par exchange of £1—4.86 2/3. If, therefore, exchange moved in favor of London, i.e., if dollars in London fell to—say—$4.90, N. Y. would lose gold to London. Conversely, if exchange favored N. Y., and sterling in London fell to $4.80, London would lose gold to America. The mint par of the franc is 25f 22c, shipment 8c: equals par of exchange * 25f, 30c; of the mark: 20m, 43p; ship 5p.: equals 20m. 48p. And trade vicissitudes happen to all alike. Gold is lost on an adverse rate, because for an equal value of gold of the same weight and fineness, one receives a lesser value in exchange.

Let us translate this by the "moving finger" of today. Sterling in N. Y. is quoted at $4.45 i.e., £1 stg. is worth in N. Y. 18/— (about).

The franc at London is, 55f 60c; i.e., £1 sterling is worth in Paris 44/— (about.

The mark at London is 2200, (about) i.e., £1 sterling is worth in Berlin £100 (about)

Kr. at London is, 94,000 (par 24) i.e., £1 sterling is worth in Vienna £4000 (about)

Lire at London is 98.25 par (25.22) i.e. £1 serling is worth in Rome £4 (about)

Florins at London is 11.48 (par 12) i.e. £1 sterling is worth in Amsterdam 18/6 (about)

That is to say, that Britain is losing gold to Holland and the States. The others quoted are all losing to Britain.

The N. Y. quotations on Foreign markets, are, (European) in cents.

Franc 8.25 (par .20) the dollar is therefore worth in Paris $2.50. (about)

Italy 4.67 (par .20) the dollar is therefore worth in Rome $4.50 (about)

Belgium 7.75 (par 20) The dollar is therefore worth in Brussels $3.00 (about)

Holland 38.80 (par. 40)

Germany .14 par 96)

Austria .00030 (par 24).

Hence Europe is losing to America.

Normally, an adverse exchange can be rectified by gold shipments and so equalise prices (of commodities bought in exchange). Unless that, for purposes of credit security, or rate of interest, or stock exchange ventures, the losing country deems it prudent to take the loss, hoping to recover itself later. But in the cases given above, merchants in Britain who go into the market for bills on N. Y. (i.e. for dollars in America) must pay 22/6 in the £ stg; while the liberty loving Frenchman who draws on London must relinquish for £1 stg—£2. 4/—; and the banana man must give £4; while Germany and Austria may be reckoned as bankrupts. The relation of Europe to America is similar. Clearly, Britain can buy cheaper from Europe than from America. Yet, she buys to her destruction. For it closes the doors of her own factories, cuts off the foreign market, and prevents the functioning of her slaves. To agree to trade almost seems to agree to war. For to be effective it must be world wide, and go with a swing. The scanty trade of cautious "agreements" and diplomatic "settlements" is worthless as a broken wheel. Clearly there can be no specie shipments to such an extent. Gold does not exist in sufficient quantity. And clearly there is no prosperity in the transhipment of goods, on a credit which demands such enormous interest on exchange.

*—Gold point.

The Allied war debts run into fancy figures. Allied Europe is alleged to owe Britain about £1¾ billion. France owes over £500 million; Italy £500 million; and Belgium £9 million. The war debt of Europe to the U. S. goes into billions, (dollars). Britain owes at least a billion dollars; France $200 million; Belgium $100 million and Italy $11 millions. And there are other debts outstanding, and millions of dollars of accrued (unpaid) interest. Looked at in the terms of present exchange, those figures sparkle like an April morning.

Canada and the states are about the only countries with a favorable trade balance—and that precarious. The exports of all others have declined, in some cases, almost to nonexistence. But without exchange of commodities on a large scale, not only will exchange not maintain its present level, but will totally collapse; or it might be balanced by cancellation of all war and floating debts. But that would be a violation of the property right on which the whole edifice of capital stands, and none but the strongest monopolies could weather the storm. If budgets cannot be balanced without cancellation, they will never be balanced at all.

To safeguard property right—that is what stands at the back of every political utterance, international conference and diplomatic intrigue the world over. That is what inspires the Franco-British controversy on Alien property in Russia—the oil and minerals of the unexplored Middle East. The Hague conference was but a smoke screen to hide the movements of Dutch shell, Empire steel and coal, and the syndicate of the "big five" (British finance). That is why Rapallo was denounced and condemned. It was a threat against private possession. That is why Britain and France quarrelled over the French Treaty with Angora. It was a menace to the "mandates" of the Near and Middle East, i.e., the newly acquired resources of British exploitation. That is why Poland received support and "presents"—of munitions—from the Allies. As a bulwark against Soviet Russia. That is, against the principle of social possession and social production for social welfare. That was why the Allies supported the "white "Republic of Georgia. It was a means to crush Russia in the interests of private property, and validate the fruitage from the immense oil investments of the Caspian. Greece and Turkey battled for Armenia and its borders and laid it waste—under the auspices of Britain and France respectively, because, from the first France had acquired the "right" to exploit part of ancient Syria, and from the Greek, Britain (Anglo-Persian oil) had the petroleum rights of Macedon. That is why the "unspeakable Turk" is allowed his foothold in Constantinople. Because the rivalry for the hegemony of Europe has now divided the war victors; while mortal fear of the "great king of the North" holds them in a common sympathy. That is why there are, eveywhere, wage cuts and strikes in resistance. Because the cost of production must fail to meet foreign competition. The cotton mills of Lancashire are idle, because profit distribution prevents the absorption of their products. Reparation coal has paralysed British mining and brought "prosperity" to the gunmen and sheriffs of West Virginia. The British engineers were locked out because the acquirement of the German merchant marine has tied up millions of tons of shipping in British harbors, and the slump in the war market prevents production for profit. The whole world has been sacked, that profit and privilege might retain its "right" to the

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