Germany's New Bid for Commercial Supremacy.

THE THEORIES OF MARX OVERTHROWN.

Naturally industry is hampered. From a recent official statement that every additional 14 marks a ton put on the coal price, costs industry 2,500,900,000 marks, it follows that since 1914, the coal price raises alone have imposed an additional burden of 10,000,000,0000 marks. This among other things, has meant that German hematite iron, which on July 1, 1914, cost 79.50 marks a ton, now fetches 460.50 marks. And these prices do not mean profiteering. They are fixed by the producers—with the Socialist Government's consent—because no other way can be found to make ends meet. Coal production, which before the war yielded the German masters a profit of 1.68 marks a ton, a month after the revolution yielded only .83 marks, and three months later it yielded no profit at all.

But this elimination of the producer's profit is to-day one vital factor making for the recovery of Germany's industrial efficiency. What Lenin has been forced to do in Bolshevik Russia, Germany's Socialists have been forced to do in their Socialistic State. In both countries, that is, production has again come to the fore. The old German Socialists from Marx to Kautsky preached that the cause of working class misery was the unfair distribution of profits. The capitalist pocketed too much. To-day, when the capitalist is pocketing nothing, the workman is no better off. So the more intelligent German Socialists quite in the way expounded by Lenin in his famous pamphlet published last Christmas are preaching that production, not distribution, is the thing that counts. In the workman's own interests production must be forced. Already this lesson has been partly learned. After Germany's production of pig-iron and steel reached its minimum in March and April last, it began slowly to recover, and—what is more important—the per capita output began to increase. As results the German ironmasters were able to suspend a new rise in prices and to instruct their foreign agents that within a few months prices would probably come down.

Nevertheless, at the old exchange of the mark, Germany's nominal production costs much, exceeds America's and even England's. But the depreciated Reichsmark, which to uninformed people seems a glaring proof of Germany's economical abasement, is in reality the magic wand by which she counts on reconquering the commercial world. At time of writing the dollar sells for 14.38 marks instead of the former 4.20; the pound for 64.20 marks, instead of 20.40; the French franc for 2.1 marks instead of .81 mark. Therefore, to the chief commercial countries Germany must pay three times what she would pay at normal exchange. Yet, just for this reason one hears German commercial men boasting that their coming mass export will force its way into all markets and establish their international commerce in as impregnable a position as it held on the eve of the war.

A member of the Swedish Board whom I found in a great panic on the score of this coming German invasion, drew up for me a typical scheme of the present exchange advantage of German exporters when taken in connection with basic German and foreign production costs. The ratio stated of German pre-war production cost to Swedish represents a fairly correct average:—

Pre-war price of a unit of manufactured goods in Germany, 100 marks.

Probable pre-war price of the same unit in Sweden, 110 crowns.

Ration of pre-war German price to pre-war Swedish, at gold parity of mark—(One mark equals .89 crown)—100 to 123.

Probable price of same unit in Germany to-day, 550 marks.

Probable price of same unit in Sweden to-day, 330 crowns.

Ratio of present German price to Swedish at present exchange—(One mark equals .25 crown)—100 to 240.

It follows that though the cost of production has arisen more rapidly in Germany than in a typical neutral country, the fall in the exchange of the mark which took place when most neutral countries were maintaining or even bettering their exchanges, has much more than compensated. Measured in international currency, therefore, Germany is still one of the cheapest producers in the world. The complaints made over high prices by Germans—paid as they are in their devaluated mark—should not blind foreigners to this. The Scandinavian reader of German newspapers sees pages full of advertisements of Sommerkleider and Seidenjacken and Blusen at prices which in marks hardly exceed the Scandinavian price in crowns, and which in international exchange are not more than half the Scandinavian price; and neutral visitors to the supposed clothless Germany, are even begged by their female relatives to bring back with them some of the marvellously cheap goods. It is the same in other trades. The Solinen manufacturers who formerly sent to America 70 per cent of their export, declare in their last report that at present exchange rates they can certainly regain the South American market, and that "as long as the mark is depreciated we can easily compete with the products of England, Sweden, or any other country of Europe."

The other factor upon which Germany relies for the regaining of markets is dumping—Schleuderpreise. In fact dumping and the fallen exchange, work splendidly together. During the war German dumping to neutral countries was made impossible by the export-license law. This law enacted that licenses to export be granted only on condition that the foreign buyer was charged the full home price, which should be calculated in foreign currency at the peace exchange of the mark Theoretically this law is still in force. But after the armistice Germany started to encourage dumping by a new ingenious system called exchange rebates. These rebates mean that to counterbalance the fall in the Reichsmark exchange, the exporter is allowed to abate his price, though he must still calculate the mark's exchange at pre-war rates. At first the rebate allowed was 12½ per cent.; then 25 per cent.; and now 50 per cent. The rebate enables Germans to export at prices very much below those charges to the home consumer, and yet, to make healthy profits—a puzzle which is explicable only by the fact that fundamentally Germany is still one of the cheapest producers in the world.

PLAYING INTO GERMANY'S HAND.

How this new system works to Germany's advantage may be seen from a concrete case. A certain unit of goods produced in Germany sell at home for 10,000 marks. The law declares that a similar unit of goods must not be sold abroad for less—that is, in the case of Switzerland, for 12,500 francs, which is the peace exchange equivalent of the home price. But since the armistice, the exporter has been allowed to abate 50 per cent. of this price. He sells therefore, to the Swiss customer for 6,250 francs. As 100 francs are to-day worth on exchange about 250 marks, he receives for his francs no less than 15,625 marks. And if on the 10,000 marks charged to the home consumer he made a profit of 20 per cent. or 2000 marks, his profit on the sale to Switzerland is 7,625 marks, or nearly 100 per cent. These figures describe an actual deal discussed in the German press This "dumping without suffering the dumper's loss" as Germans boast, is being practised in nearly all branches on a very large scale. Only in the aniline trade did Germany, which here has a monopoly, charge neutrals higher prices than she charged at home. But it is of the essence of dumping, that where a monopoly exists the foreigner like the native is made to pay through the nose.

Germany, of course, has not yet wholly solved the problem of adapting her war industries to peace. But the pundits of Versailles, who imagined that by forbidding her to manufacture materials other than for her needs, for her now insignificant army, and her microscopic fleet, they had set her a particularly difficult task in industrial adaptation in reality played into her hand. They forced her to mobilise practically the whole of her industry for the really decisive branches of production.

In Stockholm I found a British agent of an English munitions firm rushing frantically round in the vain errand of inducing Sweden to purchase English cartridges, which his firm, having ideal plant and idle hundreds of workmen, could turn out for next to nothing. At the same time was on visit an agent of Krupp's, trying to get orders for—what? For typewriters. That is, he is sounding the typewriting market. Before the war Krupp never made typewriters. But in Sweden then raged a typewriter famine. Ancient machines recovered from junk shops and roughly repaired, sold for 150 dollars; and a Swedish corporation put on the market a machine for the equivalent of 250 dollars.

The Krupp works—whose employees' roll had already fallen from 170,000 to 32,000, and whose annual profits from 87,000,000 marks to 5,000,000 marks—were naturally watching for opportunities; they were already prepared to turn out machines, metal marine articles, ships' anchors, seamless tubes, clockwork, all sorts of fine mechanism, surgical instruments, and even brass buttons; and they had bought the paper-mill patents of a Dresden firm and set out to be the world's greatest paper-mill equippers. Why not, then, manufacture typewriters? So as a result of the superwise decision of Versailles that Germany must never again sell armaments to foreigners, American typewriter makers are likely for the first time to meet a really efficient competition, from the largest armament works in the world.

A similar transformation is taking place in the chemical industry. Six prominent German chemical firms, which have an aggregate capital of 340,0000 marks, all long ago embarked on peace adaptation; and a month ago three big explosive firms of Hamburg and Cologne altered their characters of incorporation so as to enable them to practice general manufacturing. Germany's niter producers boast that they can beat the world. Before the war the home production was only 100,000 tons as against 140,000 tons imported; to-day the home production capacity is 500,000 tons. Not only in Scandinavia but also in Poland and in the western districts of Russia, a big German aniline works has its agents at work. Agriculture in these countries is at its last gasp for want of nitrates, and Germany calculates that she alone can help, and reap the benefit.

The Leipsig expert, Doctor Halden, declares that the re-adaptation of Germany's factories and workshops, will cost 1,500,000,000 dollars. But Germany's exclusion from colonial and overseas enterprises, he adds, makes the provision of this capital easy. With reason, Bank Director Helfferich, formerly German Finance Minister, declares that "From standpoint of financing export, the loss of Germany's overseas possessions will do less harm than is expected." The peace terms have compelled Germany's banks to seek new spheres for their capitalising activities. All of them showed decreased profits for the financial year 1918, and all except two of them cut down their dividends. The new sphere of activity lies in the capitalising of plant adaption and export; and already the Deutsche, the Dresdner, and other prominent banks are deep in such deals.

Backed in this way with plentiful money, German exporters are already making a show in neutral countries, beside which the mild displays of American and English export firms attract no notice at all. Every week the leading Scandinavian newspapers publish whole pages of German advertisements always correctly worded in the neutral's own language, accompanied by booming editorial comments, and by artistic symbolical pictures, which, extol tacitly Germany's incomparable skill. And the supposedly anti-German newspapers—such as the Copenhagen "Berlingske Tidende," and the "Dagens Nyheter," of Stockholm—lead first of all in this well-planned campaign to pre-German boom.