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ECONOMIC SURVEY

GERMANY

POLITICAL AND GENERAL

THE PROSPECTS AND ECONOMIC CONSEQUENCES OF THE RUHR INVASION.

From a host of German protests against the French action in the Ruhr we are only able to select two which will give our readers some idea of the arguments current in the German Press this week. They respectively represent, as will be seen, the view that France will quickly be obliged to recognise her invasion as a fiasco, and the opposite view.

An important article in the *Vossische Zeitung* (Jan. 7) is entitled "Productive Occupation." The first paragraph professes to unveil the purely military character of the occupation and to demonstrate the absurdity of the French contention that the measures taken are of a merely economic nature. The writer then continues :

FRANCE IN THE RUHR IN 1923, COMPARED WITH GERMANY IN BELGIUM DURING THE WAR.

The Ruhr population is suffering one by one, and in inevitable sequence, all those disabilities to which in time of war the peoples of the territories occupied by enemy armies were subjected. As is well-known, it was the German armies which, above all, were placed in a position of holders of foreign territory during the war.

It is, therefore, only natural that the experiences of the people of the Ruhr Valley should be compared with those of the people of Belgium during the war. The resemblances are threefold, actual, psychological and formal. Resemblances of each kind between the situation of the two populations under the pressure of enemy occupation are already numerous. They will become more and more striking as the Occupation, in the course of time, ceases to be a novelty. The one dissimilarity is that it was then officially time of war and it is now time of peace. The difference here is not one of principle merely, but one which affects the population very materially. Wartime occupation was effected for purely warlike reasons : questions of finance and economy were at best quite subsidiary. The objective of this, as of every other operation behind the lines, was to secure the position on the front. German war propaganda continually made the assertion that the economic prosperity of the occupied district had been to a certain extent restored, even, in some cases, increased under German control, for the benefit of the population of Germany and the successful prosecution of the war on the German side. In reality, during the whole of the duration of the war, Germany never succeeded in effecting this on at all a large scale. This was, however, of minor import from the point of view of the

Germany

military. Germany did not occupy foreign territory to *make* money; on the contrary, she knew that, like everything else in war time, occupation *cost* money. When, by chance, money could be raised, or a food excess was found to be available, this was a very pleasant surprise. But the latter was never obtained out of current production. It was always effected through consumption of stores. Nobody saw in these gains more than a side issue in the total question of occupation.

But, in the case of the "peaceful" occupation of the Ruhr by the French, there is no front line to be considered, no war aim to be pursued. The aim of the occupation has, at least, to be portrayed to the public in France as financial and financial only. The French public has to be told that France has marched into the Ruhr to obtain coal and money. The fact that there is not the slightest chance of obtaining one or the other has to be concealed, and so has the true end and object of the whole expedition, which is to bring the German mining industry into subjection to the French iron industry. The majority of Frenchmen would no more understand and approve these aims than the majority of Germans would have countenanced war aims foreseeing merely the advantage of the German iron industry.

Thus, what was in the war regarded as at best a side issue in the occupying of enemy territory, has, in the present case, become the official main issue. Public opinion in France impatiently awaits actual results in the financial sphere. If evidence of success in this sphere is not soon produced, the French people and its leaders will be forced to conclude that the expedition has failed of its declared purpose.

Herein lies the weakness of Poincaré's policy. Any policy, of which the true aims have to be concealed, not only from foreign powers, but also from the public at home, is weak. It is especially weak where the pretended aim is not only unattainable, but within a short time demonstrably so.

A GERMAN WARNING AGAINST FALSE OPTIMISM.

The *Konjunktur* warns the Germans against too facile an assumption that the French exploit is doomed to failure. Under the heading "The Economic Consequences of the Ruhr Occupation," it writes: "The German Miners' Union have in their appeal to the miners expressed the opinion that the interference of new masters, with no knowledge of the country or of the technique of the industries, in the economic life of the Ruhr district, can not but be attended by disturbances, of which the extent and seriousness are not to be foreseen. Against this serious opinion, expressed by those who are really expert in the question, the official and semi-official publications maintain and disseminate an ill-considered optimism, just such an optimism as during the war concealed the truth of what was happening from Germany. It was believed that the transference of the Coal Syndicate Office from Essen would put the French up against such difficulties of organisation that their whole campaign would be demonstrably a fiasco. True enough, the transference was both a clever and a right step to take. It deprived the French and Germans of opportunities of industrial espionage.

Undoubtedly, to begin with, the Ruhr coal output will be very uncertain. It is not possible that foreign engineers should at once master so complicated an organism as the transport system. But in case this

should lead to the hasty conclusion that the Franco-Belgian occupation must quickly break down, it should be recalled that under German occupation, foreign mining country of the most varied nature, where the mines had been injured by the hostilities, and from where the native miners had decamped *en masse*, was made to yield a certain output. In the Ruhr the lower and middle grade employees are still at their posts. The traffic with unoccupied Germany has not been interrupted, the means of transport are intact, and for the industry of unoccupied Germany it is a matter of life and death that the supply from the Ruhr should not cease.

Finally, the ultimate aim of France is not so much the increase of the coal output of the Ruhr mines as the exercise of a strong pressure upon Germany's economic life, and, above all, on her industries. This aim is, unfortunately, far from unattainable. In the last ten years before the war the coal output of the Ruhr varied between 65 and 114 mill. t. Far the greater proportion of this came from the Dortmund district, which delivered 54 to 69% of the total pit coal production of Germany. In isolated months of 1922, the peace level of output was almost obtained. It will then, not be hard for France to maintain the Reparation delivery at the level of 20 mill. t. yearly. The French and Belgians will have the disadvantage that they produce less cheaply than the present German administrators of the industry. But what will prevent the foreigner from charging the costs of production of Reparation coal on that part of the output which he kindly places at the disposal of the rest of Germany? If German industry were independent of the Ruhr coal to the extent that it could satisfy its needs out of the output from the rest of Germany, then it could hope to render the French occupation a fiasco. But the English coal, which Germany will be forced to rely on if Ruhr supplies are cut off, is 30% more expensive.

Another point of the greatest importance is that the great German chemical industry is dependent on all kinds of by-products of the Ruhr mines, such as ammonia, oil, tar, petroleum. Substitutes for this are not to be found overnight!

One of the principal Franco-Belgian aims is to strengthen their own iron industries. In doing so, it is unlikely that they will take any special consideration of the fate of the German Iron and Steel Industry.

The French have, since the armistice, pursued the aim of supplying their newly-increased number of blast furnaces with cheap coal, so that they may dominate European, and, to some extent, oversea markets at the expense of England and Germany. Stinnes was, perhaps, not so wrong when, in 1922, he sought to effect in peaceful manner the union of German coal and French ore.

The immediate consequences of the Ruhr occupation for Germany will be a serious shortage of coal, coke and bye-products, and a sales crisis for German iron goods which will be everywhere underbitten by French and German goods. The following weeks will see a terrific series of embarrassments for German industry at large. To enable Germany to accommodate her economic existence to the new circumstances, she will have to obtain first-class information regarding the actual effects of the occupation. Nothing could be more undesirable than that economic *communiqués* in the same style as the reports from the front of unhappy memory, should create an unjustified spirit of optimism.

FRANCE

FINANCE

THE INCREASE OF DIRECT TAXES.

The Minister of Finance estimates at between 3 and 4 milliard francs, that is to say, the exact amount required to balance the 1923 Budget, the proceeds of the increase of 20% on the direct taxes (*cf.* THE ECONOMIC REVIEW, Jan. 19). The Minister desires to incorporate this scheme in the Finance Bill, but it is quite possible that the Finance Commission may decide to treat it as a special Bill to be discussed at leisure. A motion has already been set down for the postponement of discussion of the Bill. (*Information Financière*, Jan. 12.)

THE INCOME TAX ON WAGES.

During the debate on the Finance Bill for 1923, which is now proceeding in the Chamber, clause 6, dealing with the income tax on wages, salaries and pensions, has been passed, and deals with the amount of income from wages exempt from the tax, which varies considerably. The amounts thus exempt are the following:—

1. *Pensions and Annuities.* Fr.5,000 in the case of pensions and annuities provided by periodical successive payments or paid as an act of grace by employers to their employed for long service. Fr.4,000 in the case of annuities provided by a capital payment or by donation or testamentary disposition.

2. *Salaries, allowances, and wages.* Fr.5,000 in communes of not exceeding 50,000 inhabitants; Fr.6,000 in communes exceeding 50,000 inhabitants; Fr.7,000 in Paris.

These abatements will be increased by Fr.1,000 for each child of under 16 years. The rate of the tax (on incomes in excess of the above amounts) is 6%. (*Information Financière*, Jan. 17.)

THE YIELD FROM TAXATION IN 1922.

The yield from indirect taxes and State monopolies for December was Fr.1,311.4 mill., being Fr.24.5 mill. (2%) in excess of estimates, and Fr.83.1 mill. (6.7%) more than in December 1921.

The proceeds from this source for the whole of last year amount to Fr.15,087.9 mill., being Fr.853.8 mill. (5.3%) less than estimates and Fr.1,854.2 mill. (14%) more than the yield for 1921. The deficit in respect of estimates is due to the customs and turnover tax.

As regards direct taxes, the position on Dec. 31, 1922, was as follows: the total assessments on the registers was Fr.2,633.1 mill., of which Fr.2,075.0 mill. was in respect of assessments for 1922 and the balance in respect of assessments made for the preceding years. (The Revenue is allowed 5 years in which to make good omissions and deficiencies which come to its knowledge. *Cf.* THE ECONOMIC REVIEW, Dec. 29, p. 473.) Of the assessments for 1922 actually appearing on the registers (Fr.2,075 mill. as above), Fr.772.7 mill. has been actually collected. The total assessments of direct taxes made in 1922 for the current and preceding years, omitting Alsace and Lorraine (Fr.45.4 mill.) amount to Fr.2,587 mill. (being Fr.787.6 mill. in excess of estimates) compared with Fr.2,792.3 mill. for the preceding year.

The assessments of these taxes are apportioned as follows (in Fr. mill.):—

| | |
|--|-------|
| Tax on industrial and commercial profits | 748.8 |
| Agricultural profits | 16.9 |
| Salaries, wages, etc. | 273.3 |
| Professional incomes | 41.7 |
| General income tax | 993.9 |
| Redemption charges | 0.1 |

Assessment of the old taxes (including land tax) for 1922 amounted to Fr.2,450.9, of which Fr.656.6 mill. are allotted to the State, and Fr.1,794.3 mill. to the departments, communes, Chambers of Commerce, etc.

The total assessments for 1921 and 1920 amount to Fr.2,401.5 mill. and Fr.1,881.5 mill. respectively. The sums actually collected thereon (the old taxes) were Fr.1,243.4 mill. in 1922, as against Fr.1,056.6 in 1921. (*Journée Industrielle*, Jan. 15, 16.)

(For an explanation of the present system of direct taxation *cf.* "The yield from income tax," by Pierre Bodin, THE ECONOMIC REVIEW, Dec. 29, p. 273, and Jan. 5, p. 5.)

A NEW CREDIT NATIONAL LOAN.

Since its foundation the Crédit National has issued five loans, representing a nominal capital of 19 milliards, of which 500 milliards have been set apart under the Act of July 7, 1919, for loans to commerce and industry, and the remainder employed in the payment of war damages during 1920, 1921, 1922. As the sum so employed is nearly exhausted, in order to continue these payments, the Act for provisional monthly estimates (pending the passing of the Budget Bill for 1923) authorises the Crédit National to borrow during the first six months of 1923 the sum of 3 milliards. In pursuance of this authorisation the Crédit National is issuing 6% lottery bonds (Fr.500 each) at Fr.498.50, redeemable in 25 years to the amount of Fr.3 milliards. As on former occasions the interest premiums and lottery prizes on these bonds are covered by annual payments by the State, and the interest is free of all taxes present and future. The bonds are on practically the same footing as those issued in 1921. There will be 7,200 prizes a year for the 6 million bonds, or 1,200 for each series of a million, and the number of big prizes (500,000) will be 6 per year as against 2 in the 1921 issue. It is anticipated that the loan will be fully subscribed some time before the list is closed. (*Journée Industrielle*, Jan. 17.)

THE STOCK EXCHANGE IN 1922.

Although the Paris Bourse was still suffering from the effects of the crisis during 1922, signs were not wanting that prices had touched bottom and were beginning to recover. The great feature of the year was the abolition of restrictions on dealings in the various war loans, a measure long demanded and which has proved successful. Those who prophesied that the removal of restrictions would cause a fall in the stocks were wide of the mark, as the comparative quotations in the table given below will prove.

The depreciation of the exchange has made itself felt on foreign Government Loans, e.g. Spanish External Loan, Egyptian Unified, and British Consols, all of which have risen appreciably. Swiss, Argentine, Chinese and Japanese funds have also advanced. The Turkish Loan, as a result of the arrangements concerning the Public Debt, has risen from Fr.39.75 to Fr.68.25., Russians have remained stationary. The leading French stocks, Government loans, municipal and Foncière loans and railway debentures, all show improvement. The debentures of the leading French railways show a marked recovery, and have benefited by the revulsion in favour of stocks at fixed interest, which took place in the early part of the year. In spite of this improvement the premium on redemption is still considerable.

The above-mentioned improvement may not be very rapid. These debentures, which will no longer be issued, will have to compete with other debentures at new rates of interest to be issued under the new system of railway finance introduced in 1921. Large blocks of these new debentures will be thrown upon the market in order to meet the deficit in the working of the line, and to provide for works to be undertaken, and as they will be redeemable after the termination of the concession, will attract investors. Although, as already mentioned, in the early part of the year, stocks at a fixed rate of interest came into favour, there are signs

France

of a swing of the pendulum towards stocks with varying interest. This, perhaps, accounts for the fact that at the end of December railway debentures did not close at their highest for the year. For example, Est 3%, which reached Fr.347 during the year, closed at Fr.326, and a similar movement affected all the other stocks of the same class. The following table deals with French stocks only, to the exclusion of foreign Government bonds, railway shares, etc., and gives the quotations on Dec. 31 of each of the years stated of (a) the leading French Government Bonds, (b) municipal, local, etc., lottery bonds, (c) railway debentures:—

| | | 1913. | 1914. | 1921. | 1922. |
|-----|---------------------------|--------|--------|--------|--------|
| (a) | 3% Français Perpetuel | 85.37 | 72.10 | 54.70 | 59.00 |
| | 3% Redeemable ... | 89.50 | 78.50 | 68.50 | 69.00 |
| | 4% 1918 ... | — | — | 65.25 | 63.97 |
| | 5% ... | — | — | 80.20 | 76.50 |
| | 6% 1920 ... | — | — | 94.00 | 88.75 |
| (b) | Ville de Paris 1865 4% | 539.75 | 545.00 | 580.00 | 585.00 |
| | „ 1876 ... | 511.00 | 483.00 | 430.50 | 446.00 |
| | „ 1910 3% | 332.00 | 325.00 | 225.00 | 234.75 |
| | „ 1912 ... | 254.00 | 220.00 | 205.00 | 234.00 |
| | Communales 1879 ... | 438.25 | 430.00 | 436.50 | 454.50 |
| | „ 1891 ... | 350.00 | 328.00 | 253.00 | 267.00 |
| | „ 1912 ... | 230.00 | 208.00 | 162.00 | 176.00 |
| | „ 1920 5½% | — | — | 443.50 | 456.00 |
| | Foncières 1879 ... | 487.00 | 455.00 | 458.00 | 476.00 |
| | „ 1903 ... | 450.00 | 408.00 | 310.00 | 336.00 |
| | „ 1913 ... | 479.00 | 448.00 | 380.20 | 395.00 |
| | Fonc. et Commun. 1917 5½% | — | — | 264.00 | 279.00 |
| (c) | Est 3% ... | 413.50 | 371.00 | 299.00 | 326.00 |
| | „ 3% new ... | 409.00 | 367.00 | 275.00 | 308.50 |
| | Lyon 3% ... | 407.00 | 377.00 | 279.00 | 310.25 |
| | „ 3% new ... | 403.00 | 371.00 | 273.75 | 307.50 |
| | Midi 3% ... | 413.50 | 378.00 | 275.00 | 314.00 |
| | „ 3% new ... | 409.75 | 371.00 | 270.00 | 307.00 |
| | Nord 3% ... | 416.00 | 372.00 | 295.00 | 325.00 |
| | „ 3% new ... | 412.75 | 369.50 | 290.00 | 320.00 |
| | Orleans 3% ... | 410.00 | 370.00 | 312.25 | 331.75 |
| | „ 3% 1884 ... | 418.50 | 387.00 | 277.50 | 305.50 |
| | Ouest 3% ... | 415.00 | 392.00 | 300.00 | 321.25 |
| | „ 3% new ... | 411.00 | 375.00 | 291.00 | 313.00 |
| | Bône-Guelma 3% | 403.00 | 365.00 | 267.00 | 290.00 |
| | Est-Algérien 3% | 401.75 | 360.00 | 265.25 | 294.75 |
| | Ouest-Algérien ... | 399.00 | 357.00 | 262.00 | 296.25 |

(*Economiste Français*, Jan. 13.)

FOREIGNERS' REAL ESTATE BILL.

The opposition to the Bill restricting the acquisition of real property in France by foreigners (*cf.* THE ECONOMIC REVIEW, Jan. 12, p. 25) still continues. A resolution has been passed by the board of the French section of the International Chamber of Commerce, urging an amendment of the Bill relating to the holding of real estate in France, which was passed by the Chamber without discussion on Nov. 6 last. The board is of the opinion that the rigid provisions of this Bill should only be applied as a measure of reprisal against countries which prohibit the acquisition of real property by foreigners. (*Information Financière*.)

INDUSTRIES

THE PROSPECTS OF METALLURGY IN 1923.

The future of French metallurgy is rendered somewhat uncertain owing to the dissolution at the end of last year of the Comptoirs (*Comptoir Sidérurgique and Comptoir des larges tôles*), which regulated prices and distributed orders. Given a supply of coke sufficient to enable the iron works to increase production and reduce cost price, the French products will have a better chance on foreign markets. The continuance of the recovery which is taking place slowly but surely is closely bound up with the question of reparations, since the reconstruction of the devastated areas, which depends entirely on the payment of reparations, will give a strong stimulus to industrial output.

Meantime, prices remain high owing to several causes, transport rates, cost of labour, the heavy demand with which supply is unable to keep pace, and above all the shortage and cost of fuel. On the other hand, factors contributing to the reduction of prices are: com-

petition, home and foreign, the necessity of turning out certain unremunerative products for the purpose of obtaining orders for other goods or of keeping specially skilled workmen. At present, however, the factors tending to increase prices outweigh those tending to reduce them. As regards the shortage of fuel, especially of coke, the home coal mines are continually increasing output and putting in order their coke furnaces. British coal imports are on the increase, and negotiations with Czecho-Slovakia are on foot for supplying the Lorraine works with large quantities of coke. Nevertheless the shortage remains serious. German deliveries of coal and coke in December were less by 10% for the first and 7% for the second than the agreed amount. On the other hand, orders are continually increasing. It must be added that, prior to the revival of business, stocks had not been maintained at the pre-war level. Therefore the Société des Cokes de hauts fourneaux has difficulty in supplying its members. Coke for metallurgy, after having been fixed at Fr.97 for January, has now been fixed at Fr.110 for February, an increase of Fr.15 on the December price. Efforts made to induce the authorities to forbid the export of scrap iron have resulted in the publication of a Decree on Dec. 29, prohibiting the export and re-export of old pig iron, iron and steel which cannot be used for re-casting. On foreign markets competition is keen, and the efforts of the British Government to check unemployment have involved a financial policy favouring export. The British banks assist exports extensively, and in France the question of giving credit for export purposes is engaging the attention of a financial syndicate, a committee of ironmasters and the Government. (*Nord Industriel*, Jan. 13; *Information Financière*; *Exportateur Français*, Jan. 9.)

THE SILK INDUSTRY.

According to the returns published by the *Journal Officiel*, the production of silk in 1922 was 2,371,821 kg. of cocoons, valued at Fr.30,968,252, compared with 2,524,440 kg. valued at Fr.20,544,280 in 1921. The increase in value is largely due to the rise in prices.

The *Bulletin des Soies et Soieries* puts export of silk during the first 10 months of 1921 at 5,343,500 kg., compared with 4,896,400 kg. in 1921, the value being Fr.1,201.5 mill. against 1,008.2 mill. in 1921.

Great Britain was by far the best customer, taking 2,896,250 kg. in 1922 and 1,907,878 kg. in 1921, the next most important being the United States with 873,504 kg. and 901,123 kg. respectively. (*Moniteur des Intérêts Matériels*.)

AGRICULTURE

VINTAGE RESULTS.

The Department of Indirect Taxes supplies the following figures of the vintage in 1922 and 1921. The amount declared in France (in million hectolitres) was: 1922, vintage, 69.1, vintage and outstanding stocks together, 71.1; 1921, vintage, 45.6, vintage and stock, 49.4. The yield in Algeria was 7.4 mill. as against 5.0 mill. in the previous year. The Minister of Agriculture has addressed a circular to the directors of the agricultural services in the provinces instructing them to stimulate owners of hotels, restaurants and cabarets to push the sale of French wine in substitution for other liquors less wholesome. (*Economiste Français*, Jan. 13; *Journée Industrielle*, Jan. 16.)

SOCIAL CONDITIONS

NOVEMBER INDEX NUMBERS.

The general provisional index number for the whole of France (45 articles) is 407 provisional as against 390 (amended) in October. The index number of articles of food (20) is 383.8, and of industrial materials (25) 425.5, as against 362.5 and 412 respectively for the previous month. (*Information Financière*, Dec. 12.)

ITALY

FINANCE

EXEMPTION OF NEW BUILDINGS FROM TAX.

A Decree has been approved by the Cabinet, which, in order to give an impulse to building, exempts from payment of the Government tax and local surtaxes on buildings for a term of 25 years, private persons, companies and societies, including co-operative societies, who shall undertake the construction of dwelling-houses, hotels, offices and business premises, and shall add to such buildings, provided always that such construction shall be commenced and completed between June 30, 1922, and June 30, 1925. Such period is increased to 30 years in favour of the local authorities of towns exceeding 10 inhabitants, who shall construct popular dwellings without contribution from the State. (*Corriere della Sera*, Jan. 7.)

THE TAX ON PROFITS FROM AGRICULTURE.

The Minister of Finance, Signor de Stefani, has, through the official agency, given a voluminous explanation of the new tax on income from agriculture (*reddito agrario*) as distinct from the tax on income from land (*reddito dominicale*). In the case of cultivated land, the two incomes are distinguished in the apportionment of the net profits earned respectively by landlord and tenant, the tax on the first being land tax and that on the second, a tax on personal estate. But when instead of leasing his land, the owner farms it himself, the two classes of income become merged so that under the law now in force the landlord pays, not both taxes, but only the *reddito dominicale* tax. The new enactment, however, with the object of placing all incomes on an equality, provides that the income from agriculture must still pay the personal property tax, whether it is earned by landlord, tenant at a rent, or tenant on the profit-sharing system (*métayer*). As to the manner of assessment, due regard is had to the taxable capacity of the parties to the necessity of avoiding disputes between the various taxpayers, and to assure an equitable basis of taxation free from the inconvenience of frequent revision by the revenue department. With this object the Land Survey, as already stated (*cf.* THE ECONOMIC REVIEW, Jan. 12, p. 27) has begun the work of revaluing incomes from land, which is to take 18 months. The system under which the tenant at a rent is taxed will also be applied to the farmer of his own land and the tenant farmer on a profit-sharing basis. The work of revaluation by the Land Survey does not appear at first sight to be overwhelming, seeing that there are in Italy some 7½ mill. landowners out of whom more than 6½ mill. pay land tax of under L.10, and the majority of them show incomes so small that the total tax on them amounts to barely L.13 mill., which gives an average of L.2 per taxpayer. It is evident, therefore, that their properties are so small and produce so little that it may be assumed that there exists no income from agriculture liable to tax. The remaining million of taxpayers on land pay the whole balance of the land tax amounting to over L.100 mill., which gives an average of L.100 each. The Decree limits the rate of the tax on agricultural income to 10%, and exempts it from the supplementary war tax and disabled soldiers' tax. The rate is low compared with the industrial and commercial taxes. (*Corriere della Sera*, Jan. 5.)

THE BANCA ITALIANA DI SCONTO.

According to information from Rome, a compromise has been arrived at in the litigation which has been going on between the Banca Italiana di Sconto and those customers of the Bank who had deposited securities with it. Apparently the Bank will return

to its customers 65% of the securities which were held previous to the failure, and will give a Bond for the other 35%. (*Information*, Jan. 5.)

INDUSTRIES

THE GLASS WARE INDUSTRY.

The economic crisis has considerably reduced the export of Italy's ornamental glass ware. Exports have fallen off, especially to the Indies, Africa, Eastern Europe, the East and Far East. France affords the principal outlet for this ware, as it consumes annually some 1.5 mill. kg. of Italian glass beads, used for trimmings, artificial flowers and funeral wreaths. The serious crisis through which this Italian industry is passing is due chiefly to the difficulty of obtaining raw material and to the cost of labour. At first it was able to overcome its difficulties owing to the increase of demand which immediately followed the war. Then, however, came a serious depression of the markets, and manufacturers had to reduce work. The industry can weather the crisis only by reducing its cost price and by recovering the African and Eastern markets. (*Exportateur Français*.)

COMMUNICATIONS

RAILWAY FINANCE AND REFORM.

The General Administration of the State Railways has recently published the results of the working for the financial year 1921-22, which are as follows (in millions of lire): earnings on the lines within the old frontiers, 3,035; expenditure, 4,290; deficit, 1,253; to which must be added 174 deficit on the lines in the newly-acquired territory, making a total of 1,427. Expenditure on rolling stock increased from 470.3 to 730.1. The report of the Administration announces that complete tranquillity has been restored among the staff, that the train service has become regular, and the traffic has increased.

The deputy, Signor Torre, Special Commissioner of Railways, has expressed in an interview with the Press his views on the present position of Italian railways, in the following terms:—The solution of the railway problem will take a considerable time, as a deficit of L.1,600 mill. can only be wiped out gradually. It, however, can first be reduced and finally made to disappear by the following means:—(1) Reduction of the price of coal; (2) revision of tariffs; (3) suppression of free passes; (4) revision of wages and salaries; (5) reduction of staff; (6) suppression of robberies; (7) an improved yield from railway servants. The price of coal has already been reduced, and in the absence of the unforeseen, expenditure on this item will be very much less in future than in past years. The revision of rates and especially of passenger fares is justified by their disproportion to the reduced value of the currency. However, changes in the fares, as to which a decree is in preparation, will be slight for all classes. Some compensation will be found in the re-issue of return tickets at reduced fares. The price of platform tickets will, however, be doubled. The Commissioner proposes to suppress the carriages reserved for ex-ministers and ex-secretaries of State for Public Works, which at present number 941, to maintain free passes for deputies and senators, but to suppress those issued to their families. The grant of free passes to the families of railway servants will also have to be reconsidered. During the past year two millions of such passes have been issued to railwaymen and their families, and 21,000 to high officials.

Salaries and wages will undergo revision. While the cost of living has risen in the ratio of 1 : 5 or less, railway

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wages have risen in the ratio of 1:6. The salaries of the administrative staff have, however, only risen in the ratio of 1:3. Wages will now have to be reduced within just limits, and rendered proportionate to the cost of living. Bonuses on economy which had been commuted, to the detriment of the administration, for a fixed increase of pay, will be reintroduced, and the increase suppressed. The whole question of salaries and wages has been referred to a Commission, which will report thereon. Expenditure on material will be reduced by L.300 mill., and the saving of a like amount can probably be effected by a reduction of the staff to about 180,000. This reform will be carried out gradually, and those members of the staff whose work show little results will go first. More productive work from the men has already been obtained, and reports from heads of departments are satisfactory in this respect. Not only has discipline improved since the present Government took office, but the number of absences on the plea of sickness have considerably declined. A watch will be kept on robberies, which have increased enormously since the war, by a force of special constables formed by the Fascists, who will keep a sharp look out on the stations on the Lombard, Piemontese and Ligurian lines. Rewards of L.100 will be given to any constable who tracks down a robbery to railway officials, as the Commissioner is convinced that in many cases these crimes could not be committed without their connivance. Coal and goods have been robbed to the value of L.150 mill. The Commissioner terminated the interview by producing a circular instructing the heads of departments to take steps to check current abuses such as bribery of railway servants, travelling without tickets, etc. (*Journal de Genève*, Dec. 24; *Berichte aus den neuen Staaten*, Dec. 29; *Corriere della Sera*, Jan. 10.)

SOCIAL CONDITIONS

THE COST OF LIVING.

The following table shows the index numbers in Rome in October and September last of the price of eight articles (bread, macaroni, rice, beef, oil, bacon, potatoes, milk), and of the cost of living of a typical workman's family, consisting of two adults and three children, and of a middle-class family also in Rome.

| | Sept. | Oct. | Actual difference. | Difference % |
|-----------------------|--------|--------|--------------------|--------------|
| Eight articles | 424.67 | 419.33 | - 5.34 | +1.26 |
| Workman's family— | | | | |
| Food | 471.64 | 482.07 | +10.43 | +2.21 |
| General | 437.00 | 444.00 | + 7.0 | +1.60 |
| Middle-class family— | | | | |
| Food | 512.40 | 523.82 | +11.42 | +2.23 |
| General | 370.41 | 375.49 | + 5.08 | +1.37 |

(For the month of August see THE ECONOMIC REVIEW, Dec. 15, p. 431.)

The index numbers of retail prices in the four chief cities of Italy at the periods given hereunder are:—

| | Turin. | Milan. | Florence. | Rome. |
|------------------|--------|--------|-----------|--------|
| 1st half of 1914 | 100.00 | 100.00 | 100.00 | 100.00 |
| January 1920 | 318.54 | 302.59 | 329.52 | 263.45 |
| January 1921 | 467.43 | 463.28 | 492.44 | 314.08 |
| January 1922 | 465.60 | 479.76 | 512.00 | 429.69 |
| April " | 424.49 | 450.19 | 475.00 | 420.33 |
| July " | 436.92 | 460.36 | 478.00 | 428.97 |
| August " ... | 438.44 | 464.83 | 473.00 | 430.95 |
| September " | 457.85 | 469.90 | 479.00 | 437.00 |
| October " | 462.44 | 471.89 | 506.00 | 444.00 |
| November " ... | 465.33 | — | — | — |

(*Bollettino del Ufficio Municipale di Roma*; *Bollettino Mensile del Ufficio del Lavoro e della Statistica di Torino*.)

THE SUPREME COUNCIL OF LABOUR.

A Legislative Decree of Oct. 27, 1922, modifies the composition of the Supreme Council of Labour with the object of securing representation for certain trade associations which have developed in recent years and which were not hitherto represented on the Council or were inadequately represented.

The elective character of the Council has been retained; the new members will be nominated by the Government exclusively from amongst persons specially chosen by the trade organisations concerned.

The Council will in future consist of 41 members representing employers, 42 members representing workers and 18 other members including deputies and senators, experts in economics and statistics, officials of the Ministry of Labour and Social Welfare, and other public departments concerned. The Decree also provides that the number of members of the Permanent Committee of the Council shall be increased from nine to eleven. The Committee will in future consist of four employers' representatives elected by the employers' group, four workers' representatives elected by the workers' group, and three other persons not belonging to the two groups mentioned above elected by all the other members of the Council.

Hitherto the President of the Council has been appointed by the Minister of Labour but the new Decree accentuates the elective character of the Council by stipulating that the President shall be elected by the Council itself, a three-quarters majority being required. Should the necessary majority not be reached, the President will be nominated by Decree on the proposal of the Minister of Labour after consultation with the Council of Ministers. (*Report of the International Labour Office*, Dec. 29.)

TAXATION OF WAGES.

At a meeting held on Nov. 30, 1922, the Cabinet decided that the annual wages of workers in State industrial establishments or employed in public utility undertakings should henceforth be liable to payment of income tax should they exceed the minimum taxable limit.

At a meeting of the Chamber on Dec. 2, the Minister of Finance said that it was intended, not only for fiscal reasons but also in the public interest, that certain classes of workers in a particularly favourable economic situation should be liable to taxation. It was an elementary principle of financial law that all citizens should contribute to the expenses of the State in proportion to their means. The Acts concerning taxation of personal income contain no provision exempting workers' wages. If hitherto direct taxes on personal income had not been levied on wages, the reason was to be found in the difficulties met with by the fiscal authorities in valuing annual wages.

Signor Flora, Professor of Financial Law in the University of Bologna, points out in this connection that at the present time wages are very uncertain and liable to variation. In the most important industrial establishments wages are usually paid in the form of piece rates and the totals often vary from one month to another. Further, many classes of workers would be entitled to deductions in view of the frequent changes in the staff of certain kinds of undertakings, the general instability of the labour market, dead seasons in certain industries, etc. According to the Bill for the reform of direct taxation which was introduced in the Chamber in November 1921, the tax on wages would be paid by the employers who would be entitled to claim a refund from the workers, but Signor Flora considers that in practice difficulties would arise in the exercise of this right and in drawing up the lists of workers. Changes in industrial technique often lead to the substitution of one worker for another in a particular occupation or the reduction in the total number of certain classes of workers employed. In conclusion Signor Flora said that in his opinion, the total yield of the tax on wages would not be as high as might be expected in view of the number of workers in Italy (about twelve millions in 1911), because of the expenses involved in collecting the tax, the very large number of cases in which wages did not exceed the taxable limit (ten lire per day under the Bill) and, finally, the existing economic crisis and the consequent unemployment and fall in wages. (*Report of International Labour Office*, Dec. 29.)

SCANDINAVIA

FINANCE

THE SWEDISH BUDGET FOR 1923-24.

On Jan. 11 the Swedish Finance Minister, Herr Thorsson, introduced his Finance Bill for 1923-24. The Budget is the first yearly Budget since the new division of the financial year was introduced, that is since the financial year ceased to be identical with the calendar year, beginning instead on July 1. An interim Budget provided for the needs of the first half of 1923. The present Budget amounts to Kr.737.6 mill. as against Kr.937.9 mill. for 1922 and Kr.1,118.3 mill. for 1921.

| Revenue. | Estimates | |
|--|-----------------|-------|
| | 1923-24. | 1922. |
| | — Kr. (mill.) — | |
| Taxes and Various | 478.8 | 581.4 |
| Product of State's productive investments | 114.2 | 57.9 |
| Share in Riksbank's profit, 1922 | 16.0 | 3.5 |
| Share in Spirit Monopoly's profit | — | 10.0 |
| Accumulated Capital Reserves | 41.1 | 185.5 |
| Loans. Consolidated | 86.7 | 99.2 |
| Floating | 0.8 | 0.4 |
| Total | 737.6 | 937.9 |
| <i>Expenditure.</i> | | |
| True Expenditure | 585.0 | 736.5 |
| Expenditure for productive purposes | 152.5 | 201.4 |
| Total | 737.6 | 937.9 |

The *Svensk Finanstidning* comments on the Budget as follows :—

It took 24 years for the Swedish Budget to rise from Kr.50 to Kr.100 mill. In 1896 the first Budget over Kr.100 mill., and in 1908 the first over Kr.200 mill. saw the light. Between 1910 and 1914 the average was Kr.250 mill. The thought of these figures makes the Budget for 1923-24 seem very much swollen, in spite of the laudable efforts that have been made to reduce expenditure to the lowest possible point. The cost of living number, now used for calculating the increase in the salary of Government officials, is 175 against 100 in 1913. Had the total expenditure increased at no greater rate than this, the present Budget would be some Kr.300 mill. lower than it actually is. After the war it may be presumed that the State could not afford a more expensive apparatus of Administration than before. That the Budget is so high must be explained by the fact that the upheaval of the entire financial system, caused by the war, was such that its effects cannot be wiped out in one or two years. The most that could be expected was that a fair start had been made towards a return to more normal circumstances. The rest must be accomplished as quickly as possible in the coming years.

As compared with that for 1922 the present Budget shows an expenditure smaller by Kr.193 mill. The Finance Minister has, without a doubt, made a very honourable attempt to bring down expenditure, but in considering what he has effected, it must be remembered that Kr.50 mill. of expenditure disappeared automatically with the cessation of the fuel control. Further the general improvement of business has made any considerable addition to the sum voted in 1922 for unemployment relief superfluous. Altogether about Kr.145 mill. have been "automatically" saved as against the expenditure for 1922. There remains some Kr.55 mill. savings that have been effected, to be accounted for. But a large part of this is also almost automatic, having been produced by the decline in the salaries of State employees in ratio to the decline in the cost of living.

The true expenditure has thus been brought down from Kr.737 mill. (1922) to Kr.585 mill. (1923-24) or, if unemployment subsidies be left out of consideration, from Kr.645 mill. to Kr.585 mill. As the true revenue amounts to Kr.609 mill. it may be said that the true revenue more than balances the true expenditure—

an excellent result. On the other hand, in the "productive" expenditure (called in Swedish "expenditure for capital increase,") certain expenditure seems to have been made without a very strict regard for economy. First and foremost in this respect come Kr.3 mill. advance to the Swedish Spitzberg Company. There seems no good reason why the State should spend this large sum in helping to produce coal at a loss. The same may be said of the assignment of Kr.25 mill. to the fund for aiding agricultural settlers, which is a well-intentioned, but perhaps not very timely support for the "back to the land" movement. Altogether the "productive" expenditure amounts to Kr.153 mill. as against Kr.201 mill. in 1922. Of this, Kr.88 mill. are to be raised by loan and Kr.65 mill. by other means.

THE DANISH MONEY MARKET IN 1922.

In the year of 1922 seventeen Danish banks were in difficulties, ten of which were reconstructed, while three were fused with other banks, and four suspended business entirely. In Jan. 1922 Denmark had in all 196 banks; thus 9% have been hit by the crisis. The total writings-off amounted to Kr.230 mill. or about 5% of the total banking balance (Kr.4,751 mill.) It must be supposed that the greater part of the Danish banks, as has been the case abroad, have suffered considerable losses, but all things being considered the Danish banks have got over the crisis of deflation in a satisfactory manner, and their position, at the beginning of the new year, is stronger than at the beginning of 1922. The most sensational breakdown took place in July-September, when the Landmandsbank had to turn for help to the National Bank and the Government. Even though the above-mentioned bank has not yet overcome the consequences of the crisis, it seems in a fair way to come into its own again; both at home and abroad confidence in it has been restored, as appears from its balance sheet for Jan. 1.

Otherwise the Danish money market has been greatly influenced by events abroad. Trade has worked under very difficult conditions, and even agriculture, the export of which has been increased every month, has suffered from the difficulty of finding markets, as well as from fluctuations in the rates of exchange and uncertain prices. During the first six months of the year, when the trades in the towns were stopped by a lock-out comprising the whole of the country, there was a noticeable rise in the Danish exchange and an abundance of capital, which made it possible to reduce the bank-rate from 5½% to 5% on Apr. 25. However, during the second half of the year, when business life was shaken by the breakdown of the Landmandsbank, the greater part of the advantages gained were lost. Nevertheless, the Danish krone is now about 2% nearer gold par than it was a year ago. The table given below shows the movements in the Copenhagen exchange market :—

| | par. | Jan. 2, 1922. | July 1, 1922. | Jan. 2, 1923. |
|-------------|--------|---------------|---------------|---------------|
| London ... | 18.16 | 20.95 | 20.62 | 22.55 |
| New York... | 373.00 | 497.00 | 466.50 | 488.00 |
| Paris ... | 72.0 | 40.45 | 39.30 | 360 |
| Hamburg | 88.89 | 2.80 | 1.20 | 0.07 |

It is with misgivings that many people in Denmark follow the downward tendency of the rate of exchange. The economic conditions of Denmark offer such great advantages that many financial experts, at home as well as abroad, consider it possible to raise the Danish krone to the level of the European countries with the highest rate of exchange. Outside Copenhagen production is more flourishing than in almost any other country in the world, but nevertheless the Finnish, the Swedish and the Norwegian exchanges have developed in a relatively more favourable direction than the Danish krone. Whether a change will occur in 1923, opinions are divided. State and municipalities are confronted

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with the same difficulty of making their Budgets balance as in other countries, and in nearly all circles the nearest future is anticipated with some scepticism, even though the statements made at the beginning of the new year hold out hopes of a brighter future, based on encouraging reports from England and America.

It seems superfluous to express any opinion on this question, as long as conditions are so uncertain as they seem at present. Few countries are more favourably placed than Denmark from an economic and social point of view, but whether the development will be for better or worse will depend entirely upon the future fate of the part of the world of which Denmark makes such an insignificant part. A difficult year has passed, and a new year has begun, which in its turn will also be confronted with difficulties. Still, there is some reason to hope that the end of the year of 1923 will be better than that of its predecessor. (*Finanstidende*, Jan. 10.)

THE ECONOMIC SITUATION IN SWEDEN IN THE FOURTH QUARTER OF 1922.

THE GENERAL SITUATION.—The fall of prices, the depression of trade, and unemployment culminated in Sweden during the first half of 1922.

The Swedish wholesale price indices fell during the past year by about 7%, a figure which approximately corresponds to the simultaneous fall in the dollar rate. In relation to gold, the variation of prices during the year was scarcely 4%. It should be observed, however, that the value of the Swedish price indices as gauges of the economic situation is somewhat impaired by the fact that the fall in the prices of cereals and sugar was in some measure delayed from 1921 to 1922 by State control.

There was a large increase in the export of Swedish staple goods as compared with 1921, and the improvement in the situation is also clearly reflected in the figures for output. Unemployment, which at the beginning of Feb. 1922 extended to 35% of the organised workers had at the beginning of November gone down to 15%. Statistics showing the extent of the transport of goods by sea and rail are tabulated in the subjoined summary:—

Transport of goods in 1922 in percentage of the transport during corresponding months in 1921.

| | 1st quarter. | 2nd quarter. | 3rd quarter. |
|--|-----------------|-----------------|-----------------|
| | % | % | % |
| Cargoes: arrivals | 97 | 128 | 121 |
| departures | 97 | 147 | 156 |
| Transport of goods (except Lap- land ore) on State Railways ... | 93 | 126 | 137 |
| Truck-axle-kilometre: loaded trucks on State railways ... | 94 | 116 | 123 |

The situation in the money market has been considerably improved by the liquidation of "frozen credits." The fact that the statistics of bankruptcies and protested bills show rapidly decreasing figures and are on a lower scale than in 1921 may be taken as an indication that the period of liquidation is coming to an end.

Though the worst phase of the depression may thus be considered to have been passed, and though the losses due to the process of deflation have in a large measure been cleared off, the situation still gives cause for some anxiety; among the most alarming symptoms is the small business being done by the iron, metal and mechanical industries, and the low prices of agricultural produce. But, generally speaking, the position compared with the beginning of last year may be considered to have considerably improved.

DUMPING FROM GERMANY, favoured by the rates of exchange, would seem to be on the wane. Its decline may be read in the figures for the ferry traffic from Germany to Sweden.

The decrease in the quantity of heavy goods is doubtless connected with those disturbances in German industries, the causes of which are well-known. In several branches, however, competition from Germany, favoured by the rate of exchange, is still very troublesome.

The figures point to the continuance of a large traffic in small goods and an increasing number of travellers, doubtless mostly Swedes returning from visits to Germany.

TIMBER.—It was estimated in the middle of December that the sales for the year would amount to about 900,000 standards as compared with 540,258 standards in 1921 and 1,098,532 standards in 1913. The deficit of the past year as compared with 1913 can be explained by the fact alone that Germany has been obliged to reduce her purchases to comparatively insignificant quantities. Sweden's principal customers are England and France, to which countries Sweden is the largest purveyor of wood goods.

As regards purchases for 1923, England and France had scarcely appeared on the market by the first of December last, and out of the quantity of somewhat more than 50,000 standards then sold, about 30,000 had been purchased by Spain. Though it is unsafe to draw inferences from sales to such special markets, it may be said that the hesitating attitude of our principal markets is normal for the season, and that the sales made are considered to be satisfactory.

WOOD PULP AND PAPER.—The export of wood pulp for the first eleven months of the past year exceeded the normal pre-war quantities. About 70% of the exports reckoned by quantity was shipped to England, the United States and France. The prices obtained, however, have been unremunerative. The Swedish paper mills in general are well supplied with orders, and the export figures for the past year exceeded those for 1913. The market for the finer qualities of Swedish paper has been disturbed by competition from Finland.

IRON AND STEEL.—The export of iron ore since May 1922 has increased very considerably in comparison with the same period in 1921. The results are still more favourable if we take into account the large sales during the year from the Swedish stocks at Narvik. The export mines were thus able towards the close of the year to employ between 70% and 80% of their pre-war staff of workers, whilst the corresponding figure for other mines was between 30% and 40%.

MECHANICAL INDUSTRIES.—The situation here too has, generally speaking, shown no change for the better. The position varies, however, in different branches.

TEXTILES.—So far as the principal manufactures are concerned, the textile mills have been working full time; but the cotton mills are naturally somewhat alarmed at the reduction of the working hours in the English mills, owing to diminished sales to the East. The mills have practically a normal staff of workers, and there is a shortage of skilled female labour.

LEATHER.—The boot factories are doing good business and are well booked with orders for the spring season, whence there has been a large demand for leather. The market for leather is in fact firm, with a slight upward tendency.

BANKS.—Certain banks which have sustained heavy losses on their industrial engagements have obtained financial support from other banks and from the State. Although no less than Kr.300 mill. have been written off, deposits have in no case been threatened. Moreover new capital was furnished to those banks on such terms as to ensure that any profits in future years shall as far as possible accrue to shareholders affected by the losses. (*Skandinaviska Kreditaktiebolaget*, Quarterly Report.)

CENTRAL EUROPE

FINANCE

AUSTRIA: ECONOMY OF CIVIL SERVANTS.

Report of the Finance Committee entrusted with the reduction of the Civil Service shows that the total number of State officials discharged since Oct. 1, 1922, amounts to nearly 24,000. (*Berichte aus den neuen Staaten*, Jan. 5.)

AN ADVANCE TO THE AUSTRIAN GOVERNMENT.

The Government has obtained a credit of Kr.100 milliards from ten of the big Vienna banks. This is simply to carry the Government over until the League of Nations Loan takes effect. (*Berliner Borsen Zeitung*, Jan. 5.)

CZECHO-SLOVAKIA: DEALINGS IN FOREIGN CURRENCIES.

The Banking Department has issued a circular revising the regulations for dealings in foreign currencies as follows:—All facilities for dealings in foreign currencies accorded since Aug. 27, 1922, are revoked, and the ministerial decree No. 644 of Nov. 28, 1919, again comes into operation. The sale of Czecho-Slovak kronen for arbitrage purposes is prohibited, whether in connection with depreciated currencies or not. Whether made by the Prague or other Bourses, arbitrage business can only be authorised by the Banking Department.

According to the *Narodni Listy*, the ministerial Decree above referred to, will remain in force until the end of January, when a new Act regulating the question will probably have been passed.

The Banking Department announces that there will be no restriction whatever on the rights of foreign creditors to dispose freely of their holdings of Czecho-Slovak kronen. Such creditors are at liberty to purchase foreign currencies or bills out of the moneys deposited by them in Czecho-Slovakia. (*Gazette de Prague*, Jan. 10.)

HUNGARY: THE NEW INSURANCE DECREE.

An Act instituting a Board of Control over insurance companies in Hungary has recently been published in the official gazette, accompanied by a Decree regulating the foundation of new insurance companies, the substance of which is as follows:—

All insurance companies henceforth to be founded in Hungary, including foreign insurance companies establishing a branch office in that country, shall guarantee for each branch of business undertaken (fire, life, and re-insurance), an insurance fund of Kr.5 mill. This amount may be reduced, in the case of local insurance companies, or companies only dealing with one branch of insurance, at the discretion of the Minister of Finance. The Board of Control has power, before granting to the company licence to carry on business, to demand that the insurance fund be deposited with the Treasury, the Post Office Savings Bank, or the State Bank. In order to obtain the licence, each company must produce to the Board of Control its scheme of business, comprising the articles of association, insurance terms, and technical business principles. The Decree proceeds to deal in detail with the terms of insurance, which must be lodged with the Board of Control, and can only be altered with the Board's consent. For the protection of the insured, the Decree provides that where the terms differ from the insurance terms generally in use, to the disadvantage of the insured, they will only be valid in Hungary if the insured delivers his written approval of them at the time of taking out the policy. The Decree supplies certain legal provisions as to life

insurance contracts, hitherto lacking in insurance law, and legalises certain conditions corresponding to modern insurance requirements already contained in the terms of most insurance companies. Companies desirous of carrying on insurance business in foreign countries must first obtain the consent of the Board of Control. Insurance companies must confine themselves to insurance business. Provision is made for the creation of a guarantee fund, and a fund to meet the depreciation and fluctuation of prices. The consent of the Board of Control is required for the alteration of the articles of association, amalgamation, agreements for the transfer of the total amount insured, re-insurance of more than 75% of the total amount insured. The Decree enumerates the securities in which reserves may be invested, giving a somewhat wider range of investment to fire insurance companies, subject to the consent of the Board of Control. Reserves to cover insurances granted in foreign currency must be invested in such securities, issued in such currency as the Board of Control may deem suitable. The companies are obliged to keep in Hungary premium reserves relating to insurances taken out in Hungary. This proviso applies to reserves built up in the past, as well as to reserves to cover re-insurances abroad. The Board of Control is endowed with extensive judicial powers including the power to inflict heavy fines on managers and directors of companies for breach of the regulations. All the business of the companies, including the annual accounts, is subject to the strict supervision of the Board, which is empowered to take part in the general meeting of each company. All circulars, prospectus policies, and application forms must be submitted to it. The Board can, if it deems necessary, call upon any company to deposit security, and is invested with wide powers for setting in order the finances of a company. The Board is empowered to wind up a native company, and to forbid a foreign company to carry on business in Hungary, in the event of illegal conduct of business to the detriment of the insured, or of wilfully hampering legal inspection. In the execution of its powers, the Board is authorised to examine witnesses and experts under oath. The companies must pay a control duty amounting to $\frac{1}{2}\%$ on premiums ($1\frac{1}{2}\%$ for the insurance of animals and re-insurance). The Board of Control will be assisted by an advisory council, for the constitution of which the Decree provides. (*Pester Lloyd*, Jan. 13.)

A CRITICISM OF HUNGARY'S STATE FINANCES.

The management of the national finances has been marked by an insufficiency of measures of economy. The turnover tax has been treated as a permanent source of revenue, and the proceeds of the non-recurrent levy on capital has been employed on current expenditure, which is contrary to all sound finance. (*Berichte aus den neuen Staaten*, Jan. 5.)

THE HUNGARIAN BANKS IN 1922.

During 1922 the Hungarian banks have had to struggle against shortage of money and capital. The heavy demands for capital by the enterprises in which they are interested, have required large capital increases. These operations again brought the foreign capital invested in industries financed by the banks, into more profitable relations with their own capital, and contributed to the maintenance of their ready capital. During the year, most of the banks and savings banks, despite the fall of the Hungarian krone, succeeded in meeting their foreign liabilities, in acquiring fresh support on foreign markets, and in increasing their revenue, so that alone of all branches of national business, were able to show favourable balances. (*Berichte aus den neuen Staaten* Jan. 5.)

Central Europe

POLAND: RE-ORGANISATION OF THE POLISH FINANCIAL ADMINISTRATION.

According to the *Kuryer Polski*, the Government intends to divide the Ministry of Finance into two sections or departments dealing respectively with revenue and expenditure, since experience teaches that no Polish Finance Minister has been able to cope, on the one hand, with the State's revenue and with valuta, and with the control of taxation on the other. (It may be interesting to compare the views of the Government in Italy, which tend to the reunion of these departments, cf. THE ECONOMIC REVIEW, Jan. 12.)

The resignation of the Finance Minister, M. Jastrzemski, is announced. (*Prager Presse*, Jan. 4, 6.)

TRADE

CZECHO-SLOVAKIA: TRADE WITH RUSSIA.

M. Oscar Lederer, who represents Czecho-Slovak business interests in Russia, in a recent lecture, gave a list of the purchases made by Russia from Czecho-Slovakia between July 1921 and November 1922 inclusive, of which the following are the principal items (in millions of kronen): Agricultural machinery 23.8, railway material 26, tubes 16.1, foolscap paper 11.8, corrugated iron 7.1, clover seeds 7.5, locomotive parts 5, wire nails 4.3, zinc wire 3.0, other wire 1.2. (*Gazette de Prague*, Jan. 6.)

PRAGUE SAMPLE FAIR.

Tickets and passes for the forthcoming Sample Fair (Mar. 11 to 18) are being issued for American subjects at the price of \$1, for British subjects 5 shillings. Visitors from America, England and other countries with sound currency are granted a remission of 25% of their passport and visa fees in this country. In the case of visitors domiciled in countries with depreciated currency, such as Poland, Austria, Germany, Hungary, etc., a remission of 75% is made. (*Gazette de Prague*, Jan. 10.)

BANKRUPTCIES IN CZECHO-SLOVAKIA.

According to the *Prager Tageblatt*, 100 undertakings filed their petitions before Dec. 15, 1922. The liabilities of none of these were less than Kr.1 mill., and they aggregated some Kr.682 mill. If to these are added the deficit of the Moravo-Silesian Bank, Kr.150 mill., and that of the Koburg Co., Kr.58 mill., total liabilities amount to Kr.890 mill. The months in which the greatest number of petitions were filed were Sept. (12), Oct. (27), Nov. (24). The total liabilities for these months were Kr.490 mill.

The industries which suffered most were: the textile, with 29 large firms suspending payment during the year (their total liabilities amounting to Kr.150 mill.); boot, shoe and leather, 9 (Kr.75 mill.); ready-made clothing, 8 (Kr.84 mill.) Arrangements with creditors during the first ten months amounted to 1,435, with total liabilities Kr.995 mill., and total assets Kr.483 mill. (*Gazette de Prague*, Jan. 10.)

INDUSTRIES

POLAND'S INDUSTRIES.

The following table shows (a) the number of factories at work, (b) the number of workmen employed in the various branches of industry before the war and in 1921:

| Industry. | (a) | (a) | (b) | (b) |
|------------------------|----------|-------|----------|---------|
| | Pre-war. | 1921. | Pre-war. | 1921. |
| Metal ... | 886 | 812 | 64,100 | 47,100 |
| Mining & smelting ... | 857 | 342 | 43,200 | 21,300 |
| Chemical ... | 180 | 182 | 11,800 | 10,300 |
| Textile ... | 1,399 | 877 | 177,000 | 109,700 |
| Paper ... | 314 | 235 | 13,900 | 10,700 |
| Timber ... | 925 | 712 | 27,300 | 19,600 |
| Livestock and meat ... | 204 | 260 | 8,400 | 6,000 |
| Food ... | 1,426 | 1,424 | 55,500 | 39,900 |
| Total ... | 6,191 | 4,844 | 401,200 | 263,400 |

The percentage of factories at work in 1921 compared with the pre-war figures is 78, and of workmen employed 75. (*Berichte aus den neuen Staaten*, Dec. 15.)

CZECHO-SLOVAKIA: COAL.

In October the number of pits working were: coal 132, lignite 223. The number of miners employed in the coal mines was 69,194; in the lignite mines, 44,337—a total of 113,531, which was 3,723 less than in the previous month.

The output of coal was 665,815 t. or 63,337 t. less than in September; that of lignite 1,449,194 t., a decline of 17,189 t.

The individual output of the miner showed a decline of 1% in the case of coal, and an increase of 2% in that of lignite. (*Gazette de Prague*.)

HUNGARY: COAL.

The following table shows the output, export, import and home consumption of coal and lignite for the first nine months of 1922 compared with the two previous complete years (in millions of quintals):—

| Lignite. | 1920. | 1921. | 1922 (I-IX) |
|-----------------|-------|-------|-------------|
| Orders ... | 47.9 | 54.0 | 42.8 |
| Import ... | — | 0.7 | 0.2 |
| Export ... | 2.2 | 1.4 | 0.2 |
| Consumption ... | 45.7 | 53.3 | 42.8 |
| Coal. | 1920. | 1921. | 1922 (I-IX) |
| Orders ... | 1.5 | 7.1 | 6.8 |
| Import ... | 0.2 | 3.6 | 3.6 |
| Export ... | — | 0.3 | 2.0 |
| Consumption ... | 1.7 | 10.4 | 8.4 |

The chief imports of lignite came from Yugo-Slavia (53%), and Czecho-Slovakia (30%); and of the exports, 66% went to Czecho-Slovakia and the rest to Austria. The imports of coal were divided between Germany (40%), the Saar (43%), Poland (7%), and Teschin (10%). (*Berichte aus den neuen Staaten*, Jan. 6.)

POLAND: COAL.

The output of coal during the first nine months of the year was 6.9 mill. t., an increase of about 22% on the same period of 1921, and of lignite 157,689 t., a decrease of 22%. (*Berichte aus den neuen Staaten*, Jan. 5.)

POLAND: THE OUTPUT OF THE IRON INDUSTRY.

The yield from labour in Poland has appreciably declined as compared with pre-war years. The following table shows (a) the year's output of manufactured iron, in 1,000 t.; (b) number of workmen; (c) year's yield in tons per workman; (d) output per cent.

| | (a) | (b) | (c) | (d) |
|-----------------|-----|--------|------|-------|
| 1913 ... | 465 | 16,600 | 28.0 | 100.0 |
| 1919 ... | 14 | 3,050 | 4.1 | 14.4 |
| 1920 ... | 48 | 4,320 | 11.0 | 39.2 |
| 1921 ... | 92 | 7,560 | 12.2 | 43.6 |
| 1922 (1st half) | 58 | 9,000 | 13.1 | 46.8 |

It should be noted that before the war the day's work consisted of ten hours compared with eight hours in the pre-war years. Should the above figures be expressed in terms of a ten hour day, the following results would be obtained:—

| | Yield per ton per man. | Percentage. |
|-----------------|------------------------|-------------|
| 1913 ... | 28.0 | 100.0 |
| 1920 ... | 13.8 | 49.5 |
| 1921 ... | 15.2 | 54.4 |
| 1922 (1st half) | 16.4 | 58.6 |

(*Berichte aus den neuen Staaten*, Jan. 5.)

HUNGARY: TEXTILE INDUSTRY.

During 1922, Hungary's textile industries showed good progress. Nevertheless, it must be remembered that this industry has considerable leeway to make up. It would require 2,200 looms to supply the needs of the

country in cloth goods. At present, however, there are only 1,000 at work, producing 3.5 mill. in a year, of the value of Kr.17.5 milliards. In order to supply the necessary cotton fabrics, 80,000 spindles and 8,000 looms are required, of which only 53,000 spindles and 6,000 looms are available. (*Berichte aus den neuen Staaten.*)

AGRICULTURE

CZECHO-SLOVAKIA : THE HARVEST.

The final figures for the 1922 harvest are the following (in 1,000 quintals):—

| | 1922. | 1921. | 1920. |
|---------------|-------|-------|-------|
| Wheat | 8.2 | 10.5 | 7.4 |
| Rye | 11.6 | 13.6 | 8.3 |
| Barley | 9.1 | 10.3 | 8.1 |
| Oats | 9.3 | 10.7 | 8.6 |

(*Gazette de Prague, Jan. 10.*)

THE SUGAR SEASON.

The sugar output during the season of 1922-23 is estimated at 7 mill. qu., out of which some 3.5 mill. qu. will be reserved for home consumption, leaving 3.5 mill. qu. available for export, of which the greater part is already placed abroad. The following table shows the result of the last two seasons.

| | 1920-21. | 1921-22. |
|------------------------------------|----------|----------|
| Areas sown with beets (1,000 hct.) | 193 | 192 |
| Output of beets (1,000 qu.) ... | 42,068 | 34,616 |
| Output of raw sugar | 7,172 | 6,625 |

(*Gazette de Prague, Jan. 10.*)

HUNGARY : THE HARVEST IN 1922.

The yield from the principal crops in 1922 and its two immediate predecessors was (in millions of double cwts.):—

| | 1920. | 1921. | 1922. |
|---------------|-------|-------|-------|
| Wheat | 10.4 | 14.3 | 12.2 |
| Rye | 5.2 | 5.8 | 5.4 |
| Barley | 4.9 | 4.5 | 4.6 |
| Oats | 3.2 | 2.9 | 3.2 |
| Maize... .. | 12.7 | 6.7 | 8.2 |

The average pre-war yield, 1911-15 was (in millions of double cwts.): wheat, 19.9; rye, 8.0; barley, 7.1; oats, 4.3; maize, 15. (*Berichte aus den neuen Staaten, Jan. 5.*)

SOCIAL AND LABOUR CONDITIONS

CZECHO-SLOVAKIA : INDEX NUMBERS.

The official index numbers for retail prices in November show that prices in Group I (foodstuffs, fuel, petroleum, soap) have fallen 3.2%, those in Group II (textiles, footwear and men's hats) 5.2% as compared with last October. Compared with November of last year the drop is 34% in Group I and 48.5% in Group II. The following table gives a comparison of the index numbers at a glance:—

| | Nov. 1921. | Oct. 1922. | Nov. 1922. |
|-----------------|------------|------------|------------|
| Group I | 1,569 | 1,016 | 984 |
| Group II | 2,243 | 1,219 | 1,156 |

(*Gazette de Prague, Jan. 6.*)

NORTH EUROPE

FINANCE

NOTE ISSUES OF THE BANK OF LATVIA.

RIGA, Dec. 11.—Up to Dec. 6, 1922, the Bank of Latvia has issued notes to the amount of 6,740,000 Lats. The notes are covered by \$225,427.29 and £236,124 at the London rate for gold on Dec. 5. The Bank intends to issue a further amount of 10 mill. Lats, on the condition that such further issue shall also be covered by gold.

The Russian State Bank has made a proposal to the Bank of Latvia to undertake correspondence operations, and has lodged £1,000 for this purpose on current account with the Bank of Latvia. (*Ost-Express, Berlin.*)

GENERAL SURVEYS

SOVIET RUSSIA IN 1922.

The year 1922 witnessed the application on a wide scale of the policy that had been vaguely framed in the preceding years.

LEGAL FORMS.—A number of technically deficient and inter-contradictory legal measures sanctioned actual changes that had been effected in anticipation, and provided a legal basis for the newly revived industry and trade. In the spring, a "declaration of rights" assigned to each citizen the right to engage in business activity, and to possess means of production, furniture and wares. A certain limited succession right was also recognised. A special law legalised possession of foreign exchanges and of securities. The right of company formation was gradually recognised by the statutes of numerous individual companies being approved. The new Legal code coming into effect on Jan. 1, 1923, is like the new Labour and Agrarian codes, a combination of what has gone before. While the principle of State ownership of the entire ground and soil is maintained, private possession of buildings through denationalisation of old buildings, is recognised, while in the case of new buildings a property right for a limited period of time may be established. A number of laws were

designed to legalise the *de facto* possession of the land by its present holders. Labour became once more a marketable commodity, the obligation and the right to work being both thrown overboard. A large number of laws were aimed at securing more tolerable conditions in the administration of justice, but their effect has as yet been small. Corruption and extortion still rule undisputedly in the provinces.

ECONOMIC ORGANISATION.—The organisation of industry continued to develop in the direction of denationalisation and extension of the scope of private enterprise. The economic activities of the State were restricted (1) directly through a radical reduction of the State food supplies in lieu of wages, denationalisation of the enterprises run by the co-operatives, leasing out of the State enterprises and coal mines; (2) indirectly by the establishment of State enterprises on a "commercial" basis, whereby the various enterprises were forced to pay their own way. The autonomous trusts and managements, which at the beginning of the war constituted a still hotly disputed form of enterprise, came to embrace the greater part of the State industries and transport concerns. The Trade and Supply Syndicates are combinations of trusts; these have become organisations of considerable importance, and have supplied a counter weight in the counsels of the State to the influence of the Trades Unions. A movement towards decentralisation was made through education and welfare, and other branches of administration being transferred to local bodies. Insurance, which has only very gradually come once more to existence in Russia, remains centralised under the State Insurance Office. The State Wholesale Trade Organisation came to an end in the first half of the year, and in its place appeared joint stock companies, in which at first private capital was not allowed to participate. Now, with a view to reviving commerce, the old fairs are being re-suscitated, exchanges called into existence, and the last trade monopolies abolished. The newly permitted private trade was at first only tolerated as a necessary evil, and every restriction was placed in its way; this

North Europe

attitude changed as the result of the great trade crisis of the spring. Since then the activities of private traders, even in the wholesale and middle branches, have shown new evidence of vitality. Of the business done by the State industries, 30% was done with private traders and 60% with State trading concerns. The remaining 10% was done with the co-operatives. The activities of private enterprise in the domain of industry were only small, though gradually on the increase. Only some 4,000 nationalised factories, employing 70,000 workers, could be leased out to private individuals, and those of middle or larger size, not until the second half of the year. While numerous artificial and bureaucratised co-operatives came to an end during 1922, yet within the co-operative movement there was a strong demand for greater independence, which has modified the monopolistic control of the *Centrosojus*. The State Foreign Trade Monopoly maintained its activities, but independent foreign trade operations were permitted in ever increasing numbers, until by October, this independent foreign trade may be said to have become systematised. By that time the State monopoly did only little over 50% of the current trade. The commercial and the official function of the Foreign Trade Commissariat were distinguished, and the former made over to a special department—the so-called *Gostorg* or State Office. The licences that have to be obtained from all persons doing foreign trade transactions were granted in increasing numbers to private persons, and a regular licence system is gradually replacing the hitherto monopoly in foreign trade. This, and the constitution of numerous companies for carrying out foreign trade transactions with participation of foreign capital, were the principal steps made towards the return to private enterprise in the domain of foreign trade. In the spring, a Protectionist Import and Export Duty Tariff was promulgated. The protectionist doctrine is now well established in controlling business circles in Soviet Russia.

CURRENCY AND FINANCE.—The return to the use of money was already complete at the beginning of the year. The State Bank—founded shortly before the end of 1921—was developed, and other banks opened. The nominal State monopoly in traffic in gold and foreign currency ceased early in the year to be a reality. There arose a regular Bourse traffic in these commodities, which is likely soon to receive legal recognition. The note issue, which at the beginning of 1922 amounted to about 17,000 milliard old roubles, rose by the summer to 200,000 milliards, and by December to 450,000 milliards. With a view to counteracting the effects of the depreciation of the currency, it was decided shortly before the end of 1922 to issue properly backed notes, to raise a gold premium loan, and to enable gold calculated banking accounts to be opened. The saving campaign instituted by the Government, had so far been a success that at the end of the year only 50% of current expenditure was being “covered” by fresh note issues, as against 90% at the beginning of the year. The issue of notes, and the level of prices, are rising much less precipitately than heretofore. The tax system was an entirely new evolution of the year 1922, and depended firstly on the highly successful tax in kind, secondly on taxes on consumption. Industry was subjected to heavy taxation in the form of patent and turnover taxes.

ECONOMIC DEVELOPMENT.—The state of Russian trade and industry in 1922 was a confusing medley of decay and revival, for while there was reconstruction in progress in some branches, in others there was an aggravation of the destruction already caused. The outward animation of trade in the great cities was in no wise a sign of true prosperity, but rather an effect of the boundless speculation induced by the depreciation of the currency, and a reaction after the withdrawal of restrictions.

AGRICULTURE.—The return to private enterprise induced the peasants to cultivate a larger area. Yet the catastrophe of 1921, and the further partial harvest failure of 1922 counteract this in many parts. The harvest of 1922 is officially estimated at 3,000 mill. poods of corn (or 70% of pre-war average), but in view of the fact that the area under cultivation is 50% smaller than before the war, and that the crops were only average, this figure must be considered as much over the truth. After covering the immediate needs of the country, Russian agriculture will not have any excess left over for export worth speaking of. The areas under cotton and sugar cultivation show a further decline, while those under cultivation for flax and hemp show no particular change as against 1921.

INDUSTRY.—The impoverishment of the agricultural population led to a restriction in the development of industry, and to a sales crisis. Severe crises for industry, trade and transport, were caused by the reintroduction of money calculation without any currency stability and with arbitrary restrictions of the issue. The return to “autonomous” and profit-seeking methods of business, induced a certain liveliness on the one hand, but in many cases this was more than balanced by the harm done by incompetent management, the growth of middlemen’s business, and the shameless corruption which has practically become a system. The store of materials and manufactured articles owned by the factories has seriously declined or completely disappeared in the last year. The industries and transport exhausted their capital in making up deficits, and further demanded aid from the State on a large scale. The shutting down of factories and dismissal of workmen continues uninterruptedly. Certain industries, producing for immediate consumption, state that they have made profits, but even these (textile, rubber, tailoring, salt and sugar industries), suffer from a lack of current credit.

The following tables show the production of the main branches of both the “heavy” and the “light” industry in the last year as compared with that for the previous year and for 1913:—

| | | Heavy Industry. | | | Increase or decrease on |
|----------------|-------------|-----------------|----------|----------|----------------------------------|
| | | 1913. | 1920-21. | 1921-22. | 1920-21. |
| | | | | | % |
| Coal | mill. poods | 1,738 | 472 | 588 | + 24 |
| Oil | “ “ | 564 | 233 | 280 | + 16 |
| Peat | “ “ | 95 | 140 | 124 | — 11 |
| Salt | “ “ | 122 | 44 | 48 | + 9 |
| Iron ore | “ “ | 550 | 9.7 | 11.8 | + 18 |
| Cast iron | “ “ | 257 | 7.1 | 10.2 | + 44 |
| Steel | “ “ | 259 | 10.5 | 19.3 | + 84 |
| Rolled iron | “ “ | 214 | 9.3 | 15.2 | + 63 |
| Locomotives | pieces | 609 | 76 | 104 | + 37 |
| Railway trucks | “ | 20,492 | 948 | 585 | — 38 |

| | | Light Industry. | | | Increase or decrease on |
|------------------------|--|-----------------|----------|----------|----------------------------------|
| | | 1913. | 1920-21. | 1921-22. | 1920-21. |
| | | | | | % |
| Cotton web, 1000 poods | | 18,300 | 1,073 | 2,972 | +177 |
| Cotton fabrics, | | | | | |
| mill. Russian ells | | — | 210 | 406 | + 94 |
| Linen cloth, | | | | | |
| mill. Russian ells | | — | 38 | 73 | + 92 |
| Linen web, 1000 poods | | 3,133 | 544 | 963 | + 77 |
| Hemp web “ “ | | 1,633 | 216 | 369 | + 71 |
| Woollen web “ “ | | 4,375 | 466 | 632 | + 35 |
| Woollen stuffs, | | | | | |
| mill. Russian ells | | — | 22 | 30 | + 31 |
| Yarn 1000 gross | | — | 290 | 614 | +112 |
| Matches 1000 bales | | 4,594 | 591 | 727 | + 30 |
| Leather mill. hides | | 11 | 2 | 3.1 | + 53 |
| Paper 1000 poods | | 9.1 | 2.2 | 2.25 | + 2 |
| Boots 1000 pairs | | 1 | 1,651 | 1,875 | + 2 |
| Rubber boots “ “ | | 50,000 | 627 | 3,745 | +495 |

From the quarterly reports it appears that the output of coal and the production of the metal industry gradually declined during the year. The existing coal and oil stocks were gradually consumed.

TRANSPORT.—The rolling stock and material gradually fell into worse disrepair. As an expedient against perpetual financial crises, the cessation of certain services was resolved upon and partly carried out.

FOREIGN TRADE.—In the first eight months of the year 1922 the import value reckoned in 1913 prices and excluding the famine relief import was of R.200 as against 158 mill. for the same months of the previous year. The export was of 43 mill. as against 5 mill. in the previous year. As compared with 1913 the export was 4.3% and the import 24.4%. In the course of the year imports fell off and exports increased. There were exported in considerable quantity, timber (1/3 only being freshly-hewn), oil and products, smoking materials, flax, scrap iron, etc. There were imported industrial products (mainly from Germany), food and coal (from England and America), paper (from Esthonia and Finland). The imports came chiefly via Petrograd. Numbers of goods were smuggled across the Western Frontier.

FOREIGN CAPITAL participated in Russian trading enterprises alone to any serious extent. Many negotiations were held with a view to concession being granted, but up to the end of the year only the concession of agricultural land to Krupp and three forest concessions to mixed Anglo-Dutch-Norwegian companies had been actually granted. (*Ost-Express*, Berlin.)

FINLAND IN 1922.

The Helsingfors Review *Mercator* (Jan. 5) discusses the significance of the past year for the business life of Finland.

FOREIGN TRADE.—The notable point about 1922 was the favourable development of the trade balance. There was an excess of exports over imports amounting to F.Mk.½ milliard. This is the first export excess recorded for Finland. The previous most favourable result was that for the year 1894, when the import excess was of only F.Mk.2.7 milliards. During the years before the war there was an average import excess of some F.Mk.100 mill. The unique result for the past year was due to the large timber export.

This export cannot, however, be expected to flourish equally in the years to come. The magnificent trade done in the past year was due to fortuitous circumstances to a very great extent. Russia is, for practical purposes, outside the market. The low Finnish exchange has given Finland an unearned advantage over Sweden, and practically eliminated Swedish competition. A number of small mills have been enabled to do business, which apart from the abnormal conditions must have disappeared. This has more than counteracted the loss of the Spanish market, which would in normal times have constituted a serious blow. Even as it was, those mills whose products were commonly sent to Spain suffered considerably. In the coming year it must be expected that competition will be much more severe. Meanwhile, will the reform of the alcohol restriction laws, which is the necessary preliminary of the Spanish market being opened to Finland once more, be effected in the present year? It were most advisable, not only from the point of view of the timber trade, but also from that of the State taxes, and the general cost of living, as affected by them.

MONEY MARKET.—The Finnish money market is gradually recovering from the disorder that followed on the fall of the exchange after the revival of foreign trade in 1919—a fall greatly accentuated by ill-advised attempts to control it. The last two years have been complicated by the liquidation of large credits, which the Government for the most part compelled exporters to take up "to restore the balance of payment." As a result of this process of liquidation, the situation on the money market has been exceedingly strained, the first partial relief being brought about by the large sums that came into the country last autumn as payment

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for exports. This permitted a lowering of the discount rate of the Bank of Finland from 9% to 8%. As the greater part of the payments for exports flowing into the country were of the nature of demands at sight, which did not come on to the general market, the lowering of the discount rate failed greatly to influence the market rates. These export payments had, however, the effect of momentarily lightening the tension between the banks and the public resources. The banks were able to reduce the excess of their loans over their deposits, and to pay in their rediscounts to the Bank of Finland, which made use of the sudden influx of money to purchase foreign exchange in a quantity sufficient to enable it to exercise an influence on the exchange market. A notable characteristic of the Finnish money market in 1922 was the continued existence of large foreign *A vista* claims on Finnish banks. These claims constitute the greater part of the abnormally large net indebtedness of the Finnish to foreign banks. If the Finnish exchange should improve, probably a large section of this money would be reclaimed by the foreign exporters, who have left it liquid in the banks. The two attempts to reduce this debt by State loans of Mk.250 milliards in 1921 and Mk.200 milliards in 1922, have shown the impracticability of this method of dealing with the problem.

TENDENCY TO DECONTROL.—The favourable development of trade in 1922 has put a check on the controlling fervour exhibited in Parliamentary and Governmental circles a year ago. The lapse (at the year's end) of the law introduced in Mar. 1922, which permitted the Government to use wide powers of control over all export trade, provoked little comment. The lapse of similar powers of prohibition against importing commodities passed similarly unnoticed. There remains still the power of control over traffic in foreign exchange. This anomalous survival shows that all danger is not yet removed, as is shown by the law about rents.

SPECIAL ARTICLES

THE DECLINING BIRTH RATE IN FRANCE.

M. André Liesse, in the *Economiste Français* (Dec. 30), deals with the question of the declining population in France, in view of the possibility of further aggression from Germany. In 1922 the number of births reached 834,411, compared with 746,014 in 1913. But this movement has not been maintained, and the number of marriages has again dropped. The number of births of living children registered during the first half of 1921 was 421,180, and declined to 396,726 in the corresponding period of 1922. These results are aggravated by the fact of an increased death rate compared with the first half of 1921. Deaths in the first six months of 1922 amounted to 387,681 as against 348,329 in the corresponding period of 1921. Thus, while the number of births declined by 25,000, the number of deaths increased by 40,000, reducing the balance in the first half of 1922 to 9,045.

PREVIOUS CONSIDERATION OF THE QUESTION.

The question of the birth rate was treated by numerous writers before the war. M. Leroy Beaulieu, in the preface to his book *La Question de la Population*, published in 1913, states that he had long ago approached this complicated problem in his lectures at the Collège de France in 1882. During the last quarter of the nineteenth century, a number of associations and leagues were created with the object of fighting this tendency towards a declining population, deemed by the majority of economists and politicians to be seriously prejudicial to the vital interests of the country. The struggle became the more keen by reason of the stimulus given to the tendency by criminal propaganda circulating throughout the country under the name of "neo-malthusianism." This propaganda, however, although demanding severe repression, is only a secondary cause. There are other and essential causes.

It may be noted that during the nineteenth century the population of Europe increased at a rapid rate, especially in countries where industries developed under the influence of various sciences. Towards the end of the eighteenth century the population of France was estimated by Voltaire at 20 mill., by Mirabeau at 18 mill., and by Necker (in 1787) at nearly 25 mill. These figures were not the result of a census, but merely estimates made by the administrative authorities. In 1801, the population was about 27 mill., in 1857, 36 mill. and in 1881—after the loss of Alsace and Lorraine, but also after the acquisition of Nice and Savoy—about 38 mill. On reaching this point the population at first remained stationary, and then showed a tendency towards decline, symptoms of which had been apparent for a number of years. The same phenomenon appeared, but in a manner less pronounced, in other countries. In Germany, for example, the birth rate, which was very high in the second half of the nineteenth century, began to show signs of depression some ten years ago, but not sufficiently marked to affect seriously the growth of the population. Statistics published on the eve of the war showed an appreciable diminution of the number of births in the large towns during the previous ten years. From 1902 to 1912, the birth rate had fallen in Munich from 35.1 to 21.9 per 1,000; in Cologne from 37.8 to 26.7, and in Nuremberg from 38.7 to 26.7. Some fifteen cities in all parts of the Reich, including Frankfurt, Breslau, Danzig and Dresden, were equally affected. These figures only apply to towns, and the population of the whole country had attained the figure of 64 mill. Generally, the decline of the birth rate tends to show itself in countries in an advanced stage of civilisation.

CAUSES OF THE DECLINE IN FRANCE.

The various leagues and associations founded in France for the purpose of checking the decline of the birth rate, have carried on an active propaganda by

means of lectures and pamphlets, in which the causes of the decline are analysed in treatises based on real statistics. Many married couples confine themselves to one child; others do not go further than two; and those families described as "numerous" are by no means abundant. The causes of this phenomenon are many and various. One, due to legislation, is held to be the equal distribution of property among children; and the formalities required for celebrating marriages are also thought to have a deterrent effect. Complaints, by no means unfounded, have been raised against the inadequacy of the means adopted to repress the procuring of miscarriages, and the neo-malthusian propaganda. Moral causes also have a far-reaching effect, one of them being the weakening of religious feeling; a less rigid morality, another. Fear of the trouble and responsibility involved in bringing up large families has not been without a share in their restriction, fostered by increased comforts of life.

SUGGESTED REMEDIES.

Many and various remedies have been suggested according to the nature of each of the above causes. Proposals have been made for establishing full liberty of testamentary dispositions whereby the partition of real property, a potent factor in the restriction of peasant families, would be avoided.

M. Leroy Beaulieu, in the above-quoted work, has recommended the grant of advantages or bounties to encourage family men to raise large families. One of the advantages suggested is to reserve to the fathers and mothers of normal families, say of three children, and also to the latter, all public appointments. But this restriction could only apply to those offices for which no special qualifications are required.

Relief from taxation is generally considered to be an inadequate stimulus to the increase of the birth rate, but bounties are strongly recommended. These, however, to be really effective, would involve too heavy an increase of public expenditure. M. Leroy Beaulieu suggests that bounties should be granted for each child in excess of two, born in one family, an encouragement which he considered would lead to a moderate increase of population. He reckoned that the grant of bounties on the birth of the third and each succeeding child would, at the time when he wrote, would have involved an increased annual expenditure of Fr.180 mill. This figure would be considerably increased to-day.

Other estimates have been calculated on a different basis since the war. In a report, well supported by facts drawn up for the board of the Alliance d'Hygiène Sociale, M. Georges Risler has suggested financial measures capable, according to him, of contributing to the increase of births in France. His scheme involves a birth rate fund (Caisse de Natalité) to be founded and administered by fathers of families, and supported by special taxes levied on unmarried persons, and on married couples having not more than two children. Such taxes, however, would in certain cases be very unfair. M. Leroy Beaulieu considers them to be "as futile as they are vexatious." The State would naturally be responsible for levying these taxes, and paying them into the fund. The bounty would, in the scheme of M. Risler, be granted only to families having at least four children, and would amount to Fr.800 for this number, Fr.1,250 for five, and so on up to a family of ten and upwards, the bounty on which would amount to Fr.5,000. The annual cost to the State of this scheme has been roughly estimated at over Fr.1 milliard. It is highly problematical whether this vast amount could be covered by the special taxes suggested, because, even if voted by Parliament, which is doubtful, they would be exceedingly difficult to assess. Moreover, they would be very unfair in certain cases. In any event, it is certain the State would have to make up the deficiency, with serious consequences for the Budget, already in a sorry plight.

MONEY DEPRECIATION AND INTEREST PAYMENTS.

In the *Berliner Tageblatt*, Dr. Felix Pinner gives a general review of the effects of Currency Depreciation in Germany in the last year. He says that 1922 saw the culminating point of the process of inflation and depreciation that had been going on in a less marked form for some years. It also saw the culmination of the exploiting of the community at large by certain circles who were able to turn the depreciation process to their own advantage. The transference of wealth from one part of the community to another took place in a more marked way than ever before, and along two lines (1) Real Property, and by this is meant not only the means of production but also actual consumption goods acquired considerably more value as compared with earned or unearned claims on income; (2) the creditor was impoverished to the advantage of the debtor. The year 1922, with its rate of depreciation greater than ever before, naturally witnessed an intensification of this process of transference of purchasing power from one category of holders of wealth to another. As a natural consequence of this there became manifest a determination on the part of the losers in this game not to look on so helplessly while they were despoiled, as they had done in previous years when the process was less easily observed.

So long as the depreciation of the currency took place only gradually, and was only perceptible over considerable periods of time, there were great masses of the population who failed rightly to understand what was happening. Only a small number of "enlightened" persons could understand and utilise for their private ends the workings of the law of diminishing value of claims for fixed mark sums. But when the depreciation of the mark became an easily visible process not only from month to month but from day to day, the time was clearly up for anybody to wish to hold tight to his marks. Whoever had claims on a debtor sought to establish those claims in some medium wholly, or at least largely, unaffected by alterations in the value of the mark. Such mediums were: gold marks, foreign exchange, sums measured by the official gold purchasing price of the Reichsbank or by some index number or sliding scale. Gradually, too, the fixed income became variable in ratio to the increase in the cost of living, although Germany did not actually follow Austria's example in officially regulating wages by the cost of living index number. The State itself is now making arrangements for tax assessments to be calculated not for the day when the tax becomes due, but for that on which payment is actually expected. The whole system of interest payment in Germany has been modified in such a way that side by side with the rates of interest proper there are charges made for the risk of currency depreciation. The old mark claims that date from before the war or from a time when the depreciation of the currency was not acute, have so lost value that to-day they no longer represent any important title to wealth. But this very fact means that one of the most fertile sources of enrichment on which the holders of real wealth and the creditor class could rely, has ceased to offer any more scope for their operations. The golden days of speculation on depreciation are past, and the newly-aroused consciousness of those who lose by this game will see to it that there are no more. The flight from the mark and the intense demand for goods as a depository of values contains the danger that the goods in question may be over-valued, and their purchasing price unduly driven up. The debtors can no longer to-day feel so sure as they were that they will have the laugh of the creditors. Open credit is to-day only to be had at ruinous terms, and long loans of fixed mark sums are practically not to be had on any terms whatever. All the attempts made, especially by industrial companies, to improve

this state of affairs have so far signally failed. Even the issues of debentures with variable rates of interest, and those of preference shares with fixed or half-fixed rates of interest, have not proved popular. The scheme for raising Reich Loans not subject to depreciation has not come to anything, owing to objections being raised regarding the effect that these loans would have on the currency, and the difficulty of covering them—objections which in the writer's opinion were insufficient. But the idea of non-depreciating loan securities has been taken up with enthusiasm in private business. A large number of so-called Rye Loans have been issued (*cf.* THE ECONOMIC REVIEW, Jan. 12, p. 23), with rates of interest and redemption quota to be paid in marks according to the rye price of the date of such payment. Similarly coal loans and a loan on the basis of freight prices have been issued. *The old mark currency cannot now be saved!* It is, therefore, better to treat these stable value loans as precursors of a new currency that sooner or later must be introduced. Indeed the way for the introduction of the new currency will be all the easier the more familiarity with the kind of process that will be involved in the change has been gained through traffic in these securities that are sheltered from the effects of mark depreciation.

It is natural that in these circumstances not only should a new invested capital, independent of the mark, come into existence, but that also the holders of the old mark investments should make the attempt to secure some kind of compensation for their losses. In almost all circles concerned with invested capital the hope and expectation has been indulged that the present almost complete devaluation of the old securities may not be considered as definitive. The rise in the quotation of certain pre-war Reich and Prussian Loan Securities has been widely noticed (*cf.* THE ECONOMIC REVIEW, Jan. 15, p.15), based on an expectation of this nature. Similar hopes are at the bottom of the rise in certain industrial debentures. A demand also exists that debts incurred against mortgage of property before the war should be revalued. The demand is strengthened, but the situation greatly complicated, by the fact that foreign speculators have made considerable but not very wise purchases of this type of security in the expectation that when the mark was stabilised there would be an *Aufwertung*—a re-valuation of the debts represented by them, especially when these had been incurred before the war.

From the point of view of abstract justice there is doubtless much to be said for this claim, that money borrowed on a gold basis or at least on a comparatively undepreciated basis, should be repaid on the same basis. This claim is specially justified where the creditor would be in a position so to discharge the debt, as is the case with industrial companies and to a lesser extent with Mortgage Creditors (to a lesser extent because the Rent Restriction Acts have artificially lowered the value of land plots). In the case of the Reich, the States and the Municipalities, this power to discharge the debt in gold or high valued currency obviously does not exist. Indeed these bodies could not hope, financially speaking, to keep their heads above water if their burdens of debt were not lightened in this manner.

The whole question of re-valuation of debts is one of extraordinary complexity. Any project for bringing the value of securities into line with the original value of the money in which the debt was contracted must necessarily embrace the totality of such debts, funded and unfunded. The solution of the problem would be in the first place complicated by the ability of some and the inability of other debtors to repay their debts in the money of the same value as that in which they were incurred. Nor could the debts envisaged by the measure be those only which were incurred before the war. Those also which were incurred later in money somewhat, but not acutely, depreciated would have to be taken into consideration. Theoretically, it might

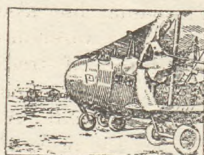
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be just and possible that each debt should be repaid in just such money as it was contracted in. Practically it would be an impossibility. For what would be done in the case of debts already repaid in depreciated money, and what in the numerous cases where the title to the debt had changed hands?

It suffices to ask these questions to realise the impossibility of such a scheme being put into effect. In much less complicated circumstances such attempts have been made in the past and have invariably met with failure. The possessors of mark claims must, therefore, be warned not to expect any such re-valuation of their claims as is suggested above. From the point of view of strict justice the necessity of this decision is deplorable. What should be done, and without delay, is that the industrialists should be forbidden to repay their obligations prematurely, at the present moment when the depreciation is seemingly at its worst. The investor in debentures who has had to see his investment disappear into nothingness without raising a cry of protest, should at least be allowed the chance of benefiting a little by a possible improvement.

THE CURRENCY CRISIS IN RUMANIA.

(By Dr. COSTIN STOICESCU.—*Conclusion*).

The effect of these financial measures on the currency circulation must now be examined. The said claims were, as stated, in respect of work done on the railways and in connection with the army, including the cost of material (coal, timber, etc.), and wages, which the firms in question paid, without being repaid by the State. The fate of the wages has already been indicated; they went mostly to the country in repayment for food or

remained locked up in industries carried on in the country. Thus, these unpaid amounts were until realised by means of discount, practically withdrawn from circulation. Moreover, they were realised too late, as circumstances connected with the money circulation had already produced their effect, which counteracted the influence of the money restored to circulation.

DEPRECIATION OF THE CURRENCY.

Among these circumstances affecting the circulation, the effect of the depreciation of the currency has to be considered. In the autumn of 1920, the average quotation of the lei still stood at 35 in Paris—and Paris quotations for the lei are the real ones, Zurich quotation being purely nominal. While the proceedings above referred to were taking place, lei quotations began to sag. In January 1921 they stood at 20½ and 22½; in June, 18½; in August, 15½ to 7; in September, 12½ to 14½; in October, between 6 and 11½; in November, between 7 and 10½. During the winter of 1921-22 quotations fluctuated between 9 and 10, in the spring and summer fell gradually to 8 and 7, rallied to 14 in August, and subsequently remained steady at 8 and 9.

THE COST OF LIVING.

This continued fall of the lei abroad at a time when imports already ordered, and the supply of the population with commodities of all kinds was in full swing, could not fail to increase the cost of living. Unfortunately statistics of the index numbers for 1920 and 1921 are not to hand, but the following table has been compiled for 1922 by the Economic journal *Argus* :—

| | Aug. 1916 | Jan. 1922 | Mar. 1922 | Apr. 1922 | May 1922 | June 1922 | July 1922 | Aug. 1922 | Sept. 1922 |
|---------------------|-----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|------------|
| Food (21 articles)— | 100 | 1,858 | 1,758 | 1,850 | 1,913 | 1,746 | 1,866 | 2,035 | 2,043. |
| Clothing (9)— | 100 | 2,077 | 2,300 | 2,520 | 2,595 | 2,634 | 2,818 | 2,823 | 2,934 |
| Various— | 100 | 1,012 | 1,010 | 1,042 | 1,277 | 1,283 | 1,357 | 1,357 | 1,350 |

There is every reason for supposing as a result of experience (unsupported unfortunately by statistics) that in the period from September 1920 to October 1921 the rise in prices was still more marked. The result was—and is—that the daily trade in commodities demanded a much larger sum of current coin for dealings in cash and that private persons, as well as merchants, banks and all industries affected by cash trade from day to day, were obliged to form cash reserves which were withdrawn from the already severely taxed currency circulation. This process, which had a markedly progressive character, was carried on simultaneously with the steady flow of money towards the rural population, and with the circumstances already referred to which diminished the number of coins in circulation.

The circumstances causing the currency crisis may be divided into two classes: first, the large absorption of currency by foreigners and the rural population; secondly, the progressive rise in prices which continually demanded increased reserves of cash and current coin for the daily purchase of goods and payment of wages.

THE CLIMAX OF THE CRISIS.

The crisis broke out violently in October 1921, occasioned by the speculation referred to above and the fall of the lei in Paris.

A number of Bucarest banks had found an easy way to procure ready money by continually carrying over their liabilities in Paris, but as the slump in lei continued through September and October, and especially as the Paris market was surfeited with these bull commitments and declined to carry over any further, these banks suddenly found themselves unable to provide ready money to meet their liabilities in Paris.

Thus occurred the notorious failure of the Banca Natieni; many other banks fell into difficulties, but the first example was sufficient to rouse the forces of the land to action, and thus the disaster could be limited

to this one case. The large banks, the National Bank and the Government intervened effectively, and were able to avert a general collapse of the Rumanian market. The National Bank had to decide to support the market by a vigorous discount policy in order to bolster up those banks and private undertakings which had unpaid claims against the State. The extent of this support is shown by the table given below.

The sudden crisis on the Bucarest market caused considerable anxiety on foreign markets. Large foreign firms which had at their disposal millions of lei in Rumania were compelled either to sell their holdings or to transfer them from one firm to another in order to place them in safer hands. These big arbitrages and transfers increased the panic in Rumania, and the danger arose that even the largest firms could not meet the claims of their foreign depositors. The Government promulgated a decree, whereby foreign holders of lei were only permitted to dispose in favour of native or foreign firms of the balances standing to their credit, on production of proof that such balances were to be used exclusively for purposes either export or import, or services to be rendered. The further development of the crisis showed the extent of the evil caused by the money shortage. The banks which were no longer able to find assistance by artificial means on foreign markets, practically stopped giving credit, and confined themselves on the one hand to maintaining the companies founded by themselves and retaining their old customers, which they had considerable difficulty in accomplishing, and on the other calling in their claims against their less important debtors and forcing them to wind up their speculative accounts. Thus the crisis extended to the whole of business brought trade to a standstill and affected industry; all speculation in securities ceased as the banks had long ceased to carry over. This situation was maintained throughout the winter and spring.

In the summer of 1922, when money was required for the harvest, the banks and export houses had the greatest difficulty in raising money for the purchase of the crops, and simultaneously calls on the National Bank increased; and the latter was obliged to increase its holdings of bills and its acceptances. All these efforts, however, failed to supply the requirements of the market, and in October the currency crisis reached such a pitch that the Finance Minister found himself constrained to deal with the problem and to express his views on its solution.

The following table illustrates the discount policy pursued by the National Bank from the outbreak of the crisis in the autumn of 1921 to date:—

| | Bills held. | Note circulation. | Advances to the Government. |
|----------------|-------------|-------------------|-----------------------------|
| | Lei (mill.) | | |
| 24- 9-1921 ... | 786 | 12,250 | 10,797 |
| 22-10-1921 ... | 913 | 12,670 | 10,953 |
| 12-11-1921 ... | 1,339 | 13,316 | 11,039 |
| 10-12-1921 ... | 1,096 | 13,723 | 12,374 |
| 6- 1-1922 ... | 1,791 | 13,741 | 12,364 |
| 4- 2-1922 ... | 1,765 | 13,672 | 13,364 |
| 4- 3-1922 ... | 1,783 | 13,644 | 12,364 |
| 8- 4-1922 ... | 1,875 | 13,878 | 12,347 |
| 20- 5-1922 ... | 1,918 | 14,154 | 12,347 |
| 10- 6-1922 ... | 1,978 | 14,111 | 12,347 |
| 15- 7-1922 ... | 2,202 | 14,210 | 12,340 |
| 12- 8-1922 ... | 2,383 | 14,314 | 12,340 |
| 23- 9-1922 ... | 2,955 | 15,076 | 12,330 |
| 14-10-1922 ... | 3,421 | 15,371 | 12,337 |

THE EFFECT OF THE CRISIS ON INDUSTRY AND TRADE.

The currency crisis has made itself felt throughout all branches of trade and industry, especially on those industries which had contracts with the State for the delivery of material, notably coal and timber for the railways and other undertakings, and on locomotive and rolling stock and repairing works, as well as on certain textile and leather firms which supplied the army. All these industries have supplied goods to and undertaken work for the State and its undertakings, for which they have not been paid, nor ever will be

paid. The Government's debt to these firms has been estimated at two milliards of lei. An outstanding amount of this magnitude is an enormous burden on even the largest undertakings, which, although their existence is not actually menaced, are forced through lack of working capital to restrict their activity, or even to close down altogether. This would be little short of a catastrophe for the entire nation, since it involves curtailment of the railway services.

Trade is in a somewhat different position to industry. Certainly prospects of obtaining credit and consequently of a revival of business are remote. Nevertheless, trade does not suffer so much from lack of credit for founding new businesses as from the absence of sales. The greater part of wholesale and even of retail trade is still hampered by the accumulated stocks imported during the boom period of 1920-1921. These include not only goods to be sold in Rumania, but also those originally destined for sale in Russia and warehoused in the ports in anticipation of a resumption of trade relations with that country. There they still remain without any prospect of sale at home or abroad. A further aggravation of the situation is that the price of the greater part of the goods forms the debt due from Rumanian business men to foreigners. Among them are goods the price of which must be reckoned in foreign currency, and in consequence of the fall of the lei are unsaleable or saleable only at a heavy loss. They therefore remain unsold in the hope of a recovery of the lei. Now that sources of credit are cut off, the owners of the stocks of goods will be forced to dispose of them. This account can only be unfavourable, as the foreign debts must be paid, for which the price obtainable for the goods now will not suffice. Eventually a weeding out of trade must take place involving regrettable sacrifices, but which in the end will lead to a desirable clearing up of the situation.

Some of the leading industries, such as oil and timber, are not so seriously effected as others, since their trade is chiefly export and for the time being there is considerable foreign demand for their products. Moreover, the oil industry being largely financed by foreign capital is but little affected by the condition of the home money market. These favourable conditions, however, mainly apply to the large undertakings, as the smaller ones are dependent on the home market. The timber industry is finding a sale for its products in Rumania owing to the increase of building operations undertaken during the past year, which, however, the tightness of money may cause to decline. Flour milling has an assured market at home, and is firmly supported by the public.

However, the fact that the largest mining and iron industries have large outstanding claims against the Government reacts on business in general. Before the Government enabled these industries to discount their claims with the private banks through the agency of the national banks, they had applied to the large banks of the country which willingly gave them extensive credit. When, however, these industries were referred by the State to the same banks, the latter were forced to apply their credit with the issue bank to meeting these demands. This coincided with the aggravation of the currency crisis already referred to, namely, at a time when the banks were compelled to have recourse to the issue bank. When, therefore, with the application to the issue bank and the employment of the most negotiable bills at the disposal of the private banks in favour of important undertakings, which were few in number, these resources were inevitably withdrawn from other branches of business also affected by the crisis, this circumstance had a twofold effect, first because the banks nearly exhausted their credit with the issue bank, and secondly because it inflated the stock of bills held by the issue bank to a large amount, which was not only detrimental to its elasticity, but was converted into notes which contributed but little to the relief of the currency circulation.

STATISTICAL SECTION

THE TRADE BAROMETER

EXPLANATION

There are obvious objections to the multiplication of Index Numbers ; but THE ECONOMIC REVIEW claims a double justification for adding to the list. In the first place, a weekly index should be of greater practical value than an index which is made up monthly and published in arrear. In the second place there is room for an index number which, instead of covering a wide field for the sake of representing the general level of all commodity prices, sets out to reflect the prevailing tendency of prices as exemplified in a small number of particularly sensitive commodities. The Harvard University Committee of Economic Research has recently shown that in America an index number devised to forecast price movements can safely be based on a small selection of price quotations, provided the commodities chosen are those which most accurately and rapidly reflect the trend of the general price level.

The closeness of the correspondence between movements of THE ECONOMIC REVIEW index and those of the *Economist*, *Statist* and Board of Trade gives some ground for believing that an adequate index for the United Kingdom can be based on a small number of commodity prices, and can therefore be taken weekly instead of monthly. The divergence of our index from the others at the top and bottom of the price cycle perhaps gives ground for hoping (though the point cannot yet be said to be definitely established) that we have chosen constituent elements which will give an earlier indication than the other index numbers of a change in the direction of the movement of prices.

Our index is composed of quotations for the ten following commodities :—

- | | |
|----------------|-----------|
| 1. Pig iron | 6. Wool |
| 2. Tin | 7. Hides |
| 3. Coal | 8. Wheat |
| 4. Linseed oil | 9. Bacon |
| 5. Cotton | 10. Sugar |

The fact that *relative* commodity price changes may be under present conditions as important as changes in the general level of prices is now gaining more general recognition. In addition to Table I, which shows the movements of our ten commodities in the aggregate, we therefore give in Table II a record of the movements of each of them in relation to the others. For this purpose we have chosen December 30, 1921, as our base, the price of each commodity on that day being represented by 100 (at a time when the index in Table I stood at 150).

TABLE I.

| Date | 10 Com- modities | * Board of Trade | Date | 10 Com- modities | * Board of Trade | Date | 10 Com- modities | * Board of Trade | Date | 10 Com- modities | * Board of Trade |
|---------|---------------------|------------------------|----------|---------------------|------------------------|---------|---------------------|------------------------|---------|---------------------|------------------------|
| 1920 | | | | | | | | | | | |
| Sept. 3 | 379.3 | | April 29 | 202.2 | 209.0 | Dec. 30 | 150.0 | 171.4 | Aug. 25 | 166.1 | |
| 10 | 379.7 | | May 6 | 207.2 | | 1922 | | | Sept. 1 | 163.4 | 159.1 |
| 17 | 379.4 | | 12 | 204.3 | | Jan. 6 | 148.1 | | 8 | 160.4 | |
| 24 | 360.6 | | 20 | 197.0 | | 13 | 148.7 | | 15 | 161.2 | |
| Oct. 1 | 356.3 | 318.1 | 27 | 200.5 | 205.9 | 20 | 144.0 | | 22 | 158.6 | |
| 8 | 346.8 | | June 3 | 201.9 | | 27 | 141.3 | 167.5 | 29 | 158.8 | 157.1 |
| 15 | 328.6 | | 10 | 203.6 | | Feb. 3 | 142.3 | | Oct. 6 | 159.8 | |
| 22 | 319.8 | | 17 | 201.8 | | 10 | 147.0 | | 13 | 161.2 | |
| 29 | 315.3 | 308.5 | 24 | 201.6 | | 17 | 149.2 | | 20 | 162.8 | |
| Nov. 5 | 310.8 | | July 1 | 196.4 | 201.8 | 24 | 149.7 | 165.3 | 27 | 165.9 | |
| 12 | 304.6 | | 8 | 193.3 | | Mar. 3 | 148.4 | | Nov. 3 | 170.1 | 158.0 |
| 19 | 293.0 | | 15 | 194.4 | | 10 | 148.4 | | 10 | 170.1 | |
| 26 | 283.8 | 292.9 | 22 | 194.8 | | 17 | 149.8 | | 17 | 169.3 | |
| Dec. 3 | 272.0 | | 29 | 193.6 | 198.2 | 24 | 149.4 | | 24 | 168.2 | |
| 10 | 271.2 | | Aug. 5 | 183.8 | | 31 | 149.8 | 163.2 | Dec. 1 | 167.4 | 160.4 |
| 17 | 257.0 | | 12 | 178.8 | | Apr. 7 | 150.2 | | 8 | 161.5 | |
| 23 | 253.0 | | 19 | 178.1 | | 14 | 151.7 | | 15 | 161.2 | |
| 30 | 249.8 | 209.4 | 26 | 178.1 | 194.0 | 21 | 154.1 | | 22 | 162.2 | |
| 1921 | | | Sept. 2 | 180.8 | | 28 | 154.6 | 163.2 | 29 | 162.6 | 158.6 |
| Jan. 7 | 249.5 | | 9 | 183.0 | | May 5 | 157.8 | | 1923 | | |
| 14 | 244.2 | | 16 | 183.4 | | 12 | 159.9 | | Jan. 5 | 162.4 | |
| 21 | 237.6 | 251.0 | 23 | 180.0 | | 19 | 162.1 | | 12 | 162.8 | |
| 28 | 235.2 | | 30 | 176.8 | 191.0 | 26 | 163.3 | | 19 | 163.2 | |
| Feb. 4 | 227.0 | | Oct. 7 | 172.1 | | June 2 | 162.9 | 163.9 | | | |
| 11 | 227.4 | | 14 | 170.2 | | 9 | 164.9 | | | | |
| 18 | 219.1 | | 21 | 163.0 | | 16 | 163.6 | | | | |
| 25 | 215.8 | 229.9 | 28 | 159.5 | 184.5 | 23 | 164.8 | | | | |
| Mar. 4 | 198.8 | | Nov. 4 | 158.9 | | 30 | 162.4 | | | | |
| 11 | 197.5 | | 11 | 155.0 | | July 7 | 164.7 | 163.1 | | | |
| 18 | 199.0 | | 18 | 154.5 | | 14 | 165.1 | | | | |
| 25 | 201.4 | | 25 | 157.7 | 176.4 | 21 | 165.8 | | | | |
| April 1 | 199.6 | 215.2 | Dec. 2 | 153.6 | | 28 | 167.3 | | | | |
| 8 | 191.6 | | 9 | 152.1 | | Aug. 4 | 168.1 | 163.2 | | | |
| 15 | 202.8 | | 16 | 153.2 | | 11 | 165.9 | | | | |
| 22 | 194.8 | | 22 | 150.3 | | 18 | 164.0 | | | | |

* An error in the base prices of the Board of Trade Index Number has been discovered. The corrected figures are about 2% lower than those here given, and are published in the *Board of Trade Journal* for November 2nd.

CHART ILLUSTRATING TABLE I.

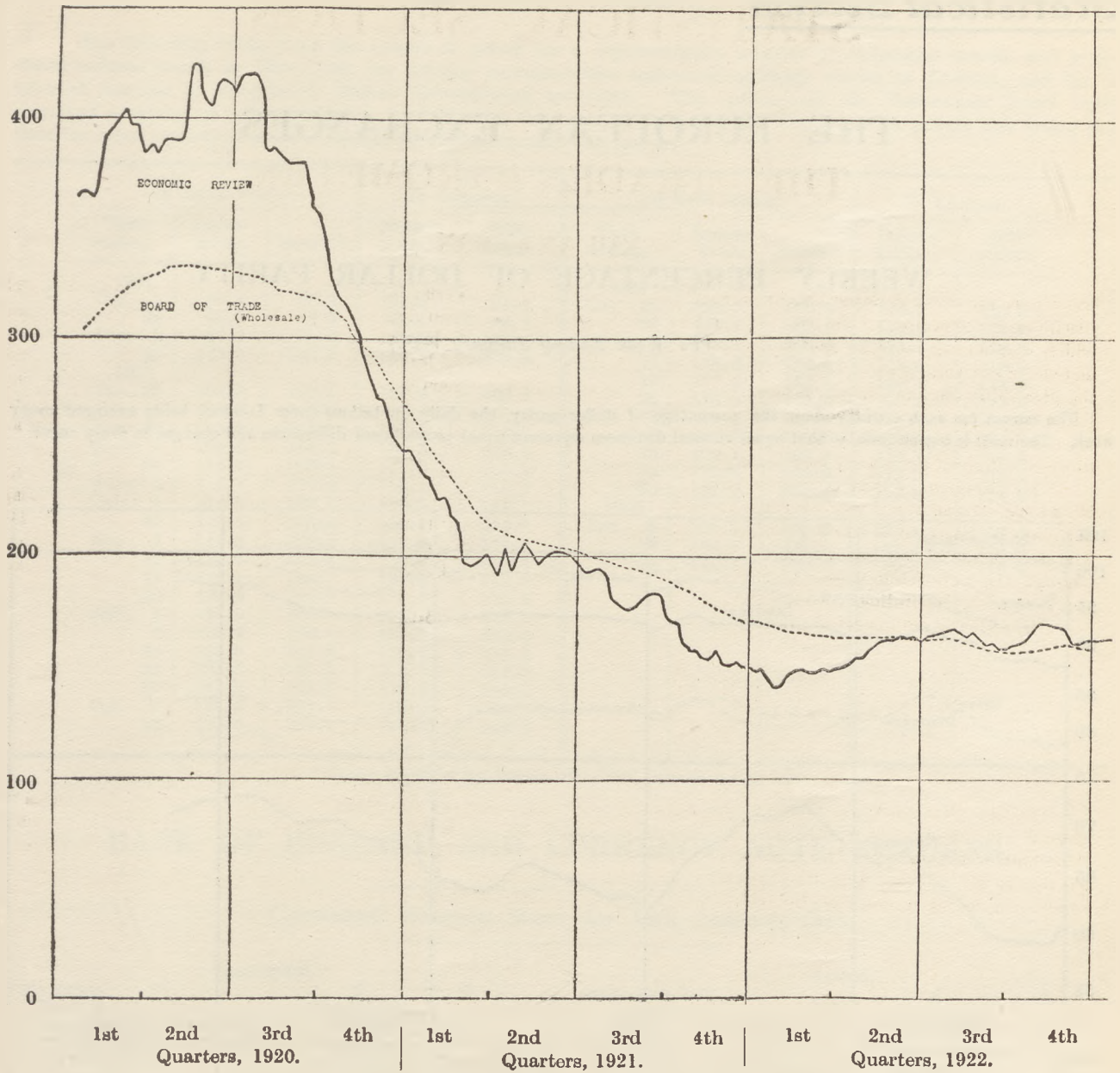


TABLE II.

| Date | Pig iron. | Tin. | Coal. | Linseed Oil. | Cotton. | Wool. | Hides. | Wheat. | Bacon. | Sugar. | Mean. | Date |
|---------------|-----------|-------|-------|--------------|---------|-------|--------|--------|--------|--------|--------|---------------|
| Dec. 30, 1921 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | Dec. 30, 1921 |
| 1922 | | | | | | | | | | | | 1922 |
| Jan. 27 ... | 90.6 | 90.5 | 92.4 | 108.8 | 85.3 | 100.0 | 82.6 | 101.1 | 94.4 | 96.1 | 94.18 | ... Jan. 27 |
| Feb. 24 ... | 101.4 | 85.3 | 94.3 | 136.9 | 90.0 | 106.7 | 76.8 | 106.4 | 104.4 | 94.1 | 99.77 | ... Feb. 24 |
| Mar. 31 ... | 94.3 | 84.2 | 93.4 | 126.3 | 90.3 | 106.7 | 87.0 | 116.2 | 97.1 | 103.8 | 99.93 | ... Mar. 31 |
| Apr. 28 ... | 92.9 | 89.4 | 89.6 | 149.1 | 87.9 | 106.7 | 78.3 | 113.5 | 115.8 | 107.7 | 103.09 | ... Apr. 28 |
| May 26 ... | 99.1 | 89.2 | 88.7 | 155.3 | 101.1 | 115.6 | 89.9 | 123.8 | 118.4 | 107.7 | 108.88 | ... May 26 |
| June 30 ... | 92.9 | 90.4 | 81.1 | 152.6 | 111.7 | 111.1 | 91.3 | 117.7 | 114.4 | 119.2 | 108.24 | ... June 30 |
| July 28 ... | 92.9 | 94.5 | 97.2 | 157.9 | 110.1 | 111.1 | 97.1 | 119.0 | 116.5 | 119.2 | 111.55 | ... July 28 |
| Sept. 1 ... | 92.4 | 93.8 | 94.3 | 121.1 | 113.9 | 111.1 | 92.8 | 108.9 | 112.8 | 148.0 | 108.91 | ... Sept. 1 |
| " 29 ... | 94.3 | 95.2 | 92.9 | 135.1 | 105.9 | 117.8 | 96.4 | 82.8 | 104.0 | 134.6 | 105.90 | ... " 29 |
| Oct. 6 ... | 94.3 | 95.3 | 94.3 | 136.9 | 103.7 | 122.2 | 99.3 | 83.6 | 101.5 | 134.6 | 106.57 | ... Oct. 6 |
| " 13 ... | 95.5 | 97.8 | 98.1 | 136.9 | 108.9 | 122.2 | 99.3 | 85.4 | 96.3 | 134.6 | 107.50 | ... " 13 |
| " 20 ... | 95.5 | 100.6 | 100.9 | 136.9 | 114.3 | 122.2 | 99.3 | 86.5 | 94.9 | 134.6 | 108.57 | ... " 20 |
| " 27 ... | 95.5 | 105.7 | 101.9 | 142.1 | 118.3 | 122.2 | 98.6 | 88.0 | 98.9 | 134.6 | 110.58 | ... " 27 |
| Nov. 3 ... | 95.5 | 107.5 | 100.0 | 140.3 | 119.9 | 133.3 | 106.5 | 91.9 | 104.8 | 134.6 | 113.43 | ... Nov. 3 |
| " 10 ... | 95.5 | 108.1 | 100.0 | 131.6 | 126.6 | 133.3 | 108.0 | 93.0 | 103.3 | 134.6 | 113.40 | ... " 10 |
| " 17 ... | 95.5 | 104.1 | 96.2 | 131.6 | 126.9 | 133.3 | 108.0 | 94.1 | 104.4 | 134.6 | 112.87 | ... " 17 |
| " 24 ... | 95.5 | 102.3 | 94.8 | 133.3 | 121.4 | 133.3 | 110.1 | 94.1 | 101.8 | 134.6 | 112.12 | ... " 24 |
| Dec. 1 ... | 95.5 | 102.6 | 94.3 | 136.9 | 121.5 | 133.3 | 107.2 | 93.9 | 96.3 | 134.6 | 111.61 | ... Dec. 1 |
| " 8 ... | 89.4 | 106.1 | 95.3 | 133.3 | 116.9 | 120.0 | 94.2 | 94.3 | 92.6 | 134.6 | 107.67 | ... " 8 |
| " 15 ... | 89.4 | 103.5 | 95.3 | 136.9 | 120.0 | 120.0 | 92.0 | 93.4 | 89.7 | 134.6 | 107.48 | ... " 15 |
| " 22 ... | 89.4 | 106.0 | 91.5 | 138.6 | 123.5 | 120.0 | 93.5 | 92.1 | 88.2 | 138.5 | 108.13 | ... " 22 |
| " 29 ... | 89.4 | 106.7 | 91.5 | 138.6 | 126.0 | 120.0 | 93.5 | 90.4 | 89.7 | 138.5 | 108.43 | ... " 29 |
| 1923 | | | | | | | | | | | | 1923 |
| Jan. 5 ... | 90.1 | 104.9 | 91.5 | 135.1 | 125.2 | 122.2 | 95.7 | 89.9 | 89.7 | 138.5 | 108.28 | ... Jan. 5 |
| " 12 ... | 90.1 | 106.5 | 93.4 | 133.3 | 126.4 | 122.2 | 93.5 | 91.7 | 89.7 | 138.5 | 108.52 | ... " 12 |
| " 19 ... | 91.3 | 106.1 | 95.3 | 135.1 | 132.4 | 122.2 | 93.5 | 91.7 | 89.7 | 130.8 | 108.81 | ... " 19 |

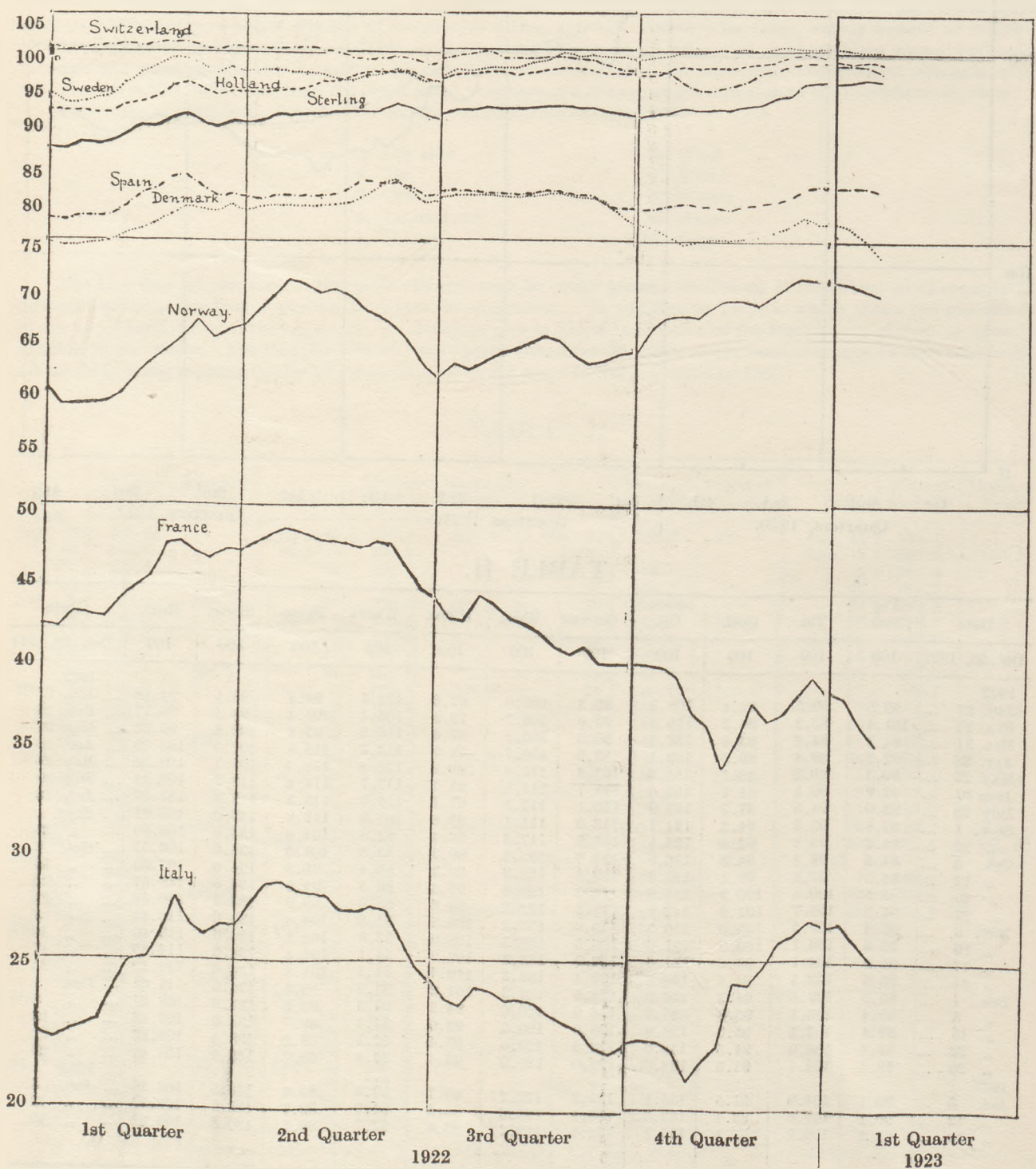
Statistical Section

THE EUROPEAN EXCHANGES

WEEKLY PERCENTAGE OF DOLLAR PARITY

(To Week Ending January 20th.)

The curves for each country show the percentage of dollar parity, the daily quotations (over London) being averaged every week. The scale is logarithmic, so that equal vertical distances represent equal *proportional* differences and changes in every curve.



SECURITY PRICES.

The following table gives the course of prices for a representative number of industrial stocks and long-dated railroad bonds in New York, for twenty representative industrial ordinary stocks in London, and for a selected number of long-dated British Government securities. The prices of the last-named have been averaged exclusive of accrued interest. In all cases the price at December 30, 1921, is taken as 100, this being the base for other statistical series compiled by THE ECONOMIC REVIEW :—

| IN NEW YORK. | | | IN LONDON. | | IN NEW YORK. | | | IN LONDON. | |
|--------------|---------------|---------|---------------|-------------|--------------|---------------|---------|---------------|-------------|
| Week ending. | Indus-trials. | Bonds.* | Indus-trials. | Gilt-edged. | Week ending. | Indus-trials. | Bonds.* | Indus-trials. | Gilt-edged. |
| 1921 | | | | | 1922 | | | | |
| Oct. 1 | 88.4 | 91.8 | 104.5 | 94.4 | Oct. 21 | 125.7 | 102.8 | 114.3 | 113.0 |
| 20 | 91.1 | 92.0 | 91.1 | 94.4 | 28 | 121.7 | 102.0 | 114.8 | 113.0 |
| Dec. 2 | 97.4 | 99.4 | 94.2 | 96.0 | Nov. 4 | 122.1 | 103.4 | 114.5 | 113.0 |
| 30 | 100.0 | 100.0 | 100.0 | 100.0 | 11 | 118.2 | 103.1 | 115.0 | 113.6 |
| 1922 | | | | | 18 | 117.6 | 102.4 | 114.7 | 114.5 |
| Jan. 28 | 100.8 | 102.1 | 102.3 | 104.4 | 25 | 114.4 | 102.0 | 115.0 | 115.4 |
| Feb. 25 | 105.2 | 100.8 | 103.6 | 109.0 | Dec. 2 | 118.3 | 102.2 | 115.7 | 115.0 |
| Mar. 25 | 107.4 | 101.7 | 102.8 | 110.7 | 9 | 120.5 | 102.8 | 116.2 | 114.3 |
| April 1 | 109.8 | 101.5 | 103.5 | 112.2 | 16 | 121.1 | 103.1 | 116.1 | 113.8 |
| 29 | 114.4 | 103.1 | 117.6 | 116.9 | 23 | 121.6 | 102.9 | 118.3 | 113.5 |
| June 3 | 118.8 | 102.9 | 113.5 | 115.7 | 30 | 121.7 | 102.5 | 119.5 | 113.3 |
| July 1 | 114.5 | 103.6 | 110.0 | 114.7 | 1923 | | | | |
| 29 | 119.4 | 106.0 | 112.8 | 116.7 | Jan. 6 | 120.5 | 102.8 | 122.1 | 113.5 |
| Aug. 5 | 119.6 | 106.0 | 113.3 | 116.4 | 13 | 122.2 | 102.6 | 122.3 | 114.0 |
| 12 | 119.7 | 105.5 | 113.6 | 116.4 | 20 | 120.4 | 102.0 | 123.3 | 116.8 |
| 19 | 122.1 | 105.7 | 114.0 | 116.0 | | | | | |
| 26 | 123.9 | 106.0 | 113.5 | 115.5 | | | | | |
| Sept. 2 | 124.9 | 106.6 | 114.1 | 112.1 | | | | | |
| 9 | 125.4 | 106.7 | 115.6 | 113.5 | | | | | |
| 16 | 123.8 | 107.6 | 115.2 | 112.5 | | | | | |
| 23 | 122.2 | 107.0 | 113.5 | 112.2 | | | | | |
| 30 | 121.2 | 105.8 | 113.2 | 112.0 | | | | | |
| Oct. 7 | 123.9 | 106.1 | 113.3 | 111.7 | | | | | |
| 14 | 127.6 | 104.4 | 114.5 | 112.3 | | | | | |

* Prices supplied by Messrs. Bernhard Scholle & Co., Ltd.

BANK OF ENGLAND AND CURRENCY NOTE RETURNS.

Combined Balance Sheet for 18th January, 1923.

| LIABILITIES. | | | | ASSETS. | | | |
|--------------------------------------|-------------|-------------|--|------------------------------|-------------|-------------|-------------|
| Notes Issued. | £ | £ | | Government Debt. | £ | £ | |
| B. of E. | 144,111,280 | | | B. of E. | 11,015,100 | | |
| Less those in C.N. Reserve ... | 21,150,000 | | | C.N. | 242,103,698 | | |
| | | 122,961,280 | | | | 253,118,798 | |
| C.N. outstanding | 283,412,075 | | | Less C.N. Investment Reserve | | | |
| C.N. called in but not yet cancelled | 1,515,861 | | | Account | 12,462,363 | | 240,656,435 |
| | | 284,927,936 | | Other Securities. | | | |
| | | | | B. of E. | | | 7,434,900 |
| | | | | Gold Coin and Bullion. | | | |
| | | | | B. of E. | 125,661,280 | | |
| | | | | C.N. | 27,000,000 | | |
| | | | | C.N. Balance at B. of E.... | 136,601 | | 152,797,881 |
| | | | | Silver Coin | | | 7,000,000 |
| | | | | | | | 407,889,216 |
| | | 407,889,216 | | | | | |

Summary of Combined Balance Sheets.

January 1922 to date.

| Date. | B. of E. Notes less those in C.N. Reserve. | C.N. outstanding inc. called in but not cancelled. | Total. | Gold. | % of Gold to Notes. | % of Gold & Silver to Notes. |
|---------------------|--|--|--------|-------|---------------------|------------------------------|
| 1922 Jan. | 125.9 | 304.3 | 430.2 | 155.5 | 36.1 | 36.8 |
| Feb. | 125.9 | 298.8 | 424.7 | 155.6 | 36.6 | 37.3 |
| Mar. | 125.9 | 300.4 | 425.3 | 155.6 | 36.6 | 37.7 |
| Apr. | 126.0 | 301.3 | 427.3 | 155.6 | 36.4 | 37.6 |
| May | 126.1 | 298.3 | 424.4 | 155.8 | 36.6 | 37.8 |
| June | 124.9 | 297.9 | 422.8 | 154.8 | 36.6 | 38.0 |
| July | 122.9 | 296.4 | 419.3 | 152.8 | 36.4 | 38.1 |
| Aug. | 122.9 | 293.3 | 416.2 | 152.7 | 36.7 | 38.4 |
| Sept. | 122.9 | 289.1 | 412.0 | 152.8 | 37.1 | 38.8 |
| Oct. | 122.9 | 288.0 | 410.9 | 152.7 | 37.2 | 38.9 |
| Nov. | 122.9 | 287.9 | 410.8 | 152.8 | 37.2 | 38.9 |
| Dec. | 122.9 | 301.3 | 424.3 | 152.8 | 36.0 | 37.7 |
| 1923 Jan. 18 | 123.0 | 284.9 | 407.9 | 152.8 | 37.4 | 39.2 |

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