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## SOME FEATURES OF THE ASSURANCE YEAR

By D. CAMERON FORRESTER, formerly Insurance Editor of the *Pall Mall Gazette*.

The results of the transactions of life assurance institutions during the past year show continued evidence of a prosperity which is the fruit of the caution with which they were managed in pre-war days. The test of Armageddon, severe as it naturally had to be, was a great testimonial to the inherent financial strength which has ever been an essential feature of the British life offices. Having come through the trial with credit, their policy-holders are now reaping the results of the sagacity with which they were steered through the storm, and probably at no previous time have policies been more generally attractive and valuable. In this connection it is heartening to note the resources of actuarial science and genius being allowed fuller play. Attractive options and disability benefits in connection with life contracts are becoming more generally the rule, and this is all to the good in so far as whatever attracts fresh converts to the benefits of assurance helps to spread the gospel of sound thrift and individual independence.

In the present article there is no pretence at being in any way comprehensive in small space with a subject which in itself is vast in its ramifications. My endeavour is merely to select for mention some points in the latest reports of a few representative institutions which indicate general progress and embrace features of special interest.

### SOME BONUS INCREASES.

The Prudential continues to attract, apart from its industrial connections, by far the largest volume of ordinary life assurance business of any office in the United Kingdom, and although, by reason of its wide popular appeal, its average policy is small in the aggregate it yet writes a number of large policies which are in themselves the equivalent of a great volume of new business. For instance, in the past year out of the total of 73,831 policies for £12,112,425 written no fewer than 1,651 were for a minimum of £1,000. The outstanding feature of the report, however, is the raising of the reversionary bonus declared to the high rate of £2 per cent. simple. This is a record for the office, the previous highest declaration having been £1 16s. per cent. declared for 1913. There is every justification to anticipate that this new rate will be maintained in the future. The actual surplus disclosed as a result of the ordinary branch valuation was no less than £2,428,648, whereas the amount required to provide the increased bonus was £1,576,022. The policies of

the office are now an exceedingly attractive proposition, and the "surgical benefit" option recently introduced renders them additionally so to a very good class of assurer. Another noteworthy feature of the report is the steady decline in the cost of handling the industrial business, which has fallen progressively from 40.50 per cent. in 1920 to 29.74 per cent. in the past year. The Prudential's total assets are now in excess of £158,000,000, of which nearly £70,000,000 represents British Government securities.

Another very interesting bonus declaration is that of the National Mutual Assurance Society, which now may be said to be in the front rank of the best bonus-paying offices. Always conservatively and soundly managed, it may be remembered that the National Mutual made no general distribution for the quinquennium ended with December 31, 1918, but provided for interim bonuses ranging from 20s. to 25s. per cent. Its policy-holders are now well rewarded however. For the quinquennium ended in December last it has declared a bonus at the high rate of £2 2s. per cent. per annum compound, a rate which constitutes a record for the society and has been equalled by few offices in the past. It has also been decided to distribute profits annually in future. But the most interesting feature of the valuation is the fact that, whereas the net surplus, after payment of interim bonuses, amounted to £775,101, the amount required to meet the distribution of profit was only £306,570, and a balance of £468,531—or more than sufficient to meet the bonus over again—has been carried forward. The valuation was made on the Om tables with 3 per cent. assumed interest, while the net average rate earned during the quinquennium was £4 8s. 6d. per cent. The loading at 16.9 per cent. was practically equivalent to the actual expense ratio of the past year.

### THE LARGEST MUTUAL OFFICE.

In a period of three-quarters of a century the Australian Mutual Provident Society has gained the proud position of the largest mutual life assurance institution in the British Empire, despite the fact that until comparatively recent years its operations were confined to Australasia. In addition to its general success and striking progress it can probably claim the most wonderfully consistent record in the matter

of handsome returns to its policy-holders. The society values annually on a 3 per cent. basis and its distributions are also made annually. As the average interest rate earned is nearly  $5\frac{1}{2}$  per cent., there is a handsome profit from this source alone, but its expense ratio is also low for such a progressive office, while its mortality experience is very favourable. These factors, in combination with its moderate premium rates, assure an exceptionally fine return to policy-holders.

During 1923 it completed 26,369 ordinary policies for £12,336,487, some £200,000 more than the ordinary business secured by the Prudential, whose seventy-fifth report it was also, by the way, so that the offices are of equal age. As an instance of the ratio of bonus it is interesting to note that of the death claims of £1,521,633, no less than £523,866 represented bonus additions. Under endowment and endowment assurance payments amounting to £1,203,208, the bonus additions totalled £317,962. The total surplus in the ordinary department for the year amounted to £2,022,456, out of which £1,967,456 will be allotted to participating policies, representing reversionary additions of £3,350,000. For the 75 years of its existence the society has distributed in cash bonuses to its participating policy-holders no less than £30,817,166. The society also transacts industrial business, and in this department there was a surplus of £126,358, of which £115,931 is being distributed. The amount distributed in the ordinary department, when interim bonuses are included, is the largest in the history of the society and represents the high average of 50.9 per cent. of the premiums received during the year on participating policies. The total funds of the society now amount to £52,881,528.

#### A NON-PROFIT OFFICE.

One of the most interesting and strongest of British life offices, the Legal and General Assurance Society, which for a very long period possessed a wonderful bonus record, a few years ago decided to issue only non-profit contracts and contracts carrying guaranteed annual additions. There were those who anticipated that the effect of this decision would be to restrict the amount of new business—always large—attracted by the society. But the result has proved the contrary, and the reason is not far to seek. In the first place, the rates now charged—with the exception of those quoted under one or two special schemes issued by other offices—are the lowest in the kingdom; and, secondly, the society's policies carry a schedule of guaranteed surrender values, etc., for every year of their duration. The assurer thus obtains his cover at the lowest possible initial cost, while at the same time he is in the position of knowing the exact value of his policy at any period—two very valuable considerations. The result is that for the past year a record in new business has been secured, despite the severe competitive conditions under which non-profit business must necessarily be obtained. The total net new business actually amounted to £3,691,305 as against £2,862,287 in the previous year, which rather seems to argue a growing public appreciation for the form of contract which the office has adopted, which is obviously, *inter alia*, especially attractive for insuring death duties, effecting partnership policies, and so forth. By payment of a small annual extra also the policies of the society may, in approved cases, be extended to cover the following extra benefits during temporary or permanent incapacity, or death by accident: (a) remission of premiums, (b) payment of sum assured in the event of permanent total incapacity, or (c) payment of double the sum assured in the event of fatal accident. The society has also created much interest by affording to its policy-holders a free medical overhaul once a year if desired. The society's total funds increased during the year by £971,669 to £15,641,370 and yielded an average net rate of £4 11s. per cent.

#### THE NO-COMMISSION OFFICES.

It is always interesting to examine the results achieved by the little band of life assurance offices which refuse

steadfastly to pay agency commission or other consideration for the introduction of new business, relying solely on personal recommendation for the acquisition of new assurers. Chief among these by reason of the large and increasing volume of fresh business which it attracts is the London Life Association. Established in 1806, it is an entirely mutual office, yielding, in its special way, a very fine return to its policy-holders, and also transacting a large amount of annuity business. During 1923 it completed net new assurances for no less than £1,625,006 without any agency connections, increased its total premium income by £91,223 to £1,132,202, and earned in interest £656,104, or £4 7s. 5d. per cent. net. This was achieved at an expense ratio which represents only £5 9s. per cent. of the total premium income, and the funds were increased during the year by £548,646 and amount to £12,874,932.

The office values annually on the stringent basis of the Om(5) table with 3 per cent. and  $2\frac{1}{2}$  per cent. assumed interest, and it distributes profits in two ways. I shall have a few words to say about its special bonus system in a moment. In 1914, however, it issued a new series of policies on which an annual bonus of 30s. per cent. compound is guaranteed until June 30, 1925. Actually the amount of bonus declared for every year since the introduction of the series has been at the rate of 35s. per cent. compound, and this rate was maintained in the past year. But the special system of the office is to apply bonus in reduction of future premiums. For this purpose the policies are grouped into consecutive series, and after they have been seven years in force the reduction becomes effective. A new insurer, for instance, could anticipate a reduction of 60 per cent. in his eighth premium, and these rates of reduction range up to 131 per cent. The premiums are thus gradually reduced until, according to the duration of the policy, not only is no further premium necessary but a more or less handsome percentage of the original full premium is added to the policy.

The rate of progression in the reduction of premium in the various series has formerly been by one, and the most interesting point in the last report of the office is that the directors find themselves enabled to increase the rate of reduction to two, with every prospect of being able to continue this rate. As a matter of fact, a valuation of the policies to which this plan applies at an assumed interest rate of  $2\frac{1}{2}$  per cent. shows that the difference between that rate and the £4 7s. 5d. realised would alone be more than sufficient to cover the cost each year of an increase of two in the rates of reduction without bringing into account profit accruing from other sources.

Another mutual office which in the course of a long career—it was established in 1762—has never paid a penny for the introduction of business is the Equitable Assurance Society, familiarly known as the "Old Equitable." It also holds an enviable record for its bonus returns to policy-holders and contrives to attract fairly steadily an amount of new business in excess of half a million yearly. As a matter of fact, during the past year there were issued 766 new policies assuring £605,269 net, as against 637 policies assuring £600,385 net in 1922. The premiums during last year amounted to £302,691 and consideration for annuities to £67,334, while net interest yielded £199,134 and there was a profit on realisation of securities of £10,724. The total claims under policies amounted to £308,489, of which £40,086 was by maturity and £268,403 by death. It is when we examine this latter item that the splendid return given by the office becomes manifest. The actual original sums assured under the policies becoming claims was only £130,980. The bonus additions to them, however, amounted to £123,250, in addition to which bonuses previously commuted accounted for £22,688. The total paid, therefore, amounted to £276,918. In other words, every £1,000 of original assurance was increased, on the average, to £2,114 by bonus. Actually in many cases the sum paid ranged from  $2\frac{1}{2}$  to 4 times the original sum assured. These

are results which attract to the office a very excellent class of assurers, and they are to a large extent made possible by the low rate of management expenses, which secure a substantial profit from "loading." The actual ratio of expenses to premium income last year was 6.9 per cent., while the office realised an average net interest rate on its funds of £4 5s. per cent. against the 2½ per cent. at which it values. The total funds increased during the year to £5,555,045.


#### TWO PROGRESSIVE DOMINION INSTITUTIONS.

Nothing is more striking than the rapid growth of business secured by the life offices of the Dominion in the mother country and quite recently two of these have had to acquire still more extensive premises. The first, the Sun Life of Canada, has secured the beautiful Astor Building on the Thames Embankment as its future home for the handling of a turnover here which exceeds that of many old-established native offices. In its total new business this office issues more new assurances, with the exception of those transacting industrial business, than any other company in the Empire, and a very considerable proportion is drawn from the United Kingdom, particularly annuity business, in which branch its schemes are especially attractive. During the past year it issued new assurances for a total of £22,066,696 gross and received the great figure of £1,254,938 as consideration for annuities. Its total assets now amount to £42,998,000 and its valuation discloses an undivided surplus over all liabilities of £3,672,507.

The second office to find new premises is the Confederation Life Association, which becomes the first insurance organisation to be housed in the new Bush Building in Aldwych. The progress of this office, particularly in the last two decades, has been very striking and a substantial proportion of the increase has been contributed by the British branch. In 1903 the Confederation had a premium income of £245,920 and assets of £1,985,723. By 1913 these figures had reached £589,788 and £3,847,445 respectively, while for last year they had grown to £1,293,867 and £7,578,930. The total of new assurances for 1923 was £6,529,921, an increase of £1,046,016. The office values at 3 per cent. and earns over twice that rate, while its mortality experience is very favourable, and during the past year was only 45 per cent. of the expectation.

In the case of both these offices very attractive option policies, and policies incorporating disability benefits are a feature, and there seems little doubt that they meet a growing popular demand.

One of the more recent applications of the principles of life assurance has been the development of the form of general cover known as group assurance, by means of which an employer can make provision for the dependants of employees, etc., at a very low rate. In practice, an approximate annual premium of £1 per head, or about 4½d. per week, has been found to be the approximate amount required to assure £100 at the death of any employee, while increased benefits to reward long service may be provided at a slightly larger figure. A steadily growing number of employers are recognising the merits of the scheme from a "welfare" point of view, although many British offices seem still disposed to view the business with some diffidence. The old-established Phoenix Assurance, however, is developing it in more than one form with energy, and issues a most interesting prospectus dealing with the subject in detail.

 In order to avoid delay in the delivery of Foreign Papers, attention is drawn to the change of address of THE ECONOMIC REVIEW, the Business and Editorial Offices of which are now at 6, John Street, Adelphi, London, W.C.2.

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# ECONOMIC SURVEY

## AUSTRIA

### FINANCE

#### FINANCIAL POSITION OF THE COUNTRY.

M. Zimmermann, the International General Commissioner, has issued his two monthly reports on the financial situation in Austria. The report for the period from March 15 to April 15, states the *Central European Observer*, discusses the financial crisis and states that the index number of Bourse values at Vienna during that period dropped from 2,367 to 1,724. M. Zimmermann fears that this crisis may show itself also in a drop in the taxation receipts.

The Budget deficit for last year is greater than was originally stated. In the second report from April 15 to May 15 M. Zimmermann states that the crisis became more grave. At his request the Issue Bank in Vienna restricted the foreign bond loan to 80 millions of gold crowns. He complains that the process of dismissing the State officials has come to a standstill. Instead of 100,000 officials only 65,400 have been dismissed so far. The revenue obtained from the Customs and the Tobacco Monopoly, which up to May showed favourable results, began to drop in that month. Further, M. Zimmermann states that the Austrian Issue Bank's supply of foreign bonds has decreased very noticeably as a result of its payments made abroad, which were necessitated in view of the financial crisis. These words refer to the losses incurred through the rally in the franc.

The Austrian Press is not satisfied with the results of the Geneva meeting of the League of Nations. Thus, for example, the *Neue Freie Presse* says: "It cannot be denied that the result of the present meeting of the League of Nations does not correspond fully with our hopes. However, the Austrian Ministers at Geneva have done all that is possible to improve, both by private and official means, the present atmosphere which is not favourable for Austria."

Certain aspects of Austria's financial situation are dealt with by M. Janssen, President of the Finance Committee of the League of Nations, in an interview with a representative of the above paper, which is reported in the morning issue of that journal of June 21. When in Vienna investigating the progress of Austria's reconstruction, M. Janssen was chiefly struck by the excessive interest charged by private banks on loans, far exceeding the official rate, a serious and adverse factor in the general situation which will have to be removed before financial reform in Austria can really be regarded as accomplished. Should, for example, this rate of interest be maintained, at a time when, after the proceeds of the League of Nations loan shall have been exhausted, the Government might require to raise short-dated loans in the open market, the money could only be obtained on ruinous terms, and the same disadvantage would be experienced in business, the anxiety which this prospect is causing to the Austrian manufacturers and their staffs is therefore quite comprehensible.

The expectations entertained in Austria on the prospective balance of the Reconstruction loan appear to M. Janssen to be exaggerated. Moreover, since July 1923 60 million kronen of this balance have in some form or another—generally as short-dated loans—been placed at the disposal of commerce and industry without to any extent influencing the general rate of interest. Again, it would be premature to reckon definitely on this balance, of which a considerable portion will have to be used to meet deficits. It is vastly more urgent to solve the interest problem than any other. In the first place, the productive power of the country must be increased at all costs, in addition a policy must be pursued which will encourage thrift among the population, and finally, every possible effort must be made to

attract foreign capital. This, however, is purely a question of confidence, and in the opinion of M. Janssen the chief aim of the Austrian nation during the next few months should be to inspire and strengthen such confidence. The joint report of the Finance Committee of the League of Nations and of the General Commissioner indicates the means whereby this object may be accomplished. Among these may be cited: the balancing of the Budget with sufficient margin to inspire confidence without injuring national business by too heavy taxation, the suppression or amendment of certain taxes prejudicial to industry, trade and banking, and a lightening of the political atmosphere. It is obvious that foreigners will have more confidence in a country where all political elements work harmoniously in the national interest, although with different methods, than in one where unanimity is achieved only after months of political strife.

#### THE BANKING CRISIS.

The Banking crisis which has been experienced in Austria for several months has received little notice in leading Austrian papers such as the *Neue Freie Presse*, and the references thereto in the foreign Press are indignantly dismissed as false and tendentious. The matter is now however taken up by the *Oesterreichische Volkswirt*, not without denunciation of the machinations of foreigners against Austrian credit.

The spread of malicious rumours as to the difficulties of the leading Vienna banks appear during the past week (ending June 21) to have reached their climax and consequently to have killed themselves by mutual contradiction. After the rumours of the difficulties of the General Commercial Bank had culminated in the announcement of its suspension in a Basle paper, whereas the bank still continues open, increased efforts in this direction became impossible. So far it is not known to whom, still less by whom, telegrams as to the difficulties of another leading Vienna bank, were despatched to Geneva during the sitting of the League of Nations Council apparently to prominent members of the Council. That for the object of these rumours should have been selected precisely an important bank which during the whole year had remained solvent without an appeal to foreign credit points to particular influences behind him. Little harm was inflicted on the bank in question, but the general mistrust under which Austria is so severely suffering was considerably aggravated thereby.

The *Volkswirt* then proceeds to give the following survey of the general banking situation in Austria. From the middle of March to the beginning of June the bills and acceptances account of the Austrian National Bank showed an increase from 1,622 to 2,708 milliards of kronen, and has further increased since June 7 by 300 milliards. Nevertheless no attenuation of the general credit crisis has been discernible, so that the question has arisen as to what has become of the ready money. The reply appears in the report of the issue bank, which shows the reserve of the National Bank to have decreased by 910 milliards since the middle of March, and by 1,087 milliards since January. Of the bank notes issued for exchange purposes 76 per cent. were used for bills falling due, and for payments abroad due to losses occasioned by the rally of the franc. Other assets of the Bank such as foreign currencies and bills have also been depleted since March, having declined by 727 milliards to 3,424 milliards. These outgoings can only be attributed in a very small degree to dealings by Austrian business firms with the Bank. The increase in the discount operations of the National Bank merely indicates a deferred settlement of liabilities and Austrian business in general is indebted to the National Bank rather than to the foreigner, as is shown by circulation movements. In spite of the

enormous increase of discounting only a slight increase is shown in the circulation of payment media. On January 7 the total amount of the note and draft circulation of the issue bank was 7,674 milliard kronen, on March 15 (at the conclusion of the bank officials strike) 8,284 milliards and on June 27 8,072 milliards, an increase of only about 5 per cent. since the beginning of the year. On June 7, 1913, the discount and loan accounts of the Austro-Hungarian Bank showed the amounts outstanding to be 1,068 million gold kronen now reduced to 190 millions and the note circulation 2,520 million gold kronen as against 560 million to-day. The demand for money is therefore approximately equivalent to that made by the territory forming the Austria of to-day when included in the Dual Monarchy and this in spite of the tension due to a credit crisis lasting for several months. This explains much, notably the readiness of the National Bank to support the market and to give credit, in strong contrast to the attitude of the German Reichsbank. The most serious feature of the crisis is the shortage of credit. In pre-war days the average credit term was twenty days, to-day it is two to three months. Even on the assumption that all the debts to the National Bank are good, there is no immediate prospect of payment by the debtors. The crisis in Austrian industry through inability to dispose of stocks dates from the close of the conflict on the Ruhr. Moreover at the very moment when, by reason of accumulation of stocks, the receipts of numerous undertakings had fallen off, and they were consequently without the ready money necessary for carrying on business, large sums falling due for payment in foreign countries had to be found. Undertakings found the value of the securities deposited by them as guarantees, diminished, and were obliged either to find fresh security or discharge their liabilities. Thus firms connected with harassed banks could not realise their credits, while others could not call for the realisation of advances promised to them by these banks. The consequence is a general stoppage of payments, and the majority of firms are unable to meet their commitments. Others are holding back their payments, uncertain of what decline in receipts the immediate future may bring forth. And thus it happens that serious difficulties are encountered in the collection of comparatively moderate amounts by leading firms. Lack of credit and uncertain receipts in the wholesale trade and growing lack of business in the retail trade are a bar to purchases. There is less and less inclination owing to tightness of money and lack of confidence in the purchaser to buy on credit. This absolute lock-up of money which leads to an increasing difficulty in payment, is the chief characteristic of the present crisis and will find its sole remedy in a gradually increasing supply of credit and in a resumption of goods sales.

A Vienna message to the *Information Financière* announces that negotiations are on foot for an amalgamation of the smaller banks, with a view to checking the crisis. A union between the Austria Bank, the International Handelsbank and Biedermanns Bank is spoken of.

## FRANCE

### FINANCE

#### THE GOVERNMENT'S ECONOMIC AND FINANCIAL PROGRAMME.

The following extracts from the new Government's programme as stated to the Chamber by the Premier, relating to economics and finance, are reproduced by the *Journée Industrielle* (June 18; 21).

The Government's financial policy would be directed towards economy as a preliminary to which it would take careful stock of the financial situation and the Premier himself would examine the revenue and expenditure estimates. The power to introduce

economic reforms by Decree accorded to the late Government would be revoked and all measures of economy would be dealt with in the estimates (a process represented by the late Government as too dilatory to be of use in moments of financial crisis such as the recent slump in the currency). It was intended rigorously to enforce the collection of income tax, which, as shown in the speaker's previous speeches in the Chamber, had fallen far short of what it should have been in view of the extent of investments in French securities. It was essential to extract the utmost farthing of income tax, since a levy on capital would prove illusory unless preceded by a strict collection of income tax.

Under existing conditions the Government did not desire to impose a levy on capital.

Care would be taken to ensure the effective administration of funds assigned to reconstruction and the suppression of frauds and abuses in connection therewith, for which the Government did not propose to call to account the bulk of the inhabitants of the devastated areas. In keeping Budget expenditure as low as possible there was no intention of undermining the confidence of the victims of the invasion in the State's promises.

The benefits acquired by labour would be preserved; the Eight Hour Day would be maintained and further protection would be accorded to children and women, especially to mothers.

The Government would promote output to the utmost of its power, as in view of the difficulties to be overcome the national resources must be increased. The farmer, an important source of wealth, must be assisted and industrial power and exports increased. State-managed undertakings would be brought up to date but not abolished. Colonial development would be pursued by educating the native.

The Government would prove itself a vigilant guardian of the national credit, and would submit the national accounts to a strict audit before introducing its first Budget, which would be balanced, and, in accordance with the urgent demand of the Finance Commission of the Senate, expenditure would be strictly controlled. The strict collection of the income tax would form the basis of truly democratic finance. In the next Budget it would be sought by a re-adjustment of direct taxes to ease the burdens imposed by the taxes on articles of consumption and especially by the turnover tax. The floating debt would be reduced by the issue of a consolidation loan on a large scale.

M. Maurice Kellersohn, in the *Information Financière*, comments on the financial part of the Government's programme in the following terms.

The fundamental principles contained in the programme are excellent and it would be difficult to refrain from accepting them. It shows an intention of introducing method and order into the management of the national interests and at the same time it constitutes

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an undertaking to put a check on mischief-makers and fanatics.

As regards the reference to "financial severity," the country has suffered too long from *laissez-aller*, procrastination, deliberately fostered delusions, and lack of honesty in the national accounts to complain of the revival of the drastic methods of M. Thiers, of rigid accuracy, and of naked truth. The idea of a stock taking of the financial situation is welcome. The country has the right to learn the full truth as to its financial position, and appears well able to bear it. The certainty of the difficulties to be encountered is less dangerous than an atmosphere of illusion and mirage. A complete balance sheet of assets and liabilities would show the possibility of successfully achieving the restoration of the national finances.

That "the Government will prove itself a vigilant guardian of the national credit" is a promise which implies abstention as well as action. In order to safeguard the credit of France, care should be taken to commit no act likely to impair it. It is the position of the exchange and the amount of subscription to Treasury Bonds which give the measure of the national credit.

The further promise to maintain a balanced budget is also most commendable, and in consequence it is to be expected that this necessity will take precedence of all other considerations; no sources of revenue must be abolished without the substitution of others in their place, and electioneering considerations must give way to the need for strict economy and finally no expense must be incurred without a corresponding increase of revenue by way of offset.

In addition to these excellent abstract principles, certain concrete intentions are expressed in the programme. To contemplate a reduction of the floating debt by means of a consolidation loan is no novelty, but the announcement that the strict collection of income tax is to form the basis of democratic finance is somewhat confusing. The phrase is capable of widely different interpretations. If it only means a relentless prosecution of those guilty of frauds upon the revenue it challenges no real objection in substance, always provided that on the plea of seeking out fraud, there is not established a fiscal terror calculated to destroy business. But if an extensive alteration of the assessment and rates of income tax is intended, it will be necessary to consider the schemes in detail before pronouncing an opinion. A like reserve applies to the statement as to easing the burdens of the taxes on articles of consumption, especially the turnover tax by a re-adjustment of direct taxes. The theory that a lack of proportion exists between direct taxes and duties on articles of consumption may easily be upheld, but everything depends on the measures to be adopted to effect the re-adjustment. It is doubtful whether this vagueness of expression will produce the tranquillising effect expected by capital and industry.

#### GROWTH OF THE NATIONAL DEBT.

The moment when every effort is being made towards retrenchment and the re-establishment of the national currency, says a writer in the *Information Financière*, is very opportune for a consideration of France's national debt and a review of its growth since 1914.

The national debt of France since the war is divisible into two parts, the internal and external loans. The first is again subdivided into three classes, the permanent debt and loans for fixed periods, the floating debt, and the life annuity debt. The first comprises Rentes, the annual instalments payable to the railway companies, railway debentures, the five, six, and ten year *Défense Nationale* Bonds, *Crédit National* stocks, etc. In the second class are included advances by the paymasters general and by private persons; the departmental and municipal loans; the funds of the independent Deposit Bank, and the institutions which it manages; the funds of the Chambers of Commerce; Treasury and *Défense Nationale* Bonds: advances by

the Banque de France, etc. The life annuity debt consists mainly of pensions, civil and military.

The external debt, which began to accumulate from the early days of the war, is divided into the loans for fixed periods and the floating debt. The former debt is made up of advances by the American Treasury, the two loans of 100 million dollars each raised in the United States in 1920 and 1921; the loans raised in the United States by the municipalities of Lyons, Bordeaux and Marseilles; the loan raised in Japan; and the bonds delivered to the American Government in exchange for supplies.

The external floating debt consists of: French Treasury Bonds discounted by the British Treasury and the Bank of England, the Treasury Bonds issued in Japan, and banking credits opened in Spain, the Argentine, Holland and Uruguay.

The growth of the national debt since 1914 may now be considered.

On July 31, 1914, the National Debt of France, exclusive of the life annuity liabilities, consisted of the amounts shown below (in millions of francs):

Perpetual and for fixed periods ...	32,579
Floating ... ..	1,609
	34,188

Subsequently the necessities of the war constrained the Government to make frequent appeals to the public, and to foreign governments, friendly and allied, to which they freely responded. Thus, year by year the national debt increased enormously, so that the total debt internal and external (reckoned at par) amounted at the end of 1918 to Fr.153,000 mill., and on Dec. 31, 1919 to Fr.211,272 mill., made up as follows (in millions of francs):—

Internal perpetual and for fixed periods	98,636
Floating ... ..	79,236
	177,872
External (par value) ... ..	33,500
	211,372

Subsequently this debt was largely increased by the expenditure caused by the liquidation of war liabilities such as relief grants and allowances to the severely wounded; relief, lodging and transport of refugees; increased rates for old age and family allowances; and finally the cost of reconstruction of the devastated areas. Owing to these causes the total debt, as shown by the provisional statement annexed to the report of M. Henry Bérenger (reporter to the Finance Commission of the Senate), amounted on Dec. 31, 1923—four years after the signature of the Peace Treaty—to Fr.310,000 mill., made up as follows (in millions of francs):—

Internal Debt Perpetual and for fixed periods ...	184,000
„ „ Floating Debt ... ..	87,000
	271,000
Total Internal Debt ... ..	271,000
Total External Debt ... ..	39,000
	310,000
General Total ... ..	310,000

These figures show an increase in the national debt during the last four years of 99 million francs. This sum corresponds exactly to the amount expended by France on reconstruction owing to Germany's default.

#### TRADE

##### FOREIGN TRADE RETURNS.

The foreign trade returns for the first five months of 1924 as compared with the corresponding period of 1923 recently published by the Customs Board are shown below (in millions of francs):—

Imports.	1924.	1923.	Difference in 1924.
Foodstuffs ... ..	3,367.2	2,781.6	+ 585.5
Raw material for industry	11,191.7	7,525.7	+ 3,665.9
Manufactured goods ...	2,134.8	1,721.7	+ 413.0
	16,693.7	12,029.2	+ 4,664.5
Total ... ..	16,693.7	12,029.2	+ 4,664.5

<i>Exports.</i>			
Foodstuffs ... ..	1,717.2	1,234.5	+ 482.6
Raw material for industry	4,943.4	3,628.4	+ 1,314.9
Manufactured goods ...	10,895.3	6,144.2	+ 4,751.0
Postal parcels ... ..	803.9	659.3	+ 144.6
<b>Total ... ..</b>	<b>18,359.9</b>	<b>11,666.5</b>	<b>+ 6,693.4</b>

The *Journée Industrielle*, from which the above figures are taken, has this time departed from its usual custom of giving the figures in weight as well as in value.

It will be observed from the above table that both in imports and exports the figures in all the main divisions show an increase as compared with 1923. The increase of imports amounting to 38.8 per cent. and that of exports to 57 per cent. The increased value of the export of manufactured goods is especially marked being Fr.4,751 mill. or 77 per cent. These increases are mainly, but not entirely, attributable to the rise in prices, the direct consequence of the depreciation of the franc.

The excess of exports over imports during the period amounts to Fr.1,666.2 mill. as against an excess of imports of some Fr.362 mill. shown by the figures for the corresponding period of 1923.

The following table affords a comparison of the foreign trade figures month by month during the year (in millions of francs):—

	1924.	1923.
January ... ..	2,887.9	2,699.8
February ... ..	3,713.8	3,918.2
March ... ..	3,622.6	4,354.6
April ... ..	3,292.1	4,027.0
May ... ..	3,177.3	3,360.1

(*Journée Industrielle.*)

## GERMANY

### FINANCE

#### THE CONVERSION TO THE GOLD BASIS.

The vast majority of joint stock companies have not supplemented the statement of their accounts for 1923 with a gold balance-sheet, though nearly all of them emphasise the complete inadequacy of the information afforded to their shareholders by the paper mark figures. They usually seek to justify their timidity in not publishing a true balance-sheet on the ground that the necessary data are still lacking; the real reason is in the desire to let others make the first start, and in the fear of having to admit that all the apparent prosperity of the post-war years had not sufficed to prevent losses in real assets, both absolute and relative. Moreover, they are averse from facing the necessity of writing down capital, which in the first place is prejudicial to the reputation of the company, and in the second place is tantamount to the admission that their past policy with regard to capital has been at fault. Finally, they are actuated by considerations respecting their liability to taxation.

Of the companies whose shares are officially quoted on the Berlin Exchange only twenty-four have hitherto declared whether and to what extent they propose to write down their capital, and only about ten have published a gold balance-sheet. The companies are given in the following table, together with the new paper ratios of their share capital:—

Bremer Wool, 1:1; Rhine Chamotte, 1:1; Halberstadt-Blankenburg, 1:1; Silesian Mines, 12:5; Hanover Tramways, 5:2; Kalker Sewing Machine, 5:2; Silesian Zinc, 3:1; J. E. Reinecker, 10:3; Markt & Kühlhalle, 5:1; Falkensteiner Curtain, 5:1; Nordpark Terrain, 5:1; Lindes Ice Machine, 10:1; Volkstedter Porcelain, 10:1; Plauener Curtain, 10:1; Wegelin & Hübner, 10:1; Anglo-Guano, 10:1; Erlanger Cotton Mill, 10:1; Halle Machine, 12:1; Balcke Machine, 12:1; United Wurt. Timber, 25:1; New Guinea Co., 25:1; Phönix Tooth Requisites, 50:1; Carl Ernst & Co., 50:1; J. O. Preuss, 100:1.

It will be seen that only three companies are not writing down their capital at all; the Bremer Wool Co.

has even been able to issue a gold dividend of 6 per cent. On the other hand, companies founded during or after the war, like Phönix Tooth Requisites, United Wurttemberg Timber and J. O. Preuss, are conspicuous by heavy writing down, as also companies with large foreign interests, which suffered heavy losses through liquidation of assets. Instances of these are Carl Ernst & Co., which had already written down its shares by half in 1919, or the New Guinea Co. and the Anglo-Continental-Guano, which, though they had only doubled their share capital since 1914, have had to write down tenfold.

The question which arises, in what relation the new paper ratio stands to quotations on the Stock Exchange, may be analysed as follows: (1) Is the new paper ratio influenced by the current quotations, or (2) vice versa? (3) How do quotations after conversion to the gold basis compare with pre-war quotations? and (4) What is the valuation of a company under peace conditions?

As regards the first question the tendency apparently is to write down to an amount at which, judging by current quotations, future quotations in gold will be approximately at par. This view is supported by the case of three companies (J. E. Reinecker, Halle Machine and Nordpark Terrain) whose gold mark quotations are above par, and three others (Anglo-Guano, Silesian Zinc and Erlanger Cotton Mill) whose gold quotations are only slightly under par. Yet all these are companies whose position reveals no particular reason why their shares should in the future be quoted at parity. The policy adopted by these companies in the matter is unsound and will not prevent a heavy fall in their shares sooner or later. Anglo-Guano is a case in point and brings us to the second of the above questions. As soon as their new paper ratio was announced their shares fell heavily both in Berlin and in Hamburg, and were quoted at 8¼ as against 21.

As to the third question the comparison is a lamentable one. Of the twenty-four companies fourteen are under 50 gold per cent. and six are below 33. The average for the whole twenty-four is only 55¼ per cent. The average for those of them which were quoted in 1914 was then 170 per cent., so that the present average level is less than one-third of pre-war. With regard to the fourth question, while the companies set their gold share capital at a higher valuation than normal pre-war, the Stock Exchange values it on the average at about half. (*Vossische Zeitung.*)

### TRADE

#### FOREIGN TRADE IN ELECTROTECHNICAL GOODS.

The conditions governing the general economic position of Germany since the war have applied equally to the electrotechnical trade. A fresh start, so to speak, had to be made, and the foreign organisation, which suffered heavy losses by the sequestration of important works abroad, had to be constructed afresh. The recovery of the lost markets is of course still incomplete. The following is a comparative table of the exports of electrotechnical commodities:—

	1913.	1923.
	(In thousands of Marks.)	
Electrical machines, transformers, etc....	64,400	55,046
Accumulators ... ..	5,737	5,126
Cables ... ..	39,268	16,719
Insulated conductors ... ..	21,750	16,966
Glow lamps ... ..	48,114	32,441
Telegraphic, telephonic (including wireless), and signal apparatus ... ..	14,980	26,681
Lighting and power transmission appliances ... ..	74,047	70,012
Electrical apparatus for medical purposes	4,564	11,030
Measuring, etc., apparatus ... ..	24,230	29,538
Elect. cooking and heating apparatus ...	1,675	5,773
Electrotechnical coals ... ..	12,116	7,343
Other commodities ... ..	13,240	13,247
<b>Total ... ..</b>	<b>324,121</b>	<b>289,922</b>

In view of the general increase in the use of electrical commodities the decline in exports is considerable.

The decrease is mainly due to strong current commodities; weak current commodities, on the other hand, show a slight improvement. The foreign market has suffered by very large increases in the Customs tariffs of some of the most important recipient countries, especially Belgium, France, Italy and Spain. (*Deutsche Allgemeine Zeitung.*)

## INDUSTRY

### OUTPUT OF COAL IN MAY.

*Hard Coal.*—In the Ruhr the output in May was as follows (in thousands of tons):—

	1913.	1922.	1924.	Decrease per cent. 1922.
Total output ... ..	8,971	7,779	1,309	83.17
Per working day ... ..	370	299	50	
Coke production ... ..	1,924	1,888	569	69.86
Per working day ... ..	62	61	18	
Briquette production ...	400	297	62	79.21
Per working day ... ..	16	11	2	

The heavy decrease was due to the strike.

In the Upper Silesian district there was a strike lasting from May 7 till June 10, as a result of which the output was only 123,000 t., a falling off of about 900,000 t. Stocks of coal fell from 94,000 t. to 25,500 t. at the end of the month, and by June 17 they had again fallen to 20,000 t. Increased deliveries from abroad, particularly from Polish Upper Silesia, prevented a shortage of fuel in Germany. The imports from this district were about 600,000 t. more in May than the average for the previous four months. The coke production in May amounted to 42,000 t. and briquettes to nearly 6,000 t. In Lower Silesia the total output of coal in May was 475,000 t. compared with 425,000 t. in the corresponding month of 1923, and of coke 79,000 t. compared with 84,000 t. In Saxony, where there was also a strike, the output fell from 314,500 t. in May 1923 to 38,400 t., a decrease of 88 per cent.

*Lignite.*—In Middle Germany the production of lignite fell by 1 per cent. and of coke by 0.9 per cent. as compared with May 1923, while briquettes increased by 1.3 per cent. The figures are as follows:—

	1923.	1924.
Total output (in thousands of tons)...	7,473	7,398
Briquette production ..	1,869	1,893
Coke production ..	36.5	36.1

In the Rhineland there was a heavy increase in the output both of lignite and of briquettes. The output of lignite was 2.85 mill. tons against 1.9 mill. tons in May 1923, an increase of 49.7 per cent. and briquettes rose from 0.43 mill. tons to 0.64 mill. tons, an increase of 49.8 per cent.

## COMMUNICATIONS

### SHIPPING RETURNS FOR APRIL.

The seasonal revival of shipping activity and the departure of tonnage which had been held up by the strikes at Hamburg and Bremen accounted for the heavy increase of traffic at the 19 seaports during April as compared with March. Whereas the March traffic was about one-third less than in the corresponding month of last year, the April returns show an increase of five per cent. over those of April 1923. The coast traffic was double that of the previous month and about two-thirds larger than of April last year. The following table shows the tonnage from the different countries in thousands of tons:—

Country.	Baltic.	North Sea.	April total.	March total.
Germany ... ..	562.1	1,920.8	2,482.9	1,700.7
Great Britain ... ..	21.8	1,048.0	1,069.8	801.2
United States ... ..	59.0	393.7	452.7	288.6
Netherlands ... ..	21.3	421.0	442.3	281.5
Denmark ... ..	128.8	57.6	186.4	196.9
Norway ... ..	11.4	162.0	173.4	106.2
Sweden ... ..	116.7	46.8	163.5	166.9
Other countries ... ..	23.6	410.5	434.1	259.9

Total ... .. 944.7 4,460.4 5,405.1 3,791.9

Of the individual ports the traffic in Swinemunde was nearly four times as great as in March, in Emden nearly

three times as great, and in Königsberg over twice as great. The incoming tonnage at Hamburg was greater than either at Rotterdam or Antwerp, though the Antwerp total for the first four months exceeds that of Hamburg. (*Wirtschaft und Statistik.*)

## WIRELESS ORGANISATION.

The basis of wireless organisation in Germany is determined by the law relating to the Reich telegraphs, which reserves to the Reich the installation and operation of wireless stations. The Reich alone can give permission for private installations and its monopoly is protected by penalties. On practical grounds, however, licences and concessions are freely granted; for the slowness and rigidity of official methods are ill adapted to the requirements of modern wireless development either in regard to technique or to publicity. The Reich has therefore been content to retain its monopoly, its series of stations and its general control, while allowing considerable freedom to private enterprise. It is not always known that the Reich Post Office employs wireless for its telegraphic services. Many a telephone message and telegram is transmitted by wireless without the knowledge of the sender and without an extra fee. A private individual can, however, have his telegram specially transmitted through the Reich wireless stations on payment of a fairly high charge. For this service there is a central station at Königswusterhausen near Berlin and a large number of local stations scattered over the Reich. Latterly the Reich has also installed broadcasting stations in the principal towns. The operation, but not the ownership, of all these transmitting stations has been transferred by the Reich to private organisations. For instance, the overseas news service is worked by the well-known "Transradiogesellschaft," a daughter company of Telefunken Limited. The inland economic news service for which wireless is mainly used, is in the hands of Eildienst Limited, while the "Europaradiogesellschaft" is in charge of the economic news service to other European countries. Latterly the regular use of wireless telephony has been thrown open to the well-known news bureaux (W.T.B. and Telegraphen-Union), which employ the central station at Königswusterhausen for the transmission of their political news. Shipping wireless is under the control of a private company, the "Debeg," which owns its own stations on the ships.

Entertainment broadcasting is done from the Reich-owned broadcasting stations by private companies, such as, for instance, Funkstunde A.-G., Berlin, the Nordische Rundfunk A.-G., Hamburg, or the Mitteldeutsche Rundfunk A.-G., Leipzig. In each of these companies 51 per cent. of the capital belongs directly or indirectly to the Reich, not so much for purely financial reasons (there being little likelihood of profit in the immediate future) as to safeguard the public interest. In practice the influence of the public representation has been little felt. Of the monthly fee of Mk.2 paid by the public for listening in Mk.1.20 goes to the broadcasting company and Mk.0.80 to the Post Office. (*Hamburger Technische Rundschau.*)

## HOLLAND

### POLITICAL AND GENERAL

#### THE TARIFF ACT AMENDMENT BILL.

The Government has introduced a Bill in the Second Chamber to revise the Tariff. The law as it stands provides for a maximum import duty of 5 per cent. ad valorem, which it is now proposed to raise to 8 per cent. The intention at the back of the present Tariff was to admit raw material free of duty, to levy a duty short of the maximum on semi-manufactured goods, and to impose the maximum rate on manufactured goods. In practice, however, the Tariff disclosed serious flaws, which repeatedly led to arbitrary interpretation, with the result that frequently the wrong article was pro



ted. The new measure does not involve any radical alteration of the law, but it proposes to increase the number of articles to be admitted free of duty, and to apply the duty chiefly to what are known as "shop goods," or goods to be sold retail; but as it is not always possible to determine when articles cease to be shop goods the Bill proposes to fix a weight limit. Thus for articles in packet a maximum dutiable weight of 1,200 grammes is stipulated, and one of 5 kilogrammes for various apparatus. The Chamber may be relied on to pass the measure, as, the Opposition notwithstanding, it accepted the proposal of the Government to go into Committee on the Bill on July 2, and it is now confidently expected that the Bill will be passed and promulgated without material amendment before the coming of winter.

Since the middle of the nineteenth century, when the Liberals got the upper hand, Holland, says the *Gazette de Hollande*, has been a Free Trade country, with a maximum ad valorem duty of 5 per cent. on finished goods for revenue purposes. As long as the Catholic and Orthodox Protestant parties of the Right were in the minority, or temporarily held office, they consistently advocated a reversal of this policy, but at the general election of 1913, when Protection was the issue, they suffered a loss of 14 seats, with the result that their majority of 20 was turned into a minority of 4. Since then their advocacy of Protection has weakened considerably, especially since Rotterdam and Amsterdam, which are the main commercial and shipping centres, and therefore wedded to Free Trade, have to a large extent transferred their allegiance to the Conservative side. Active propaganda is now confined to the Catholic members representing Brabant, the textile and shoe-making industries of which have always favoured Protection; the remainder of the Right contenting themselves with a repudiation of the idea that Free Trade is the best policy under any circumstances, and the Minister of Foreign Affairs even going so far as to deny the need of high tariffs for the purpose of negotiating commercial treaties on more advantageous terms. During the past few decades the ratio of indirect to direct taxation has been modified to such an extent that the latter is now disproportionately heavy, and the present Bill aims at remedying this anomaly, with the result of a possible increased revenue of from Fl.10 to 20 mill. from Customs duties. With the exception of a very few articles which will be subject to a higher duty, all imported goods ready for retail trade are to pay an 8 per cent. ad valorem duty, but a certain number of articles serviceable for production or almost exclusively used by the less well-to-do classes will be exempt. There is every prospect of the Bill, which would fill an octavo volume of six hundred pages, finding its way on to the Statute Book. This will be equivalent to a declaration by Parliament in favour of Free Trade, which will presumably be confirmed as the established economic policy of the country for a long time to come. Other advantages are the simplification of the Tariff, and an increased revenue which may serve to relieve the burden of direct taxation.

FINANCE

REVENUE RETURNS FOR MAY.

In May the revenue from ordinary sources reached a total of Fl.39.9 mill. as compared with Fl.40.7 mill. in the corresponding month of last year. As one-twelfth of the total estimate for the year is equal to Fl.33 mill., the result is very satisfactory.

The first five months of the year have yielded Fl.174.3 mill. as against Fl.182.8 mill. in the corresponding period of 1923.

The War Profits Tax yielded in May Fl.120,510 as against Fl.567,294 in 1923, while the surtax levied on behalf of the 1914 Loan Fund gave a return of Fl.10.1 mill. as against Fl.10.5 mill.

THE REVENUE FROM ALCOHOL.

The *Algemeen Handelsblad*, in a recent leading article, is seriously concerned about the alarming returns published of the monthly revenue derived from the duty on distilled liquors. As our contemporary points out, this has always been one of the Treasury's chief sources of revenue, but if the decrease in the yield from this duty really pointed to a corresponding decrease in the consumption of alcohol in Holland there would, it says, be some ground for satisfaction. As a matter of fact, however, this is not the case. The revenues from the duty on distilled liquors amounted in 1921 to Fl.61 mill., in 1922 to Fl. 59.5 mill. and in 1923 to Fl.51 mill., while for the first four months of 1924 it is again Fl.1.5 mill. below the estimate. Statistics prove, however, that notwithstanding the rise in prices after the war the consumption of alcohol has increased rather than decreased. This is due to the enormous smuggling trade which is carried on in this article, enormous quantities of distilled liquors being smuggled into the country and sold cheaply. The *Algemeen Handelsblad* is of opinion that this evil could be met by lowering the duty. This has already been done, and for similar reasons, in the Dutch East Indies. Viewed superficially, it would seem that the State by so doing would be acting against its own interests, but in reality it would reduce smuggling, because the smuggled article would no longer be able to compete so advantageously, so that the Treasury would profit in the long run; and at the same time it would do much to prevent the abuse of alcohol.

TRADE

FOREIGN TRADE RETURNS FOR MAY.

The foreign trade returns for May are again on the increase, and compare favourably with those for the four preceding months, as a glance at the following tabular statement will show :—

	Imports.		Exports.	
	Tons.	Fl.	Tons.	Fl.
January	1,615,109	177,949,000	625,194	116,522,000
February	1,667,561	185,566,000	707,744	125,465,000
March ...	1,802,949	186,545,000	766,016	131,920,000
April ...	1,660,128	189,773,000	781,734	136,431,000
May ...	1,733,929	218,738,000	899,658	135,531,000

The above figures are exclusive of the trade in gold and silver specie and bullion. The adverse balance of trade, however, is not so satisfactory, being the highest recorded for any month of the current year. In January it stood at Fl.61,427,000; in February it fell to Fl.60,101,000, in March to Fl.54,625,000 and in April to Fl.53,342,000; but in May it jumped to Fl.73,207,000.

The following table from *In- en Uitvoer* (June 25) gives an analysis of the May returns according to the following categories of goods: (a) Live stock; (b) Foodstuffs for man and beast and beverages—(i) raw materials and semi-manufactured goods, (ii) manufactured goods; (c) Raw materials and semi-manufactured goods—(i) of animal origin, (ii) of vegetable origin, (iii) of mineral origin; (d) Manufactured goods; (e) Other goods; (f) Gold and silver specie and bullion :—

	Imports.		Exports.	
	Tons.	Fl. (1,000).	Tons.	Fl.(1,000).
(a) ... ..	667	371	2,582	1,918
(b) i ... ..	292,676	52,258	103,178	26,431
ii ... ..	103,013	21,639	95,792	39,325
(c) i ... ..	10,743	8,930	4,844	3,165
ii ... ..	148,369	34,579	39,194	12,077
iii ... ..	863,613	24,270	514,147	9,784
(d) ... ..	313,482	76,347	136,210	42,146
(e) ... ..	1,364	344	3,710	686
	1,733,929	218,738	899,658	135,531
(f) ... ..	2	134	63	15,515
Total ...	1,733,931	218,872	899,721	151,046

The value of the imports is the highest achieved since January 1921; moreover, it is Fl.61 mill. higher than in May 1921, Fl.25 mill. higher than in May 1922, and Fl.58 mill. higher than in May 1923. The imports of coal, coke and briquettes in May aggregated

425,301 t., of which Germany supplied 235,256 t., Great Britain 168,739 t. and Belgium 20,922 t., while exports totalled 219,136 t., of which 86,343 t. went to France, 64,111 t. to Belgium, 39,797 t. to Germany and 13,649 t. to Switzerland, in addition to which 69,183 t. were supplied to Dutch and 95,674 t. to foreign shipping.

## INDUSTRY

### ENGINEERING IN THE FAR EAST.

About four months ago, writes the *Gazette de Hollande* (June 27), it was announced that the *Nederlandsche Maatschappij voor Havenwerken* (the Dutch Harbour Works Company) had received an order for the construction of a quay wall at Hong-Kong. We now learn that the plans were originally drawn up by British engineers, but that the Dutch engineers considered it necessary to draw up entirely new plans, to which, after ample discussion and extensive correspondence, the preference was given by the British authorities there. At first tenders were called for for the British plans, but the *Nederlandsche Maatschappij voor Havenwerken* did not compete, and the result was unsatisfactory. Eventually the Dutch scheme was adopted and its execution entrusted to the company. The quay wall, which is to be 36 ft. deep and 1,760 ft. in length, will be completed in two years. It is being built to the private order of a sugar refinery at East Point, and the cost is estimated at about 1,800,000 Hong-Kong dollars. Most of the necessary material is available there, and the rest will be imported from Holland. The work will be carried out under the supervision of the local Public Works Department.

## HUNGARY

### FINANCE

#### IMPROVED REVENUE RETURNS.

In the first four months of the year the revenue from taxation has exceeded the estimates. At the same time the revenue which represents the security for the foreign loan, that is, the Customs dues, the salt monopoly and the sugar tax, has also exceeded the League of Nations' estimate. Direct taxes have improved from 4½ to 10 million gold crowns, the turnover tax from 27 to 47 millions and the indirect taxes from 3 to 12 millions. (*Central European Observer.*)

#### THE LEAGUE OF NATIONS LOAN.

The following remarks on Financial Reform in Hungary and the accompanying League of Nations Loan, by the present Minister of Finance, Baron Friedrich Korányi, are supplied by our Budapest correspondent:—

Subscription to the shares of the new Hungarian Bank (founded as a condition precedent to the advance by the League of Nations of 250 million gold kronen for reconstruction purposes), although open only for a short period, namely, from April 28 to May 7, was eminently satisfactory, especially when other claims on the restricted capital of the Hungarian nation are taken into account.

Under contracts entered into with various banking combines in London, Paris, Switzerland, Amsterdam, Stockholm and Brussels, the League of Nations Loan of 250,000,000 gold kronen, or £12,000,000, is guaranteed. London alone takes up £8,000,000 (two-thirds), being its original share of £4,000,000 and, thanks to the influence of the Bank of England, the share of equal amount which was to have been raised in the United States, but the subscription of which was not pressed owing to the unfavourable market conditions at present prevailing in that country. Other participants in the loan are: Italy, £1,300,000; Switzerland (Geneva, Zurich and Basle), £1,250,000; Paris, £1,250,000; Amsterdam, £250,000; Brussels and Stockholm, about £240,000.

As will be seen, the loan is already over-subscribed. In all markets the loan was well received, owing to its favourable terms. The participation of the Bank of England, however, is of such widespread importance to the restoration of Hungary's credit that its influence on the further financial and economic development of the country can scarcely be estimated.

The decision reached at Geneva that the League of Nations should guarantee the Reconstruction Loan and the execution of the accompanying scheme of financial reform has set its mark on history; and Hungary is once more afloat on the stream of international commerce. Thanks to the guarantee of its currency, hitherto impeded by the decline of its revenue, and to the coming suppression of restrictions on its trade, Hungary will be able gradually to regain its proper place in European markets. In spite of the peculiar geographical situation of present-day Hungary, it will henceforth be a land of varied and numerous economic activities, which in many branches give promise of unbounded possibilities of production. If, owing to a sound establishment of capital, which it is to be hoped will result from the League of Nations Loan, production is stimulated, it will certainly make rapid progress. Long neglected labour will once more be resumed and the workman will be adequately remunerated and his conditions of life improved. For many years has the creation of a National Hungarian Bank been the aim of economic effort, and this aim has now been attained, never mind at what cost.

A somewhat more concrete account of the Loan, also obtained through the good offices of our Budapest correspondent, is furnished by Dr. Ernst Makai, general manager of the *Innerstaetische Sparcassa A.G.* (the Inner City Savings Bank Ltd.).

The most important factor in the foreign relief for Hungary, writes Dr. Makai, is the grant of the foreign loan, the only means of balancing the Budget and stabilising the krone. In Austria also the foreign loan constituted the pivot of foreign pecuniary assistance, but the Austrian and Hungarian loan conditions differ materially, and much to Austria's advantage. The loan to Austria amounted to 500 million gold kronen, and was guaranteed by the participating Governments, while Hungary only received 250 million without any Government guarantee. It was also in Austria's favour that it contracted its loan in June and July of last year, but Hungary's loan will be issued at a time when the whole of Europe is suffering from an acute crisis. Nevertheless its success is undoubted, since, without foreign Government guarantees, Hungary is able to offer security material and moral quite satisfactory to her creditors. She has assigned as special subsidiary security for the interest and sinking fund, the gross proceeds from the Customs duties, the sugar duty and the tobacco monopoly, and the net proceeds from the salt taxes, which afford ample cover. Further, should these four sources fail to yield 150 per cent. of the sums required, other sources of revenue are to be placed at the service of the loan. As moral security is the management for the purposes of the loan of the revenue from the above sources by the General Commissioner of the League of Nations. He is endowed with very full powers, including power to transfer the management of the security and the collection of its revenue to a special administration, if under the administration of the Hungarian Government and contrary to any proposals made by him the revenue from the security should diminish. The League has in the interest of creditors provided for the time when the powers of the Commissioner shall lapse on the termination of the programme of financial reform, that is in two and a half years' time, by the appointment of special representatives of the interests of bondholders who shall continue to perform their functions until the last instalments of the loan shall have been repaid. At the conclusion of the General Commissioner's mandate all his rights, duties and functions shall be transferred to these special representatives.

As formerly in Austria, a portion of the loan is about to be issued in Hungary. Apart from increased taxation, heavy sacrifices have been imposed upon the nation in the interests of the financial relief afforded by the League. In the spring, when the increase of the note circulation was stopped, the Government issued a forced loan, based on a multiplication of income tax, which yielded 500 million paper kronen, and further raised a floating loan of 20 million Swiss francs from financial institutions and industrial undertakings by way of advance on the League of Nations loan. This advance, which will probably not be repaid during the present month (June), was intended temporarily to replenish the store of foreign currencies of the Foreign Exchange Department. On this operation followed the subscription to shares in the new issue bank, with a capital of 30 million gold kronen, subscribed almost entirely in Hungary, exclusively in foreign currencies, securities, gold and silver, Hungarian kronen not being accepted. Close upon this is to follow the subscription to the first series of the League of Nations Loan. First comes the issue of a loan of 10 million gold kronen, for the conversion into an internal consolidated loan of the advance of 20 million Swiss francs. But as this is the fourth financial burden imposed upon the public since the spring, it now behoves the Government to afford to it relief by the offer of certain advantages, among which might be included: the acceptance of Hungarian kronen in payment of subscription to the loan, the acceptance as security of bonds deposited with the National Bank, and exemption from taxation of sums invested in loan bonds. Such privileges would probably ensure the success of the loan in Hungary as well as abroad.

The above accounts may perhaps be usefully supplemented by the following summary by the *Central European Observer* of an article on the loan appearing in a Hungarian journal:—

The official *Pester Lloyd*, discussing the deliberations of the League of Nations regarding the international loan for Hungary, writes: The deliberations of the Council of the League of Nations have brought a series of agreeable surprises for Hungary. First of all is the circumstance that the general guarantee has been definitely abolished. Of still more welcome character is the statement made by M. Ter Meulen that the English money market will take over 80 per cent. of the entire loan of 12 million pounds sterling. (Here is repeated the account given by Baron Korányi of the taking up by English banks of the share of the Loan originally assigned to the United States.) Hungary is thus deeply indebted to England, and all the more so as the English market fixed conditions are considerably more favourable than those laid down by the American market. This circumstance is having a particularly good effect upon financial circles in Hungary. It is hoped that under English auspices the way to credits will be opened also for Hungarian private enterprise. Equally agreeable is the news that France too is ready to take part to some considerable extent in the Hungarian loan, and thus show her interest in the reconstruction of Hungary, particularly at a time when she (France) is largely occupied with complicated problems of internal concern.

The optimistic report made by the Commissioner-General, Mr. Jeremiah Smith, has favourably influenced the matter of the loan. Mr. Smith has declared that the finance measures so far taken by the Hungarian Government have met with results exceeding all expectations. The revenues of the State are rapidly increasing, the foreign trade balance is improving and great efforts are being made to bring down expenditure. Up to May 1 a further 30,000 State employees had been discharged.

To a gathering of pressmen Mr. Jeremiah Smith stated that besides England the following countries would participate in the loan to Hungary: Italy, Sweden, Holland, Switzerland, France and Czecho-Slovakia. The Hungarian loan would be definitely launched in the course of the next few weeks.

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# SWITZERLAND

## FINANCE

### THE BANK FOR ORIENTAL RAILWAYS, ZURICH.

The Board of Directors of this bank has decided to pay the bond coupons due on July 1, in spite of the fact that the bank has received no dividend or interest from its investments in Asia Minor railways since 1920. Payment has therefore again to be made out of capital, which the recent action of the Turkish Government has rendered of extremely uncertain value. The Directorate therefore proposes to call a meeting of the debenture-holders when the balance-sheet to June 30 has been drawn up, to place before them a full report as to the situation of the bank, and to invite them to appoint representatives on the Board. At the same time they will be asked to accept resolutions which will enable the Directorate to conduct negotiations with the Turkish Government without uncertainty as to the obligations which it will be called upon to perform. Such resolutions would particularly include the replacement of the existing fixed interest to debenture-holders by a variable interest dependent upon actual revenue, with the reservation that full retrospective payment of the interest will take precedence of all future payments to shareholders. (*Neue Zürcher Zeitung.*)

## TRADE

### FOREIGN TRADE IN SILK.

*Mitteilungen über Textilindustrie* gives the following information with regard to the import and export of silk goods in the first quarter of this year. Taking into account the very small volume of re-exports, the imports of raw silk show an increase over the corresponding period of last year. Grege amounted to 148,300 kg., as against 67,100 kg., organzin to 144,100 kg. as against 163,400 kg., and trame to 29,700 kg. as against 49,800 kg., giving a total of 322,100 kg. for the first three months of this year as compared with 280,300 kg. in the corresponding period of last year, though there is a slight decline as compared with the previous three months. Artificial silk imports on the other hand fell from 317,600 kg. to 284,200 kg.

With regard to the export of silk and half-silk fabrics the first quarter of this year shows an advance over the corresponding period of 1923, but a decline of 12 per cent. as compared with the previous three months. Prices declined considerably as compared with the whole of last year, probably on account of the increased use of artificial silk. The figures are as follows:—

	Kg.	Fr.	Average value per kg. Fr.
	(In thousands.)		
First quarter 1923 ...	454	45,846	100.98
Last quarter 1923 ...	586	54,484	93.00
First quarter 1924 ...	515	47,302	91.83

The English market fell considerably, but the Canadian was maintained. The German market was re-opened by the removal of the prohibition of imports, but the heavy Customs duties prevented any considerable development there. The export of silk and half-silk ribbons shows a considerable increase in volume, though here again the prices fell. The improvement was due mainly to the English market, which took well over half the total exports. The figures are as follows:—

	Kg.	Fr.	Average value per kg. Fr.
	(In thousands.)		
First quarter 1923 ...	132	14,552	110.58
Last quarter 1923 ...	109	11,494	105.35
First quarter 1924 ...	133	13,938	104.85

The export of silk purse cloth was about the same as in the preceding quarter and about 10 per cent. above the corresponding quarter of last year, while that of

artificial silk was 686,000 kg. as against over 700,000 kg. and 500,000 kg. respectively.

As regards imports silk and half-silk fabrics reached a total of 60,200 kg. of a value of Fr.5.2 mill. as against 52,400 kg. of a value of Fr.4.2 mill. in the corresponding quarter of last year. Two-thirds of the total came from France, while there was a considerable falling off in imports from Germany. The value of the artificial silk imports, which came chiefly from Holland, Germany and Italy, was Fr.5.3 mill. as against Fr.5.6 mill. in the corresponding period of last year. The average price per kilogramme was slightly higher than that of the Swiss product, while the reverse was the case in the first quarter of 1923. (*Neue Zürcher Zeitung.*)

## INDUSTRY

### THE WATCH INDUSTRY.

The Solothurn Chamber of Commerce Report for 1923 states that the beneficial effects of the State subsidies to the watch industry were even more marked than in the previous year. The number of unemployed belonging to the industry in the canton continually decreased till at the end of the year there was a distinct shortage of skilled labour, and the consequences of the migration of highly skilled operatives during the crisis began to be unpleasantly felt. The recovery of the industry in Solothurn has been more rapid than in other parts of French Switzerland, chiefly owing to the introduction of the fifty-two hours week: in Neuchâtel, where the hours were not increased, there remained some thousands of unemployed. In spite of the improvement, however, the situation of the industry cannot be described as rosy. With the exception of a few firms the majority lived from hand to mouth during the crisis, and the large number of liquidations forced prices down, as firms in difficulties were forced to realise stock at far below cost price for want of liquid capital. Moreover, during the good years it had been easy for workers without any commercial knowledge to start on their own, and they could produce considerably cheaper than the factory, their hours of work not being limited by law. Further, foreign customers, particularly Americans, came and opened their own factories in Switzerland, often doing a considerable turnover. Finally, towards the end of the year there was a rise in the cost of material which manufacturers and exporters were unable to reflect in their own prices.

In consequence of these various difficulties, the *Chambre Suisse de l'Horlogerie* took up the question of the reorganisation of the Swiss watch industry, and appointed a special commission to go into the matter. The commission circulated among the regional associations proposed rules and statutes for a Union of Swiss Watch manufacturers' associations, which were accepted, so that it was possible to proceed with the foundation of the Union at Neuchâtel early this year. The idea of the Union is to enable the manufacturers to present a united front to the suppliers of raw materials and to the wholesalers. In German Switzerland the Union was viewed with a certain amount of pessimism; an association was nevertheless formed there and became a member of the Union.

The export figures for the industry are as follows:—

	Number.	Value in Fr.
1921 ... ..	8,403,366	169,131,000
1922 ... ..	10,152,844	179,736,500
1923 ... ..	14,367,579	216,552,000

(*Neue Zürcher Zeitung.*)

### THE SHOE INDUSTRY.

The report of the Union of Swiss Shoe Manufacturers for 1923 states that the year was by no means normal. Whilst in 1922 the way seemed to be opened for a general recovery and stabilisation, the political events of the winter of 1923 again disturbed the atmosphere of confidence which had begun to reappear in the business world. In the home trade there was a noticeable stagnation towards the end of the year, of which the effects

continued to be felt in the early months of the current year. Increased imports and the holding back of trade through falling manufacturing prices are probably the main causes of the stagnation. Export continued to struggle against severe handicaps. The stagnation in the home trade necessarily brought about a rise of prices, which operated unfavourably on exports. Countries with low exchanges, especially Germany, practically ceased buying, while they were able to flood the Swiss market with their own commodities. Exports fell from 9,330 doppelzentner in 1922 to 6,102 dz. in 1923. The total export to Germany was about 10 dz., or about 1 per cent. of pre-war, while imports from Germany rose to about 40 per cent. of the 1913 figure. The total imports amounted to 5,889 dz., as against 3,682 dz. in 1922. An excessive increase of imports at the expense of the home industry was prevented by the restriction of imports. Whilst prices of leather tended to increase towards the end of the year, it was possible latterly to effect a considerable reduction in the price of shoes owing to the factories being fully occupied. Competition in the shoe industry has reached a decisive phase and the efficiency of Swiss production will be put to the severest test. (*Neue Zürcher Zeitung.*)

COMMUNICATIONS

REDUCTION OF RAILWAY FREIGHT RATES.

In the State Railway news bulletin a statement is given by the head of the department for commercial service of the State Railways, Herr Hess, concerning the question of the reduction of tariffs. He says that the present tariff rates are based on supplementary charges to the pre-war rates amounting to 175 per cent. for distances up to 100 km., to 105 per cent. between 101 and 200 km., to 20 per cent. between 201 and 300 km., and to 10 per cent. from 301 km. upwards. For the earlier sections of a long journey the corresponding higher rates are chargeable. The average increase works out at about 140 per cent., but for shorter distances it is 200 per cent. or more. These rates represent an increase considerably above that of the cost of food, but the increase of expenditure is also higher. Thus, with the total personnel about the same as in 1915, their cost rose from Fr.95 mill. to Fr.204 mill. in 1923. It has been calculated that each 1 per cent. reduction in the rates involves a loss of revenue of Fr.1½ mill.; the view of the railway authorities nevertheless is that if competition with abroad can be assisted at all by reducing the rates the reduction must be fairly considerable, otherwise there will simply be a loss of revenue without any corresponding increase of traffic or improvement in the economic situation. It is therefore proposed to reduce the supplementary charges as follows:—

Distance in km.	Percentage of increase.	
	Old.	New.
1 to 50	175	140
50 to 100	175	115
101 to 200	105	90
201 to 300	20	20
over 300	10	10

Assuming the traffic to remain the same, the loss from these reductions will be about Fr.25 to 30 mill. annually. It is not yet decided when the new rates will come into force, and it may not be for some time, but it has to be remembered that there has been a system in force for some years by which reduction of rates is already granted in exceptional cases. (*Neue Zürcher Zeitung.*)

ANSWERS TO CORRESPONDENTS

H.E.H. (Stroudsburg, Pa.)—The "Abundance," a storeship, was purchased for the Royal Navy in 1799 and carried sixteen 24-pounder guns; it was sold in 1823. Another vessel of the same name, an iron screw vessel, was purchased in 1855 and used as a bakery; it was sold in 1856.

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## SPECIAL ARTICLES

### HOME FOOD PRODUCTION.

By Professor J. W. SCOTT, University College, Cardiff.

The remarkable effort to combine great industry with the production of food for those who carry on the industry, which was described in the article on Farms for Factories in *THE ECONOMIC REVIEW* of May 30, is but the symptom of a tideway that is setting in in various parts of the world, of which the sooner our statesmen take account the better for us, and indeed for the whole future of industrial civilisation.

With industrialism a system of things has grown up such that every one of us, not excluding even the food-grower himself, has been moved away to a dangerous distance from his food supply. We are like an army too far removed from its base. In the gradual growth of division of labour, one of the very earliest divisions to be made was between the people who produced food and those who produced other things. One of the earliest exchanges is the exchange of wares for food and food for wares, and every step in the further dividing-up of the work of the world has confined the individual to a narrower and narrower line of food-producing or to narrower and narrower lines in the production of other things. Greater and greater has become the volume, that is to say, of the things he can *not* do; greater and greater the number of things he must have done for him. As time goes on and specialisation increases, the lever he has with which to induce the rest of society to provide for him—namely the special service he can render to it—becomes narrower and narrower. The chances that society may find it does not want that particular service any more; the chances, equally, that by some caprice or other it may suddenly come to set an altogether inordinate value upon it; both these chances become greater and greater with the development of industrial society.

The State in which each individual could "fend for himself" is so far back in the history of the State that it hardly occurs to the modern mind, trained by the classical theories of society from Plato downwards, to imagine it possible for us at this time of day even to attempt to snatch back our old independence in the way of providing for ourselves from this growing enslavement to one another. Indeed it hardly seems very ethical. For the whole idea of the community is supposed to be that we should minister to one another—give up the independent life where every man is for himself and adopt the corporate one, "each for all and all for each," as the phrase goes, and so advance.

Here is hardly the place to go into the pros and cons of that; in any case, the great lesson of efforts such as those of the Harpener Mining Company to farm the land on which their factory is standing, even to the point of breeding and rearing the very butcher's meat on which their clientèle of workers have to live, is none other than just the simple truth that independence is still possible, that amidst all the centralisation we have achieved it is still possible to draw a circle and place inside it an organised community, and get it to stand comparatively solidly on its own feet and be in a measure independent of the surges of the economic tides which vex the rest of the surrounding world.

The story of the Harpener Bergbauindustrie and the Eberswalde Brass Works is extremely thought-provoking. A factory apparently can draw a ring round itself, within which the actual physical sustenance of the workpeople carrying it on is drawn straight out of the soil by some of their own number told off for the purpose. We are not told, of course, that the factory is entirely a self-supporting organism. It cannot be. It still has its relations to keep up with the rest of the world. The flow of raw materials into it and the out-

flow of finished goods from it are essential to its life. The tides from the outside world still affect it. If the service it renders to the rest of the world ceased to be wanted, it would have to close down. Disputes between workers and management, too, would subject it to temporary stoppage. A financial crisis might interfere with its working, even if it weathered it through. Any such emergency would re-act on the lives of the individual workers. It might deprive them of the money wherewith to buy even the cheap farm produce which was in their own shops. But if the farm side of the work, the food-producing system, even approximates to self-support, the problem of tiding those people over an occasional period of distress is clearly brought sensibly nearer the dimensions of one within the powers of human forethought to solve. It has been done by the closeness with which the people of the factory have been brought to the resources of the soil.

And to make their independence greater still—to make it, in fact, as regards food, practically complete—all that is needed is that the factory workers be brought right up against the soil altogether. And this can be done. As far as one can gather from the article, it is already partly being accomplished. All the world over it is partly being accomplished by people who do not dream of how great a thing they are accomplishing. All that is needed is that *the independent unit should be the family instead of the factory.*

In a plea for scientific investigation into the conditions of a remedy for unemployment in *THE ECONOMIC REVIEW* of February 29 I tried to point out this line of research as one of the most worth while of all the lines open to scientific investigation in the present state of the world. We do not know yet—and we imperatively ought to know—how much is within the limits of possibility in the way of creating, not a huge factory which as a whole is independent in the matter of food, but a community of factory workers, each individual family of whom is independent in the matter of food. But the importance of the question is as obvious; and the number of problems to which it would offer a solution is so great that it is probably only a matter of time until all will see it as the one supremely important question now awaiting solution. An individual family needs, roughly, a supply of vegetables, fruit, eggs, meat, milk, butter, cheese, sugar and bread. The question is, how much of that varied order could a bread-winner create out of his own individual piece of soil with his own hands supposing he gave to it part of the work of every working day, while the other part continued to be given to the factory?

The great difference between the independent private garden and the independent large-scale farm is that the latter is still based on specialisation and exchange. In plain English the man still needs to buy his food with money on these conditions, even though it is 25 per cent. cheaper than elsewhere; and he is stranded if his pay stops. In the other case he is not working in his garden for a supply of money to buy food. He is directly creating the food itself—to the great advantage, needless to say, of family life, health, morals, and everything else that is worth prizing. The whole question, therefore, is how much of such home food production is combinable with work for wages in a factory by a man who does an ordinary factory working day?

In this connection it is highly important that new investigation should begin where the old left off; in other words, that we should know what has already been done and get the full advantage of it. How much has been already done in America, and for American conditions, by those who have interested themselves in the problem there will surprise, I venture to say,

most people who have not thought about the matter, and who have any taste for the soil—it will even surprise those who have no more than a lurking desire to reduce their own weekly family food bill by these means. The information is contained in a delightful book (to which I have previously referred), William E. Smythe's "City Homes on Country Lanes" (Macmillan & Co.).

A proper course of experimentation with these ends in view is, so far as I have seen or heard, yet to begin as far as this country is concerned. And I would venture to close by saying that if these lines should happen to meet the eye of any who think they might organise something like a "Homecroft" Settlement Scheme, to demonstrate practically the possibility of placing industrial workers in such a position that they will be within reach of an unfailing food supply of their own creation no matter what crises or cataclysms may come to disturb the world around them, I earnestly recommend to them the book I have mentioned.

## THE AUTOMOBILE INDUSTRY IN THE UNITED STATES.

The National Automobile Chamber of Commerce of New York recently produced a booklet\* which gives a striking account of the astounding growth of the Automobile industry in the United States. Only thirty years ago there were but two automobiles in that country, one on show as an object of curiosity in a museum and the other in a circus. Last year there was an output of 4,086,997 vehicles, including 3,694,237 cars and 392,760 trucks, of a value of \$1,693,808,282 and \$311,144,434 respectively; add to this \$247,443,541 from the sale of spare parts, accessories and pneumatic tyres, and we arrive at a total production for the year of \$2,804,952,716. This output entailed a consumption of 3,434,800 tons of iron and steel, 121,949,150 lb. of copper, 91,514,000 lb. of aluminium, 47,229,500 square feet of window glass, 60,000,000 square feet of leather, 547,468,544 lb. of rubber, 1,163,232,000 cubic feet of hard wood, 300,121,000 cubic feet of soft wood, 135,349,000 lb. of lead, 7,300 tons of tin, 6,275,000 lb. of nickel, 14,304,500 gallons of paint and varnish, 166,319,000 square feet of imitation leather, 19,036,000 yards of cloth, 30,389,000 yards of window curtains, 40,870,000 lb. of horsehair and 60,000,000 feet of asbestos. The total number of motor vehicles in the world in 1923 was 18,023,584, of which 15,092,177 (13,464,608 cars and 1,627,569 trucks) or 88 per cent. were in the United States. The number of makes of cars was 90 and of trucks 147, representing investments of capital to the tune of \$1,571,722,411; and there were 43,588 garages. The States with the most motors were New York, 1,204,213; California, 1,100,283; Ohio, 1,069,100; and Pennsylvania, 1,043,770—or one to every nine inhabitants in New York, one to every three in California, one to every six in Ohio and one to every nine in Pennsylvania. The exports totalled 328,999 vehicles, of a value of \$15,092,177.

As a manufacturing industry, writes Mr. Walter P. Chrysler, President and Chairman of the Board of Maxwell, Chalmers and Chrysler Motor Corporations of Detroit, in *Popular Finance*,† the automobile business is exceeded only by slaughtering and meat packing and by petroleum in the value of its products. And where would petroleum be without the motor car? Most people instinctively think of steel as the most important of all manufacturing industries, but steel is fifth. Foundry and machine-shop products is fourth. The motor industry is the third largest rail shipper of manufactured articles. Refined petroleum and its products—by-products of the automotive industry—is first, with bar and sheet iron, structural iron and iron pipe second. The automotive industry has made possible the greatest

of all construction industries—road building. The automobile industry ranks first in the value of its annual output among those industries making finished products. Including its allied industries—petroleum, road building and steel—the automotive industry is the largest of all industries and employs 12 per cent. of the entire population of the United States. Moreover, the motor car has become a recognised source of tax revenue; in 1923 a total of \$155,000,000 was paid in taxes to the Federal Government alone.

Passing from generalities to the statistics of separate States, Mr. Chrysler cites California as an object-lesson. The estimated population of that State in 1923, he says, was 3,805,153. Nearly four hundred thousand of that number of people paid taxes on \$1,168,021,448 net income in that year. They also bought enough cars and trucks to bring the total number of registered vehicles within the State to 1,093,660, which is second to New York only. In the number of passenger cars alone, California with 1,050,265 leads the country. Of that number 33 per cent. are Fords. Does that seem high? The truth is that California, next to the last, has the smallest proportion of Ford passenger cars to total passenger car registrations of any States.

Appended are the sales of the first ten companies doing the largest business in California in 1923:—

Ford	...	74,787	Dodge	...	10,681
Chevrolet	...	39,925	Overland	...	5,929
Buick	...	14,164	Maxwell	...	5,357
Studebaker	...	13,861	Willys-Knight	...	4,319
Star	...	11,652	Nash	...	4,033

These ten makes were manufactured by eight different companies. In 1922 a total of 150,628 cars—169 makes in all—were sold in California: in 1923 a total of 224,262 cars—122 makes of cars—were sold. This shows a great increase in the number of cars, but a decrease in the number of makes, which is one marked tendency in the industry to-day. It is a remarkable fact, too, that though some dealers have allowed as much as two years in California in which to pay for cars, repossessions have been less than 1 per cent.

Just because a State has a car for every family is no reason, Mr. Chrysler continues, why anyone should be concerned with the future of the motor-car business in that State. Replacement business alone, that is the replacement of the entire year, is sufficient to keep factories going at maximum production. . . . Instead of having reached the saturation point, it might safely be said that the motor car industry has only begun to make itself felt. Motor cars are no longer a pleasure, a luxury, but a necessity, part of every-day life, and just as rent, heat, light, food and clothes are essential commodities used by the family and paid for out of current income, so with motor cars to-day. The automobile is the most important modern tool for the transportation of people and distribution of goods. Transportation by motor car is an essential commodity used by the family and is properly purchasable out of current income, because the car represents an asset of continuing value.

In a final note Mr. Chrysler points out that in many parts of the Dominion of Canada you will find practically every make of American car, and this in spite of the fact that Canada has a tariff of approximately 50 per cent. on American cars to protect Canadian motor car manufacture.

The New Settlers' League of Australia favours not only co-operative agriculture, which apparently gives good results and affords plenty of opportunity for the settler when allied to the group system, but also sheep-farming in preference to fruit-growing. It is far cheaper and gives quicker returns, as it yields an income in the first year whereas fruit entails a five years' wait. The share-farming system might well double Australian wool production without even adding a penny to the price of wool, and there should be room in Australia for a hundred and twenty million sheep.

\* "Facts and Figures of the Automobile Industry."

† A New York periodical published monthly. Price, 25 cents.

## THROUGH THE REVIEWER'S EYES

*An Elusive Panacea or a Quagmire of Inheritance Taxation—and a Way Out.* By Albert W. Atwood. (Princeton University Press. London: Humphrey Milford. Price, 6s. net.) Of all taxes which produce a substantial revenue a well-devised death duty is probably the least burdensome both to the payer and to the collector. In America, however, inheritance taxation is cunningly contrived to violate every one of the four maxims laid down by Adam Smith and every other canon of sound taxation which it is possible to imagine. In addition to the Federal Authority, which levies a flat rate of its own much to the chagrin of the States, each State, with the exception of two, takes a further toll based on the most diverse scales and on the most inconsistent theories of liability. The scales vary from a few per cent. up to a sixth, fifth or in some instances almost a third of the whole estate, and may be subject to alteration from year to year. As to liability there are at least three theories, which may best be illustrated by the following example. If a New York man buys Rock Island Railroad securities, and places the stock in his safe-deposit box in a Boston Bank, inheritance taxes on that stock left as part of his estate would be collected in four States as well as by the Federal Government. New York would collect because of his residence there; Massachusetts would collect because his securities were deposited in that State; Iowa and Illinois would share because the Rock Island is incorporated as a domestic corporation in both States. Not only does the estate suffer grievous and inequitable diminution in this way, but the inter-State claims are often the subject of expensive litigation. For instance, a man domiciled in New York proceeds to Connecticut to inspect the new residence which he has just had built there. He then returns to New York to complete the sale of his existing residence, but innocently refers to it as his "home" in a telegram which he sends to his valet while on the way, and dies on arrival. That word "home" then becomes the subject of interminable litigation between the States of New York and Connecticut. Moreover, though the Federal Government will accept payment of the duty in Liberty Bonds, all the States demand cash, which involves heavy loss to the estate through the forced realisation of securities. Finally, the avidity with which every State pursues the minutest fraction due to it out of a large fortune is apt to involve costs far exceeding the return. In consequence of this petty procedure both the courts and the tax bureaux are habitually swamped, by which much delay and injustice is caused to the heir. And it should be added that at the hands of many States charitable bequests receive no better consideration than the private heir. In this book, which is a reprint of two newspaper articles, Mr. Atwood describes the complex ramifications of this Gilbertian system, and, having regard to the obstinacy of the States in refusing to relinquish their claims, advises Life Insurance as the most adequate protection. J.C.J.

*Notes on the Economic and Financial Situation of Angola.* (Issued by the Agency for Angola in London by command of the High Commissioner and Governor General.) This informative booklet is a businesslike survey of the economic possibilities of Portugal's too little known colony on the West Coast of Africa, a territory of 480,000 square miles in the sub-equatorial belt of the Tropics, with a population of some five million inhabitants. It enjoys the enviable reputation of having an excess of exports over imports. In 1922 the volume of exports was 83,689 tons as against 57,801 tons of imports, of a value of 111,395 as against 87,218 contos. As compared with 1920 the increase in exports amounted to 25 per cent. in volume and to 446 per cent. in value, although, as the writer very fairly points out, this latter increase is largely attributable to the depreciation of the currency; at the same time it must not be overlooked that there has been a steady increase in the

export of such valuable products as coffee, cotton, palm kernels and other commodities. In the first six months of 1923, however, imports aggregated 42,481 tons of a value of 92,524 contos, and exports only 31,994 tons of a value of 62,093 contos; but this adverse trade balance is accounted for by the excessive rainfall which disorganised road and railway traffic, by the necessity of reconstructing the Loanda railway, and by the maritime strike in Portugal which lasted nearly three months, while the development of the colony under Government and private auspices necessitated exceptional imports of railway material, plant for harbour works, cement and other building material, collapsible wooden bungalows, motor cars and lorries, material (imported from the United Kingdom) for the building of eighty-three miles of track by the Companhia de Amboian, and machinery for sugar mills, oil extracting works and match factories. The leading sugar concern is capable of producing 10,000 tons a year, while coffee, the most lucrative of Angola's tropical products, accounted for 10,304 tons of exports in 1922. The average export of palm kernels is 7,404 tons, of palm oil 3,176 tons, of hides 658 tons, of dried fish 5,437 tons, and of maize 27,419 tons. The northern part of the colony produces tobacco equal in quality to first-class Sumatra leaf; cotton is already yielding 800 tons a year, while the pests from which this plant suffers in other countries have not yet made their appearance in Angola; and with regard to wheat, after exhaustive experimentation a variety has been found, exempt from disease, which within the next four years will be capable of providing for the whole of the requirements of the mother country. Close attention has also been paid to the cultivation of sisal and other agaves and of the baobab, while the exploitation of the valuable timber resources of the colony has only been retarded by the lack of transport facilities. Angola, too, has rich diamondiferous deposits, with an ascertained reserve of a million carats and the probability of seven or eight million carats, the stones, though not large, being of excellent quality. The geological survey of the colony also points to the existence of oil, and prospecting operations are being carried on with the aid of both British and American capital. There are ample indications, too, of the presence of copper, gold, coal and iron in payable quantities. Finally, as evidence of the financial soundness of the administration, revenue covers expenditure, after ample provision has been made for the service of the loans. In conclusion, it is pointed out that the policy of the Angola Government is to grant mining, agricultural and industrial concessions on a profit-sharing basis, subject to participation in the capital of the concessionaire companies. For further information the reader is referred to the publication itself, which will repay examination. W.

*The World Unbalanced.* By Gustave Le Bon. (London: T. Fisher Unwin, Ltd. Price, 12s. 6d. net.) M. Gustave Le Bon holds a position which is rapidly becoming unique. His output in literature subjecting politics and public affairs to psychological treatment is great. No other modern psychologist has attempted to bid so boldly or repeatedly during the last twenty-five years for popular favour. "The World Unbalanced" is his latest attempt to capture or lure the European public into the web of his social psychology. A reader acquainted with the work of Prof. McDougall or of Dr. James Drever will not like the new volume. It attempts, too sweepingly, to apply principles which, at the present stage reached in psychological research, scarcely permit in use a method of treatment which is unblushingly dogmatic as well as categorically interpretative. A student is perplexed and bewildered in the study of individual psychology. In contemplating a "group-mind," as typified by a community, a nation, or the world, it is a very brave man who will venture to submit



even elementary conclusions about its being. The subject at present is both hazy and obscured. But, M. Le Bon asserts, "In this domain progressive evolution remains feeble. The feelings of ambition, jealousy, ferocity, and hatred which animated our first ancestors remains unchanged." He goes on then to anticipate Destiny and tells us: "Future historians, meditating on the causes of ruin of modern societies, will then no doubt say that they perished because the sentiments of their defenders did not evolve as rapidly as their intellects." In other words, under a thin veneer of spurious civilisation man remains essentially a savage, and a State denotes little, if anything, more than a barbaric horde. To quote M. Le Bon again: "Never have nations hated each other as they do to-day. If will-power were enough to kill men, Europe would be a desert." Such a confession of faith is adhered to by more believers than M. Le Bon. Not in France alone has the Age of Reason proved a figment of such stuff as dreams are made of. Conceding for the purposes of argument that the motives of men and States are propelled by the non-rational elements of nature, we shall the better understand and appreciate the utility of it as a guiding principle when we see to what use the philosopher puts it. "The World Unbalanced" surveys very thoroughly the vast fields covered by Politics, Sociology and Economics, all of them now in the grip of post-war problems and the aftermath of ten years' unproductive expenditure. Every page is provocative and suggestive. It is an arsenal of shot and shell for the anti-Socialist. Believing, as the author does, that man remains dominated by primitive instincts, he makes a formidable counter-attack to that of the revolutionary spirit upon modern institutions. To him Socialism or Bolshevism personify the prevalence of man's vicious nature, "the feelings of ambition, jealousy, ferocity and hatred." It will not be difficult for many of us to agree that here the principle unfolded above has an intrinsic utility. Not so easy for us to acquiesce is it when M. Le Bon's chauvinism leads him to criticise Great Britain and the British Empire in the light of his principle. "The World Unbalanced" more than whispers *la perfide Albion!* M. Le Bon is an apologist for the French Ministry which fell last month. We imagine it had a greater claim on his affections than psychology. It had no time or use for British policy. Neither has our author. The dilatory procedure on the question of Reparations is obviously provoking to France. M. Le Bon singles out this country for the acid test. Of German policy during the past four years, he says: "It was supported by England, who was not anxious to see German money passing into French hands instead of finding its way into British commercial funds." And again, "England has lost one of her best customers in Germany. That is why she strives at all costs, even at the cost of France, to restore the economic condition of her old customer." British adherence to the idea of the League of Nations invites more subtle comment. "England respected the utopias of President Wilson and received solid realities in exchange for her tolerance. Gaining immense territories, which made her the greatest beneficiary of the war, she had no interest in opposing those parts of the treaty which did not concern her." We commend to M. Le Bon's perusal the unemployment returns in this country for the last four years, as well as the information he can glean from the records of this country's sea-borne trade. In conclusion we will cite another passage which is so weighted that its function is only to perpetuate evils M. Le Bon professes a wish to cure. "The World Unbalanced" makes overtures to Islam while retaining a sinister eye upon British influence there. Thus he comments upon Mesopotamia and the creation of the kingdom of Iraq: "In British policy utility has always been put before friendship, and no notice was taken of the observations of the French Government. The new sovereign was installed at Baghdad with great pomp, and, as an exceptional privilege, the King of England sent him a letter of warm congratulation.

This thinly disguised annexation of one of the world's countries richest in oil figures among the numerous gains with which British diplomacy has, since the end of the war, endowed England. English soldiers have been replaced by engineers who exploit the country for the benefit of Great Britain." This is the psychological method in the hands of M. Le Bon, and on such topics he is happiest using it. He believes in the "power of ideas," a weapon forged by man's rational nature and intellect; let him then not seek to exploit too extensively the non-rational element in others, individuals or nations, lest, in so doing, he reveal his own subservience to those predatory instincts discoverable in primitive man, and, in betraying himself, betray his country also.

H.J.H.

The Chelsea Publishing Company's business premises are an attractive place of resort for all who appreciate a good book or a fine drawing and desire to make additions to their libraries or portfolios on however modest a scale. They will find a good selection of books and prints there on view and work by new artists displayed. Visitors are always welcome at 16, Royal Hospital Road, Chelsea, S.W.3, and the Principals are willing to consider manuscripts of works on Social Reform, Essays, Poetry and Fiction.

### PUBLICATIONS RECEIVED.

*The Journal of Political Economy*, June 1924. (The University of Chicago Press. Price, \$4 per annum; single copies, 75 cents.)

*Stocks of Staple Commodities*. By J. M. Keynes. (London and Cambridge Economic Service. Price, 5s.)

*The Twenty-third Financial and Economic Annual of Japan*, 1923. (Tokyo: Government Printing Office.)

*Works Councils in Germany*. By Marcel Berthelot. "Studies and Reports," Series B (Economic Conditions), No. 13. (Geneva: International Labour Office. Price, 2s. 6d.)

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# 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	Bd. of Tde. Monthly Average	Date	10 Com- modities	Bd. of Tde. Monthly Average	Date	10 Com- modities	Bd. of Tde. Monthly Average	Date	10 Com- modities	Bd. of Tde. Monthly Average
1920.											
Jan. 16	367.9	296.6	Sept. 15	161.2	154.3	July 27	175.3		Mar. 21	180.4	
Feb. 13	367.6	310.3	Oct. 13	161.2	155.2	Aug. 3	171.7		28	177.1	
Mar. 19	396.9	319.0	Nov. 17	169.3	157.6	10	173.5		Apr. 4	176.3	
Apr. 16	384.6	325.2	Dec. 15	161.2	155.8	17	174.6	154.5	11	178.1	
May 14	391.2	325.5	29	162.6		24	168.4		18	177.5	
June 18	417.7	322.5	1923			31	168.0		25	175.8	164.7
July 16	418.8	316.9	Jan. 5	162.4		Sept. 7	168.4		May 2	172.0	
Aug. 13	386.8	313.1	12	162.8		14	173.2	157.8	9	170.9	
Sept. 17	379.4	311.4	19	163.2	157.0	21	173.8		16	171.2	163.7
Oct. 15	328.6	302.3	26	165.3		28	171.2		23	169.5	
Nov. 19	293.0	286.9	Feb. 2	166.9		Oct. 5	166.1		30	171.2	
Dec. 17	257.0	263.8	9	168.7		12	164.2		June 6	167.5	
1921			16	177.2	157.5	19	166.0	158.1	13	167.1	
Jan. 14	244.2	245.9	23	181.1		26	165.8		20	167.8	
Feb. 18	219.1	225.2	Mar. 2	184.8		Nov. 2	166.4		27	167.6	
Mar. 18	199.0	210.8	9	188.2		9	170.4				
Apr. 15	202.8	204.8	16	192.4	160.3	16	171.7	160.8			
May 12	204.3	201.7	23	189.3		23	175.6				
June 17	201.8	197.7	30	188.9		30	177.4				
July 15	194.4	194.1	Apr. 6	192.2		Dec. 7	175.4				
Aug. 19	178.1	190.0	18	197.4	162.0	14	177.0	163.4			
Sept. 16	183.4	187.0	20	198.5		21	175.5				
Oct. 14	170.2	180.7	27	202.9		28	176.8				
Nov. 18	154.5	172.8	May 4	198.7		1924					
Dec. 16	153.2	167.9	11	197.5		Jan. 4	174.8				
Dec. 30	150.0		18	198.1	159.8	11	176.4				
1922			25	197.6		18	178.6	165.4			
Jan. 20	144.0	164.0	June 1	193.1		25	180.0				
Feb. 17	149.2	161.8	8	191.4		Feb. 1	181.1				
Mar. 17	149.8	160.0	15	190.0	159.3	8	186.8				
Apr. 14	151.7	160.1	22	183.1		15	187.9	167.0			
May 19	162.1	160.6	29	180.6		22	185.9				
June 16	163.6	159.9	July 6	177.3		29	186.8				
July 14	165.1	160.3	13	177.9	156.5	Mar. 7	184.4				
Aug. 18	164.0	156.3	20	177.3		14	182.1	165.4			

CHART ILLUSTRATING TABLE I.

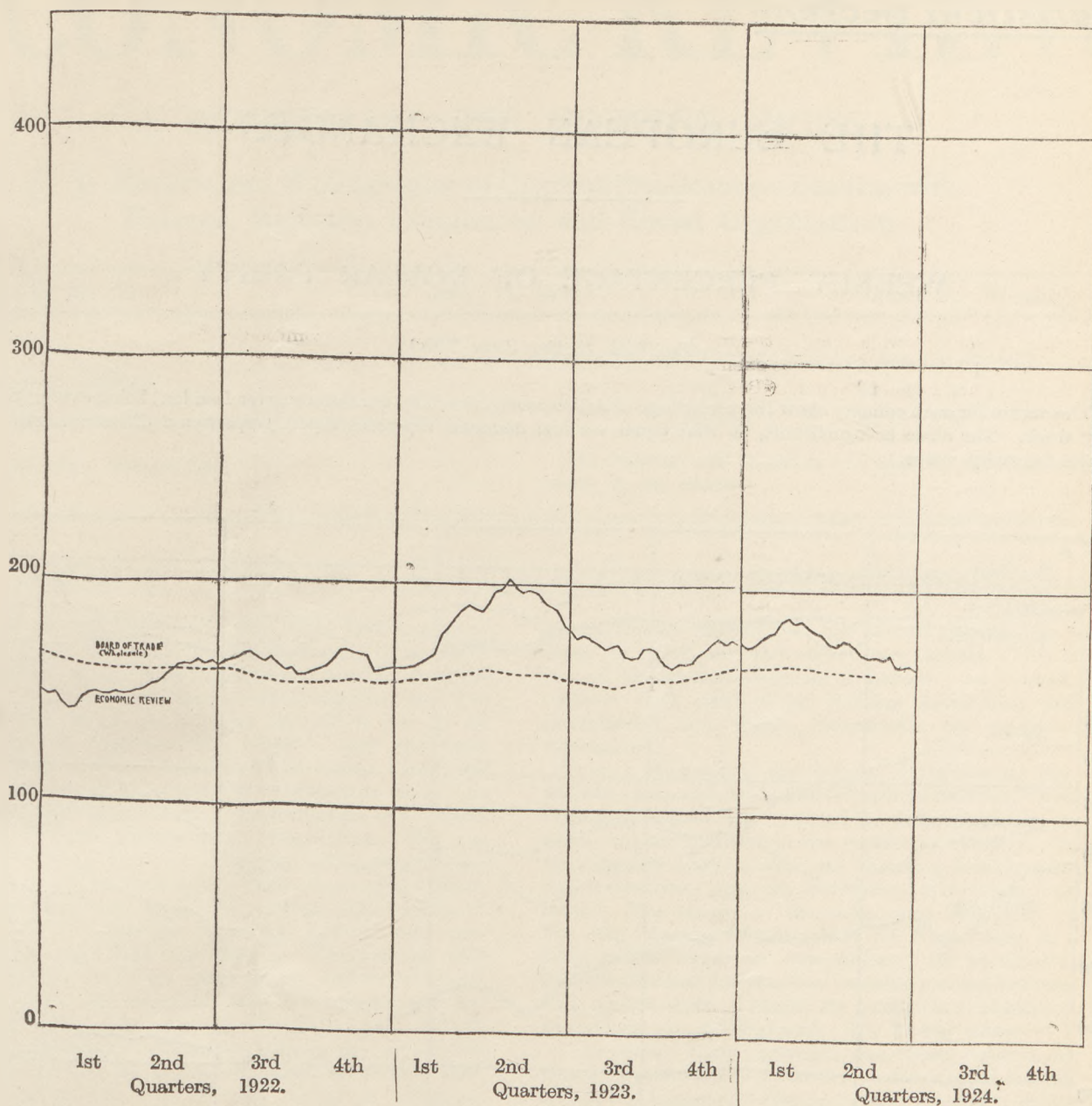


TABLE II.

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.												
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
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
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. 29 ...	94.3	95.2	92.9	135.1	105.9	117.8	96.4	82.8	104.0	134.6	105.90	... Sept. 29
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
Dec. 29 ...	89.4	106.7	91.5	138.6	126.0	120.0	93.5	90.4	89.7	138.5	108.43	... Dec. 29
1923.												
Jan. 19 ...	91.3	106.1	95.3	135.1	132.4	122.2	93.5	91.7	89.7	130.8	108.81	... Jan. 19
Mar. 16 ...	113.2	139.6	141.5	143.9	138.9	124.4	94.2	88.6	84.2	214.4*	128.29	... Mar. 16
May 18 ...	110.8	117.9	128.3	166.7	120.2	137.8	102.9	102.7	91.2	242.3	132.08	... May 18
July 20 ...	102.6	108.1	100.0	154.4	129.5	126.7	89.9	105.9	80.1	184.6	118.18	... July 20
Oct. 12 ...	93.4	117.1	90.6	150.9	136.4	126.7	84.8	83.0	66.2	145.9*	109.50	... Oct. 12
Nov. 16 ...	97.2	127.4	97.2	149.1	165.8	128.9	87.0	86.2	73.5	132.7	114.50	... Nov. 16
Dec. 14 ...	101.4	138.5	92.5	150.9	173.5	133.3	84.1	93.3	69.1	143.2	117.98	... Dec. 14
1924.												
Jan. 18 ...	100.5	146.9	94.3	154.4	164.1	137.8	88.4	91.7	69.1	143.2	119.04	... Jan. 18
Feb. 15 ...	96.7	163.4	96.2	171.9	159.6	151.1	91.3	100.4	65.8	156.1	125.25	... Feb. 15
Mar. 14 ...	94.3	166.6	98.1	138.6	143.0	151.1	89.1	105.1	71.0	156.8	121.37	... Mar. 14
Apr. 18 ...	99.1	142.2	100.0	133.3	160.4	153.3	87.7	99.6	71.3	136.5	118.33	... Apr. 18
May 16 ...	96.7	129.5	87.7	132.5	151.2	153.3	88.4	102.8	75.0	124.3	114.14	... May 16
" 23 ...	94.3	121.9	86.8	134.2	150.9	153.3	89.9	103.6	77.1	118.2	113.02	... " 23
" 30 ...	93.4	124.8	84.9	136.8	155.0	153.3	89.9	105.1	80.5	117.6	114.13	... " 30
June 6 ...	93.4	126.9	83.0	137.7	154.5	142.2	90.6	105.9	84.2	98.0	111.64	... June 6
" 13 ...	92.5	128.9	81.1	140.4	147.3	142.2	92.0	106.7	83.5	99.3	111.39	... " 13
" 20 ...	89.6	128.2	79.2	143.0	146.8	142.2	92.0	106.7	87.5	103.4	111.86	... " 20
" 27 ...	92.0	131.8	77.4	143.0	144.6	142.2	92.0	106.7	83.1	104.7	111.75	... " 27

\*Revised Quotation.

## Statistical Section

# THE EUROPEAN EXCHANGES

## WEEKLY PERCENTAGE OF DOLLAR PARITY

(To Week Ending June 28th.)

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.

