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The Expert's Report

WHEN we begin to study what has been going on in Germany since the war, seeking causes and explaining events, we find ourselves at once up against certain fundamental and traditional factors which lie deeply embedded in the history of Central Europe. To take an example: Comrade Newbold has referred in one of his recent articles to the failure of the middle-class revolution in 1848 in Germany, as having been one of the primary causes of the European War, because its failure left the greater part of the German-speaking countries still controlled by the families of the agrarian nobility, thus creating an area where the great international money-lending houses of Paris, Brussels, and London had no access or undisputed control of the government machine. This is undoubtedly true, but one can go much further back than this and see in the failure of the merchant classes of the German towns in the sixteenth and seventeenth centuries to establish their influence over the feudal princes of Germany, in the decay of the overland trade routes along the Rhine and over the Alps to Venice and Genoa, in the maritime discoveries of the sixteenth century and in the terrible and devastating Thirty Years War, in which the rising mercantile classes of Holland, Sweden, France and Italy and of the counter-Reformation in the Holy Roman Empire used Central Europe as a battle ground for their national struggles for the control of the new trade routes; we can see in all these facts the real cause of the relative backwardness of Germany both politically and economically during the nineteenth century.

Germany, in fact, had not worked off—and did not till November 9th, 1918—the last relics of her feudal system. Even Bismarck, with all his astute ness, as a junker who realised that the industrial capitalist class was the coming power, was compelled to allow the agrarian nobility of Prussia large political rights and a privileged position in the military, diplomatic and civil services. And so, loaded with the burdens of the feudal past, Germany entered the war, which the international banking groups waged against the Hohenzollern regime in order to secure for themselves in Germany a government which would be absolutely subservient to their will and permit their capital investments to flow unhindered into Central Europe and its colonial areas in the Balkans, Turkey and Russia. But it was obvious that a Germany governed by a combination of the agrarian nobility and the rising industrial capitalist class, each following different and indeed conflicting ends, could not wage war with the same effectiveness as the Allied governments, in which the State machinery was controlled by a class basing its political power on the latest phase of capital accumulation, a combination, as it was at that time, of industrial and finance capital. I make that distinction explicitly. For our Marxian outlook enables us to see in the development of society, including capitalist society, different phases, each growing up in the bosom of the other and finally absorbing or destroying its parent phase. And just as the feudal system arose out of the self-sufficient community and destroyed it, so did mercantile capitalism arise out of and destroy feudalism, industrial capitalism destroy pure mercantile capital accumulations, finance capital or fixed-interest bearing, mortgage-holding capital arise within industrial, speculative capital, deriving its accumulations from the holding of ordinary or common stock in coal, steel and engineering industries.

But finance capital has not destroyed industrial capital. That struggle seems to me to be be coming now, and it is as well to face facts and not to imagine that the working class in Europe has got an easy task before it because capitalism is on the decline. It is only true that a certain kind of capitalism—industrial speculative capitalism—is on the decline, but the money merchant class that lends to governments, holds railway debentures, mortgages on land, ground rents, etc., is not only not declining in power, but, has immensely strengthened its economic position since the war, and is pushing to the wall the war profiteer and munitions speculator, whom it is pressing for the settlement of the debts contracted during the war boom and inflation of after-war years.

The position, therefore, at the commencement of the war was that in the Allied countries finance and industrial capital held the balance of power in the control of the machinery of the State. Both were interested in the war, the fixed-interest or passive capitalist, the big money-lending houses that had for some years past been consolidating their hold on all European governments except the German and Austrian; these on the one hand and the owners of coal mines, smelting furnaces, ships, shipyards and engineering workshops, who looked to the war to provide an unlimited outlet for their products on the other, both were interested in the war and in the defeat of Germany for different reasons. Nevertheless, during the actual process of carrying on the war the industrial speculative capitalists were able to increase their economic power in relation to the fixed-interest and mortgage capitalists and bankers. The inevitable inflation and issuing of depreciated paper currencies caused fixed-interest stock to lose a part of its gold value, whereas the holders of ordinary shares in munition and allied works were able to accumulate vast profits.

The process, however, did not go so far in the Allied countries as it did in Germany, where the war profiteers of the type of Stinnes threw off the greater part of their bank debts by benefiting by the fall of the mark, and cornered the mineral resources of the country in their own interest. In France and England the passive capitalists were not ruined, though greatly weakened. It is true that the Coalition Government of Lloyd George became the mouthpiece of the war-profiteers ruling England, but in France, thanks to liberal assistance from Wall Street, the franc was artifically supported and so an equilibrium of economic power was maintained between the French rentiers and the French industrialists. The Versailles Treaty was a compromise between these two classes of capitilists in the Allied countries. It enforced the payment of large cash sums from Germany, which would, if they could have been paid, have balanced the French Budget and brought the franc back to its par value. On the other hand, it contained clauses, which handed over large German coal and mineral regions to France and her economic colonies, thereby making it possible for the Comite des Forges, the association of French heavy industries, to gain control over the raw material resources of a large part of Europe.

But this very economic partition of Germany in the interests of the Comite des Forges and incidentally of the German heavy industries too made it impossible for the German Treasury to hand over even the smallest fraction of the cash sums demanded under the London payment plan. The mark collapsed and the Comite des Forges clinched its victory—the victory of the war speculators in France and Germany, of the inflationists and the heavy industry trusts—by the occupation of the Ruhr. The small investing classes of Germany were ruined and the French rentier saw the franc follow the mark.

Now begins the counter-offensive of the owners of passive capital. Enter the International banking oligarchies with their demand for a "revision of the Versailles Treaty," the stabilisation of the European exchanges, the balancing of the German Budget, based on a unified Germany (implying the withdrawal of the French economic measures in the Ruhr), the reduction of German reparations payment to the level of what Germany is capable of paying and the assisting of this by an international loan to Germany. A feeble attempt to secure this programme's adoption was made at the Cannes Conference in January, 1922, when Rathenau in reply to a bankers' committee drew up plans to balance the German Budget, but the obstruction of Poincare and Millerand, acting under instructions from the Comite des Forges and of the French rentiers, who were not long-sighted enough yet to see how they would be benefited by a general stabilisation, blocked the way of the bankers. An attempt was made again at Genoa, but the oil trusts complicated the issue and finally captured the attention of the conference by their intrigues to corner Russian oil. During the summer of 1922 Pierpont Morgan came to Paris and the bankers' committee was reformed. German Treasury officials were invited to come to Paris and discuss plans. This, too, broke down through the obstruction of the inflationists and industrial capitalists in France and Germany. Then came the Ruhr occupation and the final stage of financial collapse and economic partition of Germany. The speculative capitalists and holders of ordinary shares in industrials in France and Germany held high festival!

But the process of inflation sooner or later has an end. The public in Germany became aware of the fact that the mark was worthless paper and that inflation is no good unless the fact that the currency was not worth the figures printed on it was only known to a select few. As soon as the fact is public property, the game of the inflationist is up. And it was up in Germany by the autumn of 1923. Then was the time for the international bankers to take the field and the appointment of an expert committee of the reparations Commission to investigate the capacity of Germany to pay. The French rentier had become scared at the falling franc and at the absence of any result from the Ruhr occupation, as far as he was concerned. He was not interested in the monopoly which the Comite des Forges had secured over the mineral resources of the Rhineland, because he was in the main a holder of fixed-interest-bearing government bonds. After five months this Experts' Committee has reported and we see in it the most important international document which has appeared since the Versailles Treaty.

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