
AUSTRIA

CONDITIONS OF PROSPERITY

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PUBLISHED BY THE LONDON BUREAU OF THE AUSTRIAN
SOCIALISTS, 31, BROADHURST GARDENS, LONDON, N.W.6
1944

PREFACE

The economic reconstruction of Austria with which this pamphlet deals is primarily a matter the Austrians will have to deal with. But it is obvious that it concerns this country as much as any reconstruction scheme wherever and whenever carried out.

After the last war the various relief, reconstruction and reparation measures carried out half-heartedly and on entirely wrong lines had repercussions on Great Britain which this country should never forget. For example I remember only too well the disastrous results of such measures for the British mining industry which threw a hundred thousand British miners into unemployment. Thus we have been taught a very impressive and costly lesson of the degree to which the countries of the world are interdependent and how depression, poverty and misery spread like wildfire. We know that we have the means at our disposal to spread prosperity as well; but this we have still to prove. This will be the enormous task confronting all countries after hostilities have ceased.

One of these countries will be Austria. Emerged from the shattered Habsburg Empire some 25 years ago, she could not, within this period, find amongst the European nations, a place appropriate to its natural and industrial resources and the skill of her population. Situated at some of the most important cross-roads of the Continent she has been an international danger spot; actually her fate has been decisive twice during one generation for millions and millions of people. This makes her reconstruction particularly important for Europe.

Mr. Auch has tried to find some solutions for the many intricate problems of Austria's economic reconstruction. His suggestions, especially that of integrating Austria in a large international lend and lease scheme, and that concerning the powers of an Austrian State Planning Commission should be very carefully studied by all whose task it will be to bring the necessary help to Austria.

It is particularly pleasing that the first contribution to the solution of Austria's economic problems should come from an Austrian Socialist. This is fully in the traditions of the Austrian Labour movement which created that unique social enterprise known as "Red Vienna" all over the world. I am sure that if Austrian Labour is given its proper part in the reconstruction of Austria it will set another example to the world by building up a happy and prosperous country, as it has set in the past by building up a famous city devoted to the welfare and happiness of its population.

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1. INTRODUCTION

Ever since the declaration of the Moscow Conference on the Independence of Austria the many discussions I have had with English and Continental friends have usually started with the question: "Do you think that a small country like Austria can possibly have a separate existence?" And they recalled the misery of the Republic during these twenty years, the unemployment figures, the idle factories, the poverty of the masses of the people.

Now these are facts which nobody would deny. But let us investigate whether they are really due to the fact that Austria is a small country with 6,760,000 inhabitants living in an area of 84,000 square kilometres. A comparison with other countries may give a clue. The United States of America is one of the largest and probably the wealthiest country of the world. And yet at the height of the economic crisis in 1932/1933 about 14 million workers were officially reported as unemployed, the real figures were probably in excess of this calculation. Owing to the contraction of economic life the national income of the United States went down by more than half, viz., from 82,691 millions of dollars in 1929 to 40,089 millions in 1932. On the other hand the scourge of unemployment had been unknown in that other large country, in Soviet Russia, for many, many years. Or let us take Denmark, a very small country, about half the size of Austria with a population of 3.8 millions. A country which incidentally is lacking in all raw materials except agricultural products. This tiny country resisted the great depression of the early 'thirties in a most surprising way. Its national income from 1929 to 1932 fell only by 8 per cent.* whereas as we have seen that of the U.S.A. fell by 51 per cent., and that of another large country, Germany, by more than 40 per cent.

Thus we find that both a small country (Denmark) and a large one (U.S.S.R.) have been "crisis proof" whereas as the examples of Austria and the U.S.A. show others, both small and large, have failed to be so.

The size of a country, therefore has no bearing on its power to exist and we have therefore to approach the problem of Austria from a different angle.

THE GREAT TASK

The task of those who will have to reconstruct the world after the war will be to build up each country's internal economic structure and to fit it in the framework of international intercourse so that it may make the full use of all its economic resources for the benefit of its own population and that of the peoples of the countries with which it trades.

When we now ask whether the former Austrian Republic ever was in such a position, the answer is emphatically NO.

A few figures prove this assertion. At the peak of the boom period of the late 'twenties 200,000 workers were on the dole. At the same time Czechoslovakia, a country with a similar economic structure but with about double the population had only 42,000 unemployed. Owing to her peculiar economic position—which will be referred to in the following pages—Austria was peculiarly dependent on her export trade. This

* League of Nations, World Economic Survey, 1938/39, page 84.

amounted to 526 million dollars in 1928 and fell within the next four years of international depression to 166 millions. Thus Austria lost 68.4 per cent. of her export trade within four years and had the tragic distinction with this loss of heading a list of 30 European countries whose imports and exports were compiled by the League of Nations.† The average loss of exports of the whole of Europe for the same period was 58.6 per cent. It must however always be remembered that compared with other countries Austria even during the so-called boom period of the late 'twenties was in the grip of an economic crisis (as is shown by the unemployment figure given above), so that the repercussions of the loss of her export markets were for her far more catastrophic than for other countries.

One of these repercussions was that by 1933 out of a total of 1,374,000 insured workers the official number of unemployed had risen to more than four hundred thousand.‡ Of these four hundred thousand about a quarter had already lost their right to draw unemployment benefit because they had been too long out of work. Of those, on the other hand, who numbered as employed from 15 to 22 per cent. worked far less than 48 hours a week and their earnings hardly exceeded the unemployment benefit.

THE LIFE BEHIND THE FIGURES

What was life like behind these figures? I should like to relate here some personal experience which I had in the winter of 1932/33 during a lecture tour through Upper Styria, the centre of Austria's heavy industry. A fortnight earlier the Social Democrats in the Austrian Parliament had revealed enormous smuggling of Italian arms through Austrian territory with which Mussolini supported Hungarian Fascism in its revisionist bid for the recovery of Czech, Yugoslav and Rumanian territory. It was the same Hungarian gang which, equipped the murderers who, 18 months later, were to kill King Alexander of Yugoslavia and the French Foreign Minister Barthou in Marseilles. I think it is useful to recall this historic background for reasons which I shall explain later.

It was noon when I arrived at the place where the first meeting was to be held. I met the organiser at the station and whilst we walked towards the market town I asked him for some information about the conditions in the place. "I'll show you," he answered and invited me to enter one of the small houses at the roadside."

"A pal of mine is living here," he explained. When we entered the room a young man of about 30 was lying in his bed. Was he ill? Not all all, but having been out of work for several years he had to be extremely "economical." He could not afford to have breakfast, and staying in bed saves calories. He could not afford to light a fire in the cold draughty room, therefore the bed was the only place where he could keep warm. Neither could he visit comrades or friends because they were all in the same position: unemployed for years with no chance of getting work in the future. On the contrary, a fortnight ago the last but one of the furnaces in the valley had had to be blown out, and more workers had to join the big army of unemployed.

† Europe's Trade, 1941, page 83.

‡ This is the average figure for 1933. The peak was reached, as usual, in the first quarter of this year with 471,000 unemployed. The official figures however were manipulated and lower than the real ones which were estimated at 650,000.

A DYING COMMUNITY

After a short while we left the house and strolled through the village. It was desolate. Most of the small shops had had to close down long ago. The people had no money to spend except on bare necessities. No money for clothes, shoes, household goods, no money for meat, milk, eggs or fruit. They lived on potatoes and malt coffee. They had electricity installed in their houses but they used small paraffin oil lamps to lighten the rooms if they did not prefer to go to bed after dusk. There were children who could not go to school during the snowy winter months because they had no shoes. There were families whose whole cutlery consisted of a few spoons. And nobody could give any help because everybody was in the same position. Of the village with the paper mill on the other side of the mountain which gave regular work for some 150 men, they spoke as children speak of a fairy world. And only a few miles away there stood the big mountain containing ore, there were furnaces, foundries, rolling-mills, steel plants which could have given work for ten, twenty, thirty thousand men, but which lay there deserted, derelict . . . They became active again when Hitler harnessed them to his war machine.

I mentioned the political background against which these meetings were held. When they were organised and announced the scandal of the arms smuggling was not yet publicly known and it had been arranged that I should speak on measures which the Social Democrats had suggested in Parliament to check and to reduce unemployment. But soon after my arrival the organiser informed me that I had to change the subject of my address. At this moment the men and women of this valley had forgotten their sad personal lot, the misery they were having to endure; they wanted to discuss how the rising danger of fascism in Austria was to be checked, how the Dollfuss Government was to be prevented from becoming a link between the Italy of Mussolini and the Hungary of Horthy.

This village in the Styrian mountains with its half starving but proud and freedom loving people in the midst of its rotting economic resources - is only one example. It could be multiplied a hundred times.

Such was the life which unfolded behind the figures of unemployment, foreign trade, national income, production and consumption statistics.

It must not happen again in Austria.

How can it be avoided?

AUSTRIA IN "THE NEW ORDER"

To-day Austria's economy is part and parcel of the German organisation of Europe's economic life. Within the six years since the annexation it has undergone a double process. It has been integrated into the German economy and it has been completely adapted to the output of war material only. Both have to be undone. But it is a tremendously difficult task. It is a major operation the success of which will decide weal and woe of millions of men, women and children. It not only means the severing of the economic nerves which directly connect Austria with the German system. It also means the disentangling of banking, industrial and insurance interests in all cases where Austrian business companies acted as agents for the "New German Order." This is especially the case in Hungary and the Balkan countries.

The example of 1918 shows how it must not be done. The one-sided and arbitrary economic decisions taken at that time by the various successor states to the Austro-Hungarian Empire were undoubtedly at the

root of many economic and political troubles of the inter-war years. Violence must not be again the obstetrician when Austria is reborn.

The new Austria, the Second Austrian Republic will have to be planned very carefully, and all the problems which she as well as her neighbours will be facing will have to be solved in full accord with the Moscow Declaration—by mutual understanding and collaboration.

To state that planning will be a vital necessity for a country's economy after the war is almost a platitude nowadays. But beyond this the matter becomes highly controversial. For Austria there are obviously two methods of economic planning. The more ambitious is that of a European Planning Authority which would wield together all the economic resources of the continent into one economic unit. No doubt, Austria would greatly welcome such an Authority. At present, however, it seems doubtful whether such a scheme will come into operation immediately after the war. Planning however cannot wait. Failing a comprehensive European planning scheme, the Second Republic will have to start with an economic plan of its own.

AN AUSTRIAN STATE PLANNING COMMISSION

Immediately after Austria has regained her independence and freedom of action, an Austrian State Planning Commission will have to be set up. Its task will be to devise means for the fullest possible use of Austria's resources of production, human and material, so as to attain and maintain a stable economy and rising standards of living. We would like to emphasise that such planning for a single country need not and must not have anything in common with the notorious drive for "self-sufficiency" and the deflationist policies which were the guiding principles in the economic life of most of the countries of the world in the thirties. The interplay of economic and political forces which led to this disastrous system is very complicated. For the purpose of our argument however it may be permissible to explain it as the desperate attempt of monopoly capitalism to secure high prices in a necessarily contracted home market by destroying the markets of other countries. The result of these futile attempts was commercial warfare all over the globe long before the guns started to speak.

The task of the Austrian State Planning Commission will be exactly the reverse: to expand to the utmost the home market, to raise the purchasing power and thereby the standard of living of the population, to foster foreign trade at the highest possible level.

INTERDEPENDENCE IN PLANNING

But we must bear also in mind that "independent action by each country for the achievement of full employment and economic stability would inevitably be self-defeating, and it is of the utmost importance that national policies should be co-ordinated on the basis of an agreed international plan, each being supported and furthered by the others."^{*}

This recommendation laid down by outstanding economic experts of the League of Nations will have to be carried out. In practice it means that the Planning Authorities of the various sovereign states will have to co-ordinate and integrate their plans for the benefit of all partners.

^{*} "The Transition from War to Peace Economy." Published by the Economic, Financial and Transit Department of the League of Nations. Geneva, 1943, page 7.

On such lines, and on such lines only the planning of an economy of abundance is feasible. But there can be no doubt that the social forces behind such planning cannot and will not be those which devised and executed the "planning" of restriction, underconsumption and poverty. Or to quote again the League of Nations Publication: "No one could desire to revive the international economic system of 1939, for there was none—only the ruins of a system. We must look forward."^{*} Yes, we must look forward. But a different economic system can only be brought about by a social order which has broken the chains of vested interests: by socialism.

Only a Socialist order based on close co-operation between workers and peasants in Austria, will be able to secure freedom from want and a general advance in standards of living.

No cut and dried plan can be drawn up for such a purpose. Too much is unknown. But it may be useful to discuss some of the problems of Austria's economic reconstruction and to venture a few suggestions for its solution.

The aim is: food, work and homes for Austria and for all Austrians.

2. HOW CAN AUSTRIA BE FED?

About one third of Austria's population live by the land. But Austria being largely a mountainous country cannot feed herself. She was and will be dependent on food imports, even if its agriculture—depleted and destroyed by the war—is reconstructed again. Years after the cessation of hostilities in 1918 the food situation in Austria was desperate. In Vienna for example, "whereas the pre-war (1914) daily milk supply was 900,000 litres, in October 1920 it was scarcely 6,000 and even then it was available only at a price prohibitive for the great majority of people."[†] It is therefore not surprising that medical examination of over 200,000 schoolchildren in Vienna in 1921 gave the following results:

Extremely undernourished 46.7 per cent.; Undernourished 50.0 per cent.; Not undernourished 3.3 per cent.[‡]

This state of semi-starvation existed although after World War I Austria received 561,705 metric tons of food from the United States. In the weight of food delivered to her Austria came second among all European countries. In the dollar value of food delivered \$98,772,000—Austria held the fifth place.

One may hope that the situation after this war will be less catastrophic. Austrian agriculture during the years of the Austrian Republic made steady—though not enough—progress. What the position will be after the breakdown of Nazi rule nobody can foretell. It will depend in the first place on the season of the year in which the war ends. If it ends in the early autumn the major part of the year's crop may still be available. If it ends in the spring nothing may be left. It will further depend on whether Austrian territory will be the scene of the last stages of the war. In this case, also nothing will be left. If a guess be permitted it may be said that, assuming the most favourable condition, Austria will be in desperate need of all animal foodstuffs, edible fats, seeds and fertilisers. Wheat, rye and fodder stuffs will be second on the list.

^{*} "The Transition from War to Peace Economy," page 13.

[†] M. D. Mackenzie, Medical Relief in Europe. The Royal Institute of International Affairs, London, page 28.

[‡] The same, page 27.

AUSTRIA AND U.N.R.R.A.

It is not the purpose of this pamphlet to deal in detail with the problem of relief for Austria. The Austrian Labour Committee, New York, submitted a memorandum on Austria's Food and Supply Problems to the United Nations Food Conference in Hot Springs.* The significance of the Reports and Recommendations of this Conference cannot be over-estimated; they are a real Charter of Human Progress. And in the planning of her economy Austria will certainly gladly adopt the Hot Springs suggestions.

But the great task of bringing aid and relief to the suffering countries has now been shifted to the UNRRA. Its purposes and functions as laid down in the Washington Agreement will probably give it an over-riding authority in all economic matters. For "relief is the first step in reconstruction, and if it fails to reconstruct, it is ineffectiv charity . . ." one must therefore "insist that relief and reconstruction should be considered as a single problem; that relief should not be looked upon as a form of charity confined to foodstuffs; that initial mistakes and lack of vision are likely to cause irreparable damage and involve subsequent costs that the world will be ill-equipped to bear." With these admirable words the League of Nations Delegation on Economic Depression points to the crux of the problem of relief.† It further points out that in 1919 relief was not thought of in these practical economic terms. It is fervently to be hoped that the mistakes of 1919 will not be repeated and that UNRRA will live up to the gigantic task the fulfilment of which the world expects from it.

It is therefore of the utmost importance that as a consequence of the Moscow Declaration Austria should be represented on the Council of UNRRA. Article II of the Washington Agreement provides for such an admission.‡

THE RECONSTRUCTION OF AGRICULTURE

Whatever help will be given to Austria by the relief agencies one of her most important tasks will be the reconstruction of her agriculture. As already pointed out Austria was never a self supporting country in regard to food. But there is no doubt, that, given the appropriate measures her yield of agricultural products can greatly be expanded.

The period following the war will be one of extreme shortage. It goes without saying that as far as the consumption side is concerned rationing will have to be continued, and it is to be expected that a kind of general rationing scheme for the Continent will be devised by UNRRA. But efficient rationing of food has necessarily to be linked up with the control of supply and prices of all rationed goods by the Government. The rations duly allotted to each person must be available at fixed prices. Otherwise any rationing scheme is bound to break down before long and to be followed by a chaos with shortage and prices soaring. It will therefore be necessary to establish a Government agency with a dual purpose: (a) To buy and receive from the producers all rationed foodstuffs at fixed prices; (b) To import all such foodstuffs on either a purely commercial or relief basis.

* Published in "Austria's Problems after Hitler's Fall," Austrian Labor News, New York.

† "The Transition from War to Peace Economy," pages 75 and 76.

‡ This article reads: "The members of the UNRRA shall be the Governments or Authorities signatory hereto and such other Governments or Authorities as may upon application for membership be admitted thereto by action of the Council."

WHAT MEANS FREEDOM FROM WANT FOR THE PEASANTS?

In this country the Ministry of Food has similar functions at present. In Austria, however, this institution will have to be developed and extended into the full peace time economy. When we speak of freedom from want and of economic security this has a different meaning for the various classes of the people. For the worker it means full employment and social insurance, for the peasant it will undoubtedly mean steady and fair prices for his products. In the past the farmers all over the world have been the victims of speculative and violent fluctuations in the prices of food from which the only profiteers were the vested interests of the corn-trade and the corn-exchanges. In one of its impressive resolutions the United Nations Conference on Food and Agriculture states: "Excessive short-term movements in the prices of food and agriculture commodities are an obstacle to the orderly conduct of their production and distribution; extreme fluctuations of the prices of food and agricultural products aggravate general deflationary and inflationary tendencies, which are injurious to producers and consumers alike." It therefore recommends that international arrangements should be made to prevent such fluctuations and that all Governments should take domestic measures to this effect.

To protect the Austrian peasants as well as the consumers against these dangers there is only one way: a foreign trade monopoly for the more important non-perishable and agricultural products linked up with guaranteed purchase prices for home grown products of the same class. It will be advisable for this authority to be managed by representatives of the farmers and consumers as organised in Co-operatives.

As a result of stable and fair prices for agricultural products the purchasing power of the rural population will be increased and the home market for industrial products thereby widened. Thus the Austrian peasants will be able to buy agricultural machinery and implements which in their turn will increase the agricultural output. In the following pages which deal with the industrial problems more will be said about this most important subject, that of an equitable balance between agriculture and industry in the interest of all.

MORE AND BETTER FOOD

Apart from these general economic principles, on what lines will Austria's agriculture have to be built? As already mentioned Austria never produced enough to feed herself sufficiently. The percentage of consumption covered by home production varied considerably from year to year and depended firstly on the size of the annual harvest and secondly on the purchasing power of the population which was influenced by the degree of employment or unemployment. It is therefore impossible to give exact figures, but according to the average figures of three years, viz.: 1927, 1935, 1937 Austria's agriculture was able to cover the following percentage of home consumption of cereals and potatoes:—

Oats ...	90%	Wheat ...	55%	Barley ...	81%
Rye	81%	Maize ...	34%	Potatoes	100%

There is general agreement amongst scientists and food economists that most of Europe's agriculture will have to be reorganised both on economic grounds and for the attainments of a considerable higher nutritional standard for the industrial and rural population. In practice this will

mean for Austria the production of fruits, vegetables, milk, eggs and meat instead of cereals and potatoes. But in the immediate post-war period this agricultural transition will not be possible. The shortage of food will be too great. The problem before Austria's agriculture will therefore be two-fold. Firstly, to bring about for the immediate post-war requirements a rapid increase in bread grains, vegetables and other products which yield more calories per acre than livestock; and secondly, to prepare for and to plan the adjustment of a new agriculture as outlined above.

Thus the question, e.g., whether Austria's agriculture should aim at filling the gap in its wheat deficiency is to be answered in the negative. The solution is not to seek in ploughing up grassland but to improve the quantity and quality of its cattle and especially dairy herds. But it might be objected that Austria did produce enough milk products in peace time, it was even able to export butter. This is true, but it is also true that this surplus was caused by the poverty of the Austrian population to buy enough milk and butter required by an adequate nutrition diet. The same applies to all kinds of food. Austria had a small surplus of apples according to the trade statistics. But it was by no means a true surplus. The mothers in the "distressed areas" of Austria were never in a position to buy fruit for their children.

The truth is that in Austria the consumption of all foodstuffs, especially of those with high nutritional value, can be increased and that there is a home market for the products of the peasants, provided that the purchasing power of the urban population can be kept at "full employment" level. This demand for agricultural products can be and will have to be, propped up by social measures for so called vulnerable groups of the population. It is now a common practice for school-children to be given free milk by the local or state authorities. Such and similar help should be extended to pregnant and nursing women, infants, pre-school children, adolescents, workers (through canteens), etc., etc.

HOW TO WIN THE PEASANTS

The transition from after-war to peace-time agriculture will not be easy. It must be planned very carefully. It will depend on fixing the right prices for various products at various stages and it can only be carried through with the full support of the Austrian peasantry. This support will depend largely on the following measures.

(1) The establishment of a system of rural adult education combined with the training of agricultural research workers for service in agriculture. The establishment of Agricultural Advisory Boards.

(2) The promotion of rural co-operative societies with full preservation of the private property of the peasant. Their main task will be the purchasing and the distribution of fertilizers, insecticides, machinery and farm implements; the marketing and processing of agricultural products (e.g., canning plants, fruit preserving, etc., the management of model farms).

(3) The supplying of low cost credit by mortgage institutes belonging to the state but suitably run by co-operative societies.

(4) The erection of modern farm cottages for land workers, this being one of the means of stopping migration from the land.

THE END OF FEUDAL PROPERTY

A few words shall be added here about the problem of the distribution of feudal property. There were and certainly still exist big areas belonging to mostly aristocratic landowners. These areas, however, are predominantly forests; it would hardly be useful to parcel them out. There existed before the war a fairly efficient State Forestry in Austria and the best way to deal with these big forests will be to hand them over to this institution.

Large estates with arable land to some extent exist in the Burgenland and some parts of Lower Austria; divided up into farms they will give a decent livelihood for hundreds of peasants. Some of these estates may suitably be turned into model farms or agricultural training centres.

The expropriation of the big landowners in Austria is not only an economic but also a political necessity. The landed gentry in Austria is, like in Germany, the most fervent supporter of reaction and fascism. The notorious Prince Starhemberg started as a disciple of Hitler, became later one of the chiefs of the Austrian brand of fascism and only his clumsiness prevented him from becoming Gauleiter of Austria. He was only one of a host of aristocrats and squires in whose castles the plots for the strangling of Austrian democracy were hatched.

In the Second Republic in which all the roots of fascism will be eliminated there will be no place for big landowners.

THE BALANCE BETWEEN INDUSTRY AND AGRICULTURE

To sum up: after hostilities will have ceased, Austria will need food relief on a fairly large size. It is earnestly to be hoped that part of this relief will be given in the form of seeds, fertilizers, implements, etc., which are essential for a speedy reconstruction of Austria's agriculture.

Gradually but as quickly as possible the Austrian peasants will have to produce by far the larger part of the country's food needs. The overriding principle in this period of shortage will be to concentrate on products which mature quickly. At the same time plans have to be set in action for the transition from this emergency agriculture to the production of food of high value, required in greatly increased quantities for better nutrition and giving better yield to the farmers in terms of money. During the emergency period, and probably during the transition period, rationing of some foodstuffs will be necessary.

The success of Austria's agricultural reconstruction depends on the peasants. Their cultural life as well as their standard of living will have to be raised considerably. This will only be possible by measures which, by granting fair and stable prices for the crops of the peasants, establish their economic security and raise their purchasing power. Thus an equitable balance between industry and agriculture will be established this being one of the preconditions of prosperity.

3. THE ECONOMIC JIG-SAW PUZZLE

Important though it is, the reconstruction of Austria's agriculture is not the central problem of Austria's economic life. The far more difficult and complicated but vital task is the complete reorganisation of her industry. Austria's agriculture, depleted though it will be, will still represent a closed unit. Its components, the individual farms, will go on with their

work, with ploughing, sowing, harvesting whether Hitler is in power or not, whether the war is on or over. With industry it will be entirely different. All the more or less important industrial plants are mixed up with the organisation of Nazi war economy. This organisation is like a fabric which Hitler's economic war-lords have thrown over Europe. When Hitler goes down, this fabric will be torn into pieces. One could also compare the "New Economic Order" with a gigantic jig-saw puzzle, bound to be destroyed after hostilities will have ceased.

A TEST CASE OF A GENUINE NEW ORDER

To develop and oversimplify this metaphor; we might say that each of those European countries which will have regained their liberty will have to sort out from the heap of fragments a few bits here, a few bits there, to build up something new. There may even be a scramble for some of the bits.

This forces one to the conclusion that the unavoidable disintegration of the Nazi war economy in which Austria has been playing an important part, should be done in agreement with all the other countries concerned. This is especially important for Austria because her banking system has been misused by the Nazis for the economic plunder of most of the smaller countries of South and South-Eastern Europe. The Moscow Declaration has very rightly pointed out that Austria will have to collaborate in the solution of various economic problems with her neighbours "which will be faced with similar problems to find that political and economic security which is the only basis for lasting peace."

We venture to suggest that this disentanglement, necessary as it will be, but preserving at the same time much that is valuable, will be the first test case of the collaboration of the countries which have regained their sovereignty.

It appears therefore most reasonable to bring together the representatives of all these countries and to deliberate in common how the fabric could be disentangled without destroying too many threads.

OFF THE REICHSMARK

Another very important disentanglement will be that of the currency. This is chiefly a problem which will have to be solved by Austria alone. Austria will undoubtedly go off the Reichsmark and create a currency system of her own. The most urgent task will be to fix the appropriate volume of notes in circulation by validating the old Mark notes by an Austrian stamp. On what lines and on what basis the new Austrian currency will be established it is impossible to tell now. Much will depend on the outcome of the negotiations for an International Clearing Union, although we would wish to emphasise that Austrian currency will have to be the servant and not the master of the country's economic life. Two facts however appear to be clear: firstly, a strict exchange control will have to be established; secondly, ~~all measures will have to be taken~~ in order to avoid inflation.

We have already mentioned that the difficulties of the reconstruction of Austrian industry emanate from two different main causes. We have found one in the fact that Austria's industry will have to be disengaged from Germany's New Economic Order. In this respect she shares the fate

of most of Europe's industrialised countries although she has been dovetailed with that order on the highest possible degree.

The other difficulty is that Austria's industry is entirely geared up to war production. This characteristic she has in common with all the belligerents of the world.

FROM WAR TO PEACE

With the cessation of hostilities work will cease in hundreds of large and small factories. Hundreds of thousands of workers will lose their jobs. Many of them, drawn from all over the Continent to forced labour into the "Greater Reich" will try to get home. Conversely, Austrians working in Germany, or as keymen in occupied countries as well as soldiers will stream homeward. Here we can only touch upon the problems which will result from these events: that for instance of transport and that of extreme fluctuation within the working population. In whatever manner this tremendous movement of population will take place, the fact remains that work will have to be found for about 1,500,000 men and women.

Assuming that Austria will be spared the heavy bombing meted out to Germany's industrial centres, she will probably be one of the most industrialised countries of the Continent. How can her engineering capacity be utilised to the full? We would like to suggest the following three main methods.

- (1) The conversion of war factories into industries for civilian needs.
- (2) Their utilisation for Public Works to satisfy communal needs.
- (3) The expansion of foreign trade.

4. AUSTRIA'S INDUSTRY AND THE HOME MARKET

(1) A considerable part of the industrial equipment which has been used for the manufacture of munition and war machinery will have to be converted, some of it will have to be scrapped altogether. The conversion in itself will provide a considerable amount of work: in some of the plants only the machine tools will have to be exchanged—this will give work for the machine tool industry; in others the machinery will have to be exchanged either for the production of other capital goods or for the manufacture of consumer goods. Factories which during the war have put out consumer goods will have to be modernised, new ones will have to be built for this purpose.

THE EVIL OF "UNDERCONSUMPTION"

One criterion of the economy of the Austrian Republic was underconsumption. This was in a high degree due to the completely wrong financial policy of the successive Governments which—partly voluntarily, partly under the influence of the Financial Organisation of the League of Nations—had only one aim: the balance of the State Budget. It meant cutting down expenses, lowering wages, reducing the purchasing power, increasing unemployment—in short creating the notorious vicious circle of a deflationary policy.

The extent of this underconsumption may be illustrated by a few figures. The average annual consumption of industrial commodities per head of population in 1928 amounted in:—

Great Britain	30 per cent.
France	27 per cent.
Switzerland	33 per cent.
Czechoslovakia	17 per cent.
Austria	16 per cent.*

The demand for and consumption of consumers' goods can therefore easily be doubled and would then reach the level of pre-war Switzerland. But although Switzerland belonged to the "well-to-do" countries nobody could assert that hers was an economy of abundance (which existed nowhere). In a planned economy which utilizes all its resources the consumption of consumers goods will greatly surpass the above figures.

There will therefore be a wide scope for the building up of consumer industries beyond the extent of such plants in the pre-war period.

There is only one danger which prudent planning will have to avoid. To satisfy fully the immediate post-war requirements in goods of which the consumers have been deprived for years, and to satisfy these needs in the shortest possible time would obviously lead to an unproportioned expansion of the capacity of the clothing, shoes, furniture, etc. factories.

In this case, after the population has satisfied its standard needs in clothes, shoes, etc., the demand would suddenly drop and a great number of factories producing these commodities would have to be closed down.

This danger can be avoided by various means: By rationing on a rather elastic coupon system, by the ban of using specified raw materials for the manufacturing of consumers goods, etc. Together with these restrictions a tight system of price control would have to be pursued. In this connection much can be learned from the British system of fixing prices for Utility Goods. All these controls would also check the big danger of inflation.

When converting or building new industrial plants special attention will have to be paid to the supply of the Austrian peasants with all the machinery and tools they need to raise the country's agriculture to a modern and most efficient level.

PUBLIC WORKS

We now wish to consider the problem of Public Works the importance of which in a planned economy cannot be over stressed. Here it may be helpful to think in terms of war economy. In war-time an essential part of the productive resources of a country is diverted to the output of war material: there is one insatiable, consumer—the front. This consumer achieves the miracle, unknown so far in peace time, that all people have work, that unemployment completely disappears, that all economic resources are strained to capacity. In a peace time economy of plenty the consumer "Public Works" will partly replace the consumer "Front."

In the past, Public Works have been carried out in various countries on a rather small scale, usually very reluctantly and mostly as a stop-gap during economic depressions. Wherever and whenever they were tried on a larger scale, they came up against vested interests and had to be abandoned.

* Calculated by Reithinger and quoted in "The Unity of Europe," by Hilde Monte, London, 1943.

Public works in Austria will have to be of an entirely different kind. Not stop-gaps but economic institutions. Modern life has developed all sorts of communal needs, such as housing, education, recreation, public health services, and entertainment, which are most efficiently initiated and developed by the community itself. There is no reason whatsoever why in a planned economy, where consumers' needs are predominant, a part of the engineering capacity, raw materials and labour available should not be allotted to this type of work. There is actually only one limit: the extent to which raw materials have to be imported, but we shall find that most of the public works which are connected with the communal needs enumerated above can be carried out to a considerable extent with raw materials to be found in Austria.

HOMES FOR AUSTRIANS

Priority among public works will be given to the erection of decent homes for the people. The demand will be tremendous. For more than ten years past, building for civilian needs have been practically at a standstill. During the five years of war scarcely any repairs have been carried out; the wear and tear must have been terrific. It will not be easy to catch up with this appalling shortage. But in the past Red Vienna gave a shining example of how to cope with this problem and on similar lines a huge building programme will have to be carried out. It must however not be restricted to the bigger towns. The housing conditions amongst the rural population have always been a scandal and have prevented its cultural and economic development.

Nor must the housing programme be restricted to "utility" patterns. From all the tremendous technical developments of the past whereby manual work is replaced by machinery the "household," the centre of human life, has drawn next to no benefit.

The big advantage of a huge building programme is, that it can be carried out to a large extent with raw materials which are to be found in Austria. To give an idea of the possible size of such a building programme it may be recalled that the Social Democratic Vienna County Council erected 8,000 flats in the peak year 1929. Anticipating here some conclusions of principle we wish to emphasise that no such building programme is possible on a profit basis, and that it must be financed by taxes. It must also be accompanied by powers given to local and state authorities, to requisition and to acquire land at fixed prices.

THE WEALTH OF THE MOUNTAIN STREAMS

Next on the list of public works will be the development of hydro-electric power. Water is one of the biggest assets of Austria, its potentialities are practically inexhaustible. In the years between the wars Austria's output in electricity has been constantly increased and has been gradually shifted from coal to water. By the end of 1934, the total production of electric current amounted to about 2,500 millions Kilo Watts from which 82 per cent. were drawn from Alpine water power.* In fact Austria was able to export electric current. There is no doubt that under the Nazi rule the country's supply of hydro-electric power has been increased, but there is no doubt either that it can be further considerably

* For the biggest centre of consumption, Vienna, the ratio was 68.8 per cent., which means that here is a still bigger scope for the shifting from coal to water.

increased. Most of the power plants which are still being run on coal can be converted into hydro-electric plants. As yet only part of the Austrian State Railways (in the western part of the Republic) are electrified. And last, but not least, the consumption of electricity for farming and private households can be increased very considerably.

Apart from these big projects the execution of which will have to be extended over several years there are numerous other public works on a smaller scale such as the building of schools, hospitals, recreation centres, roads.

Public works may also play an important part in the development of another asset of Austria's economy—the tourist traffic. Austria has proved to be an ideal country for international tourist traffic. The majestic scenery of her mountains, the charm of her lake districts, the unique mixture of centuries-old culture and bold modern social enterprise which was a characteristic feature of the Social Democratic Vienna of the 'twenties and 'thirties have attracted an ever increasing number of tourists from all over the world. This tourist traffic can be greatly enlarged by numerous projects, both large and small, which can be provided under "public works." This is all the more important as the tourist traffic will provide the rather important "invisible exports" in the balance sheet of Austria's foreign trade.

5. AUSTRIA'S PART IN AN INTERNATIONAL LEND-LEASE SCHEME

Though reconstruction has to begin at home it must not stop there. As already mentioned, Austria's industrial capacity has been greatly extended, she will rank high amongst the industrialized countries of Europe. This will be an asset and an obligation. We wish to quote in this connection a statement of high authority, to which we referred on preceding pages: "The mechanical industries of the leading industrial states and, above all, the machine tool industry which have been so vastly expanded are not likely to find sufficient scope for their output at home, and should, it is felt, constitute the instrumentality by which a better society may be built up throughout the world, by which the benefits of mechanised production may be spread to all."*

We are sure that Austria can play her part, moderate though it may be, in such an instrumentality. And this point brings us to the very intricate problem of Austria's foreign trade.

As we have seen the two main causes of Austria's desperate economic situation in the pre-war years were: (a) that she could not secure for herself an appropriate place within the framework of international trade; (b) that a deflationary financial policy contracted the home market and made idle a large part of her industrial capacity.

It is within the will and the power of the Austrian people to remedy the second evil by a series of bold measures some of which we have tried to suggest in this pamphlet.

THE INTRICACIES OF FOREIGN TRADE

But in regard to the first, the difficulties and dangers arising from her foreign trade, she remains dependent on the economic policies of the world.

* The Transition from War to Peace Economy. League of Nations, Geneva, 1943, page 12.

It is not within the scope of this pamphlet to advocate the highest possible degree of international trade after the war. This has been done in the last two or three years in scores of books, in hundreds of articles and pamphlets, in most impressive utterances of statesmen and politicians of two hemispheres. The world is familiar with this subject. We can only deal with the consequences of the decisions of others for Austria's economic life.

Austria's difficulty was never that she could not produce enough for export but that she could not export what she would have been able to produce, because there was nobody to buy the goods. She had therefore to cut down her imports and the volume of her foreign trade sank to the lowest possible level. Thus her industrial capacity was left unused, her workers unemployed, the standard of living of her population was dangerously lowered.

We are promised that these things—which were not confined to Austria will not happen again. If and when these promises are kept, then we can envisage Austria's foreign trade balanced on as highly a level as possible; this means huge imports (which would provide "full employment" in other countries) balanced by huge exports (which would provide full employment in Austria). But we cannot be satisfied with this simple prospect.

A pre-condition of a *balanced* foreign trade is that Austria will be able to pay (in goods, exchange or invisible exports) for what she imports; and, or that the countries to which she exports her goods are able to pay to Austria in the same way. Let us now examine these pre-conditions.

Will all potential buyers of Austrian exports be able to pay for the goods? Some will, some will not, the latter will be those to which "the benefits of mechanised production may be spread . . ." These countries are the undeveloped backward areas of the Danubian Basin and the Balkans, poor and over-populated. "The real clue to the solution of the problem of agricultural over-population lies in industrialisation. Over-populated agricultural areas are deficient areas for all types of agricultural and industrial products. Unless income levels can be raised however, their potentialities as a market for foreign and domestic industrial products remain essentially undeveloped."*

AUSTRIA AND THE SOUTH-EAST

Owing to her geographical position, Austria's heavy industry together with that of Czechoslovakia, is predestined to play an important part in the industrial development of South and South-East Europe. How then can the difficulty be overcome that these countries to be developed will not be able to pay, at least not during the initial period, for what they are going to receive? Later on the situation will undoubtedly improve, "for by such exports—by the provision of plant and equipment—the less advanced countries would be able to produce more economically and to raise their national incomes and standards of living. As their national incomes increased, their power to purchase abroad would increase too. The initial export of machinery would create a constant demand later for machine parts, for tools and for further machinery; trade would create trade . . ." which is "the indispensable hand maiden of material prosperity, full employment, human welfare."†

* Report of the United Nations Food Conference in Hot Springs.

† "The Transition from War to Peace Economy," page 13.

These are the later prospects, but how is one to start? With bilateral trade agreements, exchange control, import and export quotas and such like? It has been tried before, all to no purpose. New, bold methods will have to be adopted, if we want to achieve material prosperity, full employment, human welfare.

In our opinion the *lease and lend method* is one of the essential new economic techniques with which this problem can be solved. The industrialized countries, of which Austria is one, will have to supply the industrial equipment needed for the development of the countries of South and South-East Europe on a long term credit basis. The backward countries will have to be given a fair start.

Lease and lend supplied by Austria? By Austria which herself will be in desperate need of help after the war? Certainly, she will need help but given her this help, she will be able to help too.

Again we can benefit from the teaching of war economy, which we shall combine with a few figures that give a most instructive insight in what we would like to call the balance sheet of the economic depression.

BALANCE SHEET OF THE ECONOMIC DEPRESSION

In the very jerky development of World Economy between the two Great Wars, the year 1929 represented the so called peak of the boom. Actually it was not quite so booming: one and a quarter millions were unemployed in the United Kingdom, two millions in Germany, two hundred thousand in Austria, and so on. But big business as a whole was satisfied. Well, in this "prosperous" year the national income of 24 countries (including all the industrialised countries of the world, but excluding the U.S.S.R.) amounted to 169,000 Million Dollars. The big crisis came and in 1932 the national income of the same countries was down to 104,000 Million Dollars.* Thus for one single year the loss amounted to about 65,000 Million Dollars. Figures often are not good interpreters. It is therefore put better in this way. Take Australia, Canada, Japan, New Zealand and the 22 principal countries of the European Continent together and imagine that all these countries have stopped work completely for one year—then you know exactly what the loss of 65,000 Million Dollars mean.

Let us turn to war economy now. War economy is just the reverse of an economy in crisis. Crisis contracts, war expands the economy of a country. Thus the net national income in the United Kingdom rose from 4,920 millions in 1938 to 7,866 millions in 1942,† although several millions of men and women were in the army, which means that from the point of view of a productive economy they were "unemployed." Similar figures are available for the U.S.A., where the real income in 1942 was 48% higher than in 1939 (with about five million men in the Army).

What do these figures show? That the economic wealth inherent in the existing productive resources is enormous, when produced by a strictly directed economy (which war economy is), but that enormous also are the waste and loss when this direction is lacking.

The crux of the problem is, as we see, full employment. *We venture to suggest that given full employment, Austria will be able to participate in the scheme for the industrialisation of Europe's backward areas, as well as in any scheme for the reconstruction of the devastated areas of the U.S.S.R.*

* Source: League of Nations, World Economy Survey, 1938/9 page 84.

† White Paper on National Income and Expenditure. H.M. Stationery Office, 1943.

Integrated into this tremendous development scheme, Austria could utilise all her economic resources and employ all her labour. But she wants support.

WHAT KIND OF HELP?

This brings us to the second precondition of a balanced foreign trade: Will Austria be able to pay for what she imports? Certainly not in the transition period before a stabilised economy has been achieved. Austria will therefore want help. Let us state here quite frankly that the help rendered to Austria after the Great War was not only inadequate but was given on entirely wrong lines. Austria does not want relief in the form of charity, or belated loans at crushing rates of interests. How complete a failure that help was may be elucidated from the following quotation: "Not only was the revival of her (Austria's) industries hampered by the lack of coal and the inadequate supply of raw materials but the restriction on the importation of luxuries practised by the surrounding countries limited Austria's power to purchase abroad. For these reasons, Austria's production was at a very low level not only in 1919, but also in 1920 and 1921. In these three years Austria's index of industrial production (1928=100) stood at 34, 41, 54.*"

What then would be the right kind of help for Austria? After the cessation of hostilities she will need (apart from foodstuffs which we have enumerated in a previous chapter) raw materials.† Although she produces some important raw materials such as iron ore, magnesite, wood, zinc, salt in sufficient quantities, she is lacking many vital ones, viz.: coal, almost all non-ferro metals, fibres, oil-seeds.‡

There will be a world shortage of raw materials after the war, but it is absolutely essential that Austria should be given her fair share. The period of economic disentanglement from the German system which we have described in the preceding pages will be specially dangerous for Austria's economy. But it will be in this very period that raw materials will most be needed and Austria at that time will not be in a position to offer foreign exchange or goods for all of these raw materials. The international raw products distributing agency (whatever this may be) will therefore have to allocate Austria's quota on a lease and lend scheme.

Thus, as outlined above, Austria will receive lease and lend deliveries in raw materials and will export lease and lend supplies in machinery and other capital goods.

* Europe's Overseas Needs, 1919-1920. League of Nations, 1943.

† After a visit to most countries in receipt of relief in October, 1919, Sir William Goode, the British Director of Relief, observed that he was "absolutely convinced, that to continue to provide food (to various European countries including Austria) without at the same time providing raw materials on which to re-establish industry was merely to aggravate the problem of Europe." Quoted in Europe's Overseas Needs, page 21.

‡ As for mineral oil the position seems to have changed completely. Before 1939 Austria was almost entirely dependent on imports. Under the pressure of their war requirements the Nazis have developed the oil deposits near Vienna and are reported to have increased the monthly output to about 100,000 tons. Austria's pre-war consumption amounted to 600,000 tons yearly.

THE RECONSTRUCTION OF THE SOVIET UNION

This does not mean that Austria's whole foreign trade should be transacted in such a way. There will be the ordinary exchange of trade as well. Austria will wish and will have to resume and to expand the trade she did before the annexation. It is well known that Austria used to export high class consumer and luxury goods, as well as all sorts of machinery to Germany, Great Britain, France, Switzerland, etc. Given full employment in all these countries Austria should be able to multiply its foreign trade.

There will further be the almost unlimited absorbing capacity of the Russian market. The Austrian workers will take a pride in contributing to the reconstruction of the devastated areas of Soviet-Russia, either by exchanging industrial equipment or consumers' goods against raw materials or within the framework of the international lend-lease scheme.

It is impossible to estimate what ratio of Austria's foreign trade will be transacted on lease and lend basis. It will certainly vary. At the start Austria will need more help than later when her economy will have been stabilised to a certain extent. As for the goods which she is to supply on a lease and lend basis for the development of the backward areas it may be stipulated that roughly the raw material value of these goods will have to be given to Austria. The added net value will be her share in the big European reconstruction scheme.

REAL AND APPARENT SACRIFICES

It may be objected that this scheme will be prejudicial to the interests of those countries which not only have a large (and possibly a surplus) engineering capacity but which possess the necessary raw materials or are able to buy them in the open market. Or to put it another way—it may be asked: Why should the Americans give away raw materials to Austria in order to enable her to give away machinery to the Balkans? If the Americans have to give away anything at all, why not use their engineering capacity to make this machinery and give it to the Balkans without the detour via Austria? The plain answer is that after this war the countries with a strong economy will have to make apparent sacrifices for their own sake. We say *apparent*, because these sacrifices will not be real at all. When had the people of the United States to make sacrifices, when had they to suffer? Undoubtedly during the years of economic crisis but not when America began to give help in the most unselfish way to Great Britain and Russia.*

As already pointed out we do not simply ask for help for Austria, we are sure that given the *right* support Austria can, with her industrial capacity lend help to those who are still poorer than her.

* America's national income in 1929—a boom year but with at least 2 millions unemployed—amounted to 83 billion dollars. It fell by 1932 to 40 billions. (14 million unemployed). In 1943 it was estimated at 155 billions (with no unemployed, but with about 7 million men in the army). Thus by the full employment of her capacity she has quadrupled the value of the output of her economy. We know to-day that the brain who has conceived the lease-lend idea has almost saved the world. What has it cost? The value of lend-lease goods and services furnished by the U.S.A. to the whole world from the beginning of 1941 to the end of 1943 was 186 billion dollars. A gigantic amount? Yes. But compared with America's national income one will find that in three years it amounted to about 12 per cent. only of the national income of one single year, 1943. Thus despite the huge amounts involved one is inclined to ask: was ever so much achieved for so little? And in these three years of lease and lend supplies the American people have enjoyed a prosperity as never before.

We would like to conclude our argument as to the feasibility of a post-war lease-lend scheme for Austria by quoting a pamphlet which was published by the Economic, Financial and Transit Department of the League of Nations in June, 1943 with the aim "to show the inescapable effects and inescapable tragedy of failure to face up courageously to the problem of reconstruction after a world war." This was of course the world war of 1914-1918 and this is the conclusion: "It is impossible to compare the monetary cost of the reconstruction loans with what it would have cost to furnish Europe with a fair proportion of the raw materials and other goods that were available in the two first post-war years. It is more useful to recall the magnitude of the disaster that resulted in the absence of any general plan, the failure of production and trade to revive, the social and political effects and inflation and the extent to which these social and political effects were accentuated by the depression at the end of the first peace decade . . ."

Perhaps, in 1919, those who were responsible could not foresee the "magnitude of the disaster" they let loose. But after this war we shall have better knowledge and we must not fail again. We know only too well that none of the old tried methods will be of any use.

WORKSHOP OF U.N.R.R.A.

As to a further utilisation of Austria's engineering capacity a resolution passed by the UNRRA Council in Atlantic City seems to be of great importance. In Resolution No. 12 the Council has decided "to help those countries whose industries can be rehabilitated for production of relief and rehabilitation goods urgently required in other liberated areas." This rehabilitation includes mines, public utilities such as water, power, light, transportation and communication but also relief industries which provide shelter, food, clothing, medical supplies. Thus, for example, component parts for the reconstruction of destroyed bridges in the Balkans could be ordered with and manufactured in Austrian factories. It is earnestly to be hoped that UNRRA will make use of Austria as one of the workshops for the rehabilitation of the Danubian Basin.

To sum up the problems of Austria's foreign trade. The ultimate aim is to balance it at the highest possible level, so as to secure the utilization of the country's engineering capacity, full employment and a high standard of living. But all this depends on the willingness and capacity of other countries to buy Austrian goods. For the transition period after the war a balanced foreign trade at a high level will not be possible. To enable her to start, Austria will need raw materials on a lend and lease basis. In order however to utilise her industrial capacity also before her foreign trade is balanced, it is suggested that she should turn part of the raw materials received on lease and lend into machinery which she would export likewise on a lease and lend basis to assist in the industrialisation of Eastern Europe and the reconstruction of the war-devastated parts of Soviet-Russia. After a certain period the East European countries will be in a position to pay with their products in full for Austria's exports, thus helping to bring all the foreign trade involved, to a higher level.

In conclusion we would like to emphasise again, that after overcoming the difficulties of the transition period—which should by no means be underestimated—Austria will be able to pay for all the imports she will need with her exports provided that the world will be prepared to buy

* Europe's Overseas's Needs, 1919-1920 and how they were met. Page 48.

them. Failing this she will reluctantly have to cut down both. But we venture to suggest that by unorthodox and bold economic measures, especially by the expansion of state investment and state credit, Austria will be able to provide for nearly as much employment, though on a lower standard of living, as would be possible within the framework of a highly developed international trade.

6. FROM NAZI LOOT TO COMMON PROPERTY

The efficient working and integration of the lease and lend scheme into the whole economic structure presupposes not only a managed foreign trade but as we have already mentioned a thorough planning for and control over all the means of production by the Austrian State Planning Commission. A department of this commission will have the function of allotting to the various factories all orders for goods to be exported on a lease and lend basis. And here we come up to another problem vital for the reconstruction of Austria.

The big industrial combines as well as most of the industrial plants are to-day either in the possession of the German Government (e.g. Hermann Goering Werke), or they are part of the Nazi German industry which has acquired its Austrian possessions by mainly dubious means; or they belong to Austrian capitalists who, as Austrian quislings, have forfeited whatever claim they may have had. After the downfall of Hitler all this property will be ownerless.

We would like here to sweep away the idea that part of these assets may be used as a kind of security for war reparations which Germany may have to pay to certain countries, and that this property or its proceeds should then be handed over to these countries. After the Moscow pledge for a free and independent Austria such a procedure is undoubtedly out of the question. We would only add that the economic consequences of any such plan for Austria would be catastrophic.

There is however another danger linked up with this problem. It is probable that Nazi bosses as well as Nazi industrialists, in an attempt to save whatever possible, will transfer their property to neutral firms or agencies. Thus, when taking over a big Nazi steel works the Austrian authorities would suddenly be confronted with Swiss or Argentine shareholders. It therefore seems necessary that in the absence of an Austrian Government one of the agencies representing the United Nations should solemnly declare that all transfer of property within the territory of the Austrian Republic of 1918 to owners abroad should be null and void.

LOCK, STOCK AND BARREL

All property, both immobile and mobile, all assets whatsoever belonging to German Government agencies, Nazi organisations, German business companies and Austrian industrialists who have collaborated with the Nazis will have to be handed over lock, stock and barrel to the Austrian State Planning Commission. As far as this property has been acquired by pressure or force, Austrian law will deal with any refund in cases where the former owner was an Austrian citizen, while international agreement will have to be reached in cases of foreigners.

Tremendous though they are we cannot deal here with all the problems which will arise from the fact that most of these enterprises will be without proper management, that many of them are staffed with foreign workers who will try to get home as quickly as possible, that transport

will be disrupted and most of the necessities will be lacking. What emergency measures will have to be taken will probably vary with each case and it is only to be hoped that the men on the spot will have the daring and the initiative to cope with all these difficulties.

We have so far dealt with the help which Austria needs from abroad and we have laid it down that Austria's industry (in the widest sense of the word) at present owned by Government agencies of the Third Reich or Nazi capitalists, will have to be expropriated and placed under state control, which is the precondition of a proper planning.

7. THE FINANCIAL FOUNDATIONS

We wish now to add some considerations about the financing of an economy of full employment, as envisaged for Austria.

Here again we can learn a great deal from war finance. Who is paying for the war? The people.* A large part of what they produce together is taken away from them. The planes and the tanks, munitions and guns, ships and instruments, they all disappear and are devoured by the war. This is the contribution of the community to the war. In their daily life of course, this contribution takes the form of direct and indirect taxation, excises and savings, all necessary devices of one common purpose.

A few figures will illustrate our argument. They are taken from "An Analysis of the Sources of War Finance and an Estimate of the National Income and Expenditure" which has been published by the British Treasury. This shows how the money earned by the people of Great Britain was spent in:—

	1938	1942
	Millions	Millions
Consumed	3,619	4,019
Saved	134	891
Paid in Taxes	1,167	2,956
Total earned	4,920	7,866

In 1942 the people of Great Britain earned (which roughly means produced) more than one and a half times as much as in 1938, because all had jobs; but almost half of it was taken away by taxation and savings—we could also say by tanks, planes, etc. Let us now convert the planes, tanks, etc. into houses, roads, hydro-electric plants, hospitals, convalescent homes, machinery and the Beveridge plan and substitute Austria for Great Britain and we have the financial basis for Austria's economy of abundance.

Full employment of all productive resources which enables a country during a war to turn out the enormous quantities of machinery for a total war, will also besides satisfying the personal needs of its population enable it to turn out the goods and services which we have enumerated under "Public Works" and will enable Austria to contribute her share to the world-wide lease and lend scheme which will inevitably be required after hostilities have ceased.

This plan will necessitate the continuation after the war of many of the measures and restrictions with which we are familiar in war-time though

* How, within the population of a country at war, taxation is distributed over the various income groups or classes is a different matter, which can be disregarded in this content.

to a lesser degree and with quite different effects. The Austrians will have to pay taxes, fairly substantial taxes; they may not be able at any time to spend money as they would like to—but taxes and saved money will then be converted into new homes, recreation, pleasure and—into help for others.

8. CONCLUSIONS

In conclusion we would like to say this:—

The Austrian Republic during her 20 years of existence has led a poor life. This was not due to her size or lack of resources. It was much more due to the fact, that after the disintegration of the Habsburg Empire she was left with a quite unbalanced economy which could not stand the wild fluctuations of the world economy of the 'twenties and 'thirties. It was further due to the fact, that the help which Austria was given after the Great War was as insufficient, as it was belated and on wrong lines. And it was last not least the result of a wrong financial policy.

The only economic asset during all these black years was the reconstruction work of "Red Vienna," carried through with entirely new and unorthodox methods. The moral to be drawn is that only with daring and unorthodox economic measures can the Second Austrian Republic be brought into full life.

Austria has productive resources and she will, after the war, emerge with an expanded industrial potentiality. Unless Austria is to perish again these resources and potentialities must be utilised and husbanded by a thoroughly planned interior economy, and by the integration of this into a wider interstate economic system and plan.

A planned economy of plenty, however, is irreconcilable with the continuance of interests vested in private capital. It is feasible only if the principle means of production are owned by the community and directed by its trustee, the Austrian State Planning Commission.

The fact that these principal means of production as well as the banking system with which they are interlocked will in any event, be confiscated from their various Nazi owners, will offer a unique opportunity in Austria for this change in ownership to be carried out quickly and efficiently. It will certainly be demanded by the Austrian people and the big powers would be ill-advised were they to interfere with this essential development. For Austria infected by economic diseases would again, as in the past, be a danger spot in the heart of Europe and be contagious for her neighbours. An economically prosperous Austria will extend her prosperity far beyond her borders and "will give back to Central Europe an element of its civilisation of which it stands in need."*

The first Austrian Republic was based on a capitalist economy. It failed. The second Austrian Republic if based on a planned socialist economy will be able to provide freedom from want, and thus to give food, work and homes for all Austrians.

* H. Butler: "The Lost Peace." London, 1941.