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THE BURDEN OF DIRECT TAXATION.

Of the numerous questions of immediate public concern which come within the purview of the Colwyn Committee on the National Debt and the Incidence of Taxation, perhaps the most far-reaching, as well as the most controversial, is that relating to the income tax. Each year, as the time for the introduction of the Budget approaches, the groans of the income taxpayer can be heard above the confused clamour for the re-shuffling of burdens. He would, of course, have little objection on personal grounds to paying 4s. 6d. in the £ or even reverting to 6s., were it not that the public interest in the shape of industry and commerce must inevitably suffer from so high a levy. It is to be hoped that the Committee's report, when it is issued, will afford some satisfactory basis for determining whether, after all, the income tax payer is so anxious for the public interest, and so indifferent to his own; and faltering Chancellors will also no doubt welcome the removal of the onus of having to judge that for themselves.

Meanwhile we must confess that we are not impressed with the arguments which are employed to urge the reduction of the tax on grounds of public benefit. They appear to be, in the main, three: first, that it is largely responsible for high prices, and therefore unemployment; second, that it restricts spending, and thus further swells the volume of unemployment; and third, that it discourages saving, and thereby operates unfavourably on the investment of capital in industry. The first argument was used in particular by Mr. P. D. Leake in a letter to *The Times* of August 16. According to him a proportion of the tax is passed on by the employers in higher retail prices. He does not hazard an opinion as to what the proportion is, but he evidently implies that it is no mean one. This may no doubt be true in respect of one man businesses, but it is highly questionable whether it has any effect worth mentioning in the case of limited companies, especially public companies, which are wont to concern themselves with gross, rather than net, dividends. But it will hardly be contended that privately-owned businesses are any longer so large or numerous as to exercise any appreciable control of prices. And it may be confidently affirmed that income tax has much less influence on the course of prices than indirect taxes like customs and excise.

The second argument is not true at all. Taxation does not restrict spending, but merely changes its direction. It may be unpleasant to the individual to be compelled to forego a motor car in order to contribute towards the cost of a cruiser; but the construction of cruisers swells the volume of trade and employment just as well as the construction of motor cars. And it must be remembered that a very large part of present taxation consists merely in transferring purchasing power from those who do not hold Government loans and bonds to those who do. Heavy taxation probably restricts private spending to some extent, but it certainly swells the total national expenditure, and this brings us to the third and most pertinent of the arguments above mentioned. The class which pays income tax is that which is principally entrusted with saving out of the national income. It is probable almost to a certainty that the present level of income tax curtails the saving of the average individual a good deal more than it curtails his spending. The curtailment of individual spending, as we have seen, is a matter of small public moment, but a lack of sufficient saving might well be disastrous to industry and commerce. Up to the present, however, there is little evidence of a shortage of capital available for industrial investment, if we are to judge by the subscription, and occasionally the oversubscription, of capital issues. Practically the only case for the reduction of the income tax is its detrimental effect upon saving; but if, in spite of the tax, sufficient continues to be saved in order to meet industrial requirements, even that case falls to the ground. Moreover, large volumes of capital are exported abroad annually, and, as long as we can support the luxury of exporting capital, the case for reducing the income tax becomes weaker than ever. For it is not the fault of the tax if investors starve the home market in order to flood the foreign. Nor must it be forgotten that part of the interest payable on the Debt is re-invested, which means that to a corresponding extent the income tax merely converts the potential savings of one person into the actual savings of another. Until, therefore, evidence is forthcoming that industry is hampered and depressed by the failure of the public to provide its capital requirements, it must be assumed that the income tax is not dangerously or unduly diminishing the volume of national saving.

It is unfortunate that the heavy income tax should be stigmatised as Socialist or class legislation, as not infrequently happens. Having regard to the magnitude of annual expenditure which we are compelled to face it is difficult to see how the necessary sums are to be raised with less economic disturbance. The distribution of burdens which is best calculated to combine economic advantage with social justice is doubtless a matter of opinion, and should receive elucidation in the report of the Colwyn Committee. It is highly undesirable from a social point of view that any section of the community should escape its fair share of the burden; but there is a strong *prima facie* case for the view that the present tax on private incomes is, for the time being, at any rate, less detrimental to the industrial and commercial interests of the country than taxes which must be more conducive to an increase in the cost of living, and thereby reduce our capacity to compete in the world market. A direct tax on industry, like the now fortunately defunct corporation profits tax, or the turnover tax in Germany, stands in quite a different category from that on private incomes, and is certainly to be deprecated. The income tax is infinitely less pernicious than anything in the nature of a capital levy, and its success is the strongest bulwark against Socialism. We are glad to note that it has competent spokesmen before the Colwyn Committee.

ECONOMIC SURVEY

FRANCE

POLITICAL AND GENERAL

M. Poincare on the London Agreements.—During the debate in the Senate on the London Agreements at the conclusion of which the Government obtained a vote of confidence by a large majority, the ex-Premier, M. Poincaré, subjected the agreements to an exhaustive criticism.

In opening, M. Poincaré reminded his audience that he himself had agreed to the Dawes plan, which had only been accepted by Germany owing to the pressure put upon it by the occupation of the Ruhr, which the speaker asserted had been very productive, as was demonstrated by the following figures.

During the first four months of 1924 Fr.697.4 mill. had been levied in cash, which, after deducting Fr.12.8 mill. for expenses, had left a net cash balance of Fr.684.6 mill. Belgium, Italy and France had received reparations in kind to the value of Fr.541.9 mill. The administration of the railways had given a net yield of Fr.99 mill. After deducting Fr.57.6 mill. for supplementary occupation expenses there remained to be divided among all the Allies a total net sum of Fr.1,267.9 mill. This result was so substantial that not one of the Allies renounced its share, wherein they were within their rights. The speaker advocated the appointment of a special commission for distributing this amount among the Allies subject to the proviso that the cost of occupation incurred by France should be previously deducted, as was only fair. In any case the net amount collected during the first four months of 1924 had opened the eyes of the experts as to Germany's hidden wealth and had not been without influence on the decision of the Dawes Committee.

M. Poincaré then set to work to refute the argument put forward in certain quarters, notably by the Socialist, M. Blum, that the scheme proposed by Mr. Bonar Law in January 1923 was more advantageous to France than the Dawes Scheme.

In the first place, the Bonar Law scheme assessed Germany's economic capacity once and for all without allowing for its ultimate development and prosperity, thus fixing it at the moment most unfavourable to the Allies. On the other hand, by the admission that the factor of Germany's increasing prosperity should be taken into account, involved in the creation of an automatic means of recording it, the Dawes scheme constituted the best criticism of the Bonar Law scheme, and proved itself to be fairer and more advantageous. The Bonar Law scheme took the declaration of Germany's default out of the hands of the Reparations Commission, a course followed by the Conference of London, whereas the Dawes scheme left to the Commission the supreme authority on this point. Finally, while both schemes allowed a moratorium to Germany, the Dawes scheme insisted on security productive of revenue, which the Bonar Law scheme did not. The experts knew that Germany would accept their scheme, but would she have done so if it had not been for the occupation of the Ruhr? The Dawes scheme rendered the German debt negotiable and grouped her creditors, but so long as the bonds were not taken up and only promises existed France should not have released her security until these promises had been fulfilled. The Dawes scheme assigned certain revenue to the payment of interest on these bonds, such revenue to be paid directly to the appointed payment agents, but the Bonar Law scheme contained no such guarantee. Further, the Dawes scheme transferred the railways to a special organisation supervised and controlled by the Allies, but Mr. Bonar Law would have been horrified at the suggestion that such a sacrifice should be imposed upon Germany. No such sacrifice could have been demanded before the occupation of the Ruhr. Therefore render unto the Ruhr that which is the Ruhr's.

The speaker then proceeded to criticise the amendments introduced into the Dawes scheme at the London Conference. The scheme had proposed no amendment of the Treaty of Versailles on the question of Germany's default, but M. Herriot had done so by allowing that no default should be declared except in the presence of an American representative. In the matter of reparations default could be declared on a majority of votes and this majority had always been obtained by France, but this had been altered in London. M. Herriot seemed to expect a great deal from the appeal to arbitration which he had proposed, but in the speaker's opinion the Reparations Commission was quite competent to decide on the question of default without the appointment of a special Arbitration Board consisting of neutrals, but it was difficult to see how neutrals were more competent to appreciate matters of which they were ignorant than the Reparations Commission, which alone had full cognisance of them. In fact arbitration signified in practice a complete abandonment of the right to declare default. Any consent to this amendment of the Treaty should have been postponed until the bonds had been taken up. Once more France had renounced an advantage without compensation.

The most disastrous result of the London Agreement was the evacuation of the Ruhr, which should not have been agreed to until the bonds provided for by the Dawes scheme had been taken up. If these bonds were not placed, the whole edifice erected by the experts would fall to the ground. Moreover, the evacuation would also react on the problem of inter-Allied debts. Mr. MacDonald had, in February last, agreed that the cognate questions of reparations and debts should be examined together, which had always been the French contention, and had been maintained in 1921 when the schedule of payments was drawn up in London. Abstention from fixing a date for the evacuation would have been an inducement to Germany to facilitate the working of the scheme. Before evacuation at least the general lines of the future commercial treaty between France and Germany should have been ascertained. It had recently been rumoured that Mr. MacDonald had insisted on being informed of the terms of the arrangement with Germany. (This was denied by M. Herriot.) As regards security, no reliance could be placed on Germany's good faith or on the compact of guarantee of the League of Nations.

The London Agreement, declared M. Poincaré in conclusion, was an edifice built on very shifty soil, namely, Germany's honesty. That country would continue to repeat more and more vigorously that she had not signed the Treaty of Versailles of her own free will; as if France had signed the Treaty of Frankfort of her own free will. It was to be hoped that democratic Germany would respect the recent agreements better than imperial Germany had accepted previous agreements. France would have done better, before opening to Germany so large a credit of trust, not to have given up her advantages.

FINANCE

A Forecast of the 1925 Budget.—An anonymous contributor to the *Journée Industrielle* gives the following forecast of the main taxes of the coming Budget.

The Government has contradicted a rumour to the effect that the Finance Bill for 1925 would include a revision of the assessment of existing taxes and the creation of fresh resources in substitution for the 20 per cent. surtax and other taxes such as the turnover tax. But a reference to the recent election speeches of the Radicals and Radical Socialists, who command the majority in the Chamber, makes it quite clear that they promised the suppression of the surtax, and if not the suppression, at least a thorough revision, of the turnover tax. On the other hand, a formal undertaking has been given to raise the cost of living allowance to Government officials to Fr.1,800. It is difficult to gather from the preliminary work on the next Budget whether these promises will be fulfilled in the Finance Bill which is to be introduced at the end of September. The departmental estimates are not yet ready, but the Government has announced that, with the object of curtailing expenditure, the Premier and Minister of Finance will proceed to examine them afresh as they come to hand. In order to accomplish this task they may rely upon the tripartite commissions attached to each ministry in pursuance of the Act of June 30, 1923, whose reports will be co-ordinated and summarised by M. Louis Marin, reporter to the Commission of National Economy.

It is premature to speak of a revision of the assessment of taxes before the revenue with which expenditure is to be met has been ascertained. It is undeniable that the Government intends to amend the turnover tax, but in what form is not yet known. The suppression of the 20 per cent. surtax is less certain. No doubt concessions will be granted to Government officials, but as to their extent it will be necessary to wait until the special commission appointed for the purpose has terminated its labours. Both the Premier and the Minister of Finance have formally announced the intention of introducing a balanced Budget. During the London Conference these ministers were in a position to appreciate the extreme interest taken by British and American financiers in the balancing of the French Budget. It is not therefore to be supposed that they will draw up a haphazard Budget or one subversive of the whole French fiscal system. It is probable that the Government's programme will consist of a strict balancing of expenditure by revenue without borrowing, save for reconstruction purposes.

On the other hand, according to the *Information Financière*, the Government and the Finance Commission of the Chamber are engaged in the preparation of a Budget on an entirely fresh basis involving the suppression of the 20 per cent. surtax.

The *Matin* learns that among the measures contemplated in order to make up for the revenue thus lost figures the abolition of the right enjoyed by those liable to income tax to deduct from their income the tax paid by them for the preceding year.

TRADE

Payment of Bills of Exchange by Cheque.—Before adjourning for the recess Parliament passed an Act authorising payment of bills of exchange to be made by cheque instead of in cash as hitherto prescribed by Clause 162 of the Commercial Code, and making the necessary provisions for the protection of the drawer in case of the cheque being dishonoured.

The advantages of the new Act as set out in the *Journée Industrielle* are the following. It will reduce the note circulation during a number of days in each month and will relieve manufacturers and traders, who will not be obliged to withdraw large sums from their banks on their bills reaching maturity. A number of banks, including the Banque de France, have decided to facilitate as far as possible the settlement of bills of exchange by cheque. This has already been permitted to a large extent by the Banque de France, and the new Act will render general this mode of payment. Of course the drawees may, if they so desire, discharge their commitments partly in cash and partly by cheque, but so that each method of payment shall be apportioned among a given number of drafts in such manner as to avoid the payment of any one simultaneously in cash and by cheque.

German Reparations Propaganda. — Considerable anxiety is being caused in industrial circles by the result of the London Agreement carrying with it a return to reparations in kind, looked upon as a menace to certain branches of French industry. The *Nord Industriel*, the mouthpiece of the manufacturers of the industrial north, gives the following account of the organised efforts being made by the Germans to place their goods in France under cover of reparation payments.

Germany is quite ready to supply to France all that that country requires. Germany is able to work cheaply because she has discarded the eight-hour day and has reorganised her productive machinery on the most up-to-date lines. This is one menace; another lies in the vigorous advertising campaign which has been carefully prepared ever since the prospects of the Dawes scheme coming into operation appeared likely to be realised. At present the Leipzig Fair is being vigorously boomed by means of millions of illustrated pamphlets, leaflets and catalogues despatched to all parts of the world, including France. Simultaneously a carefully prepared commercial offensive is being launched in France with an eye to the coming operation of the scheme for payment in kind. In a certain town in the department of the Aisne extensively engaged in embroidery, the representative of a German combine of textile machinery manufacturers has been established for some time, and from this stronghold he bombards the textile manufacturers of the whole of Northern France with illustrated catalogues, leaflets and prospectuses. The above-mentioned industrial review gives in extenso an example of one of these prospectuses urging French textile manufacturers, victims of the invasion, to take time by the forelock by placing at once their orders for machinery in Germany under the scheme of reparation payments in kind forming part of the Dawes plan. The prospectus also refers to the coming into operation of the future commercial treaty yet to be negotiated between France and Germany, accompanied by the urgent advice to prepare their plans and give their orders at once. This prospectus omits nothing of a nature to attract the attention of manufacturers and lays special stress on the yield of the machines supplied by this syndicate. Its tone is obviously conciliatory and friendly and its appeals insistent. Further, the representative of the combine cordially invites all the manufacturers of the North to which the prospectus is addressed to take part in an excursion into Germany, visiting all the twenty-seven textile machinery factories owned by the combine and winding up at the Leipzig Fair and the textile exhibition at Dresden. The times of departure from Paris and Brussels (the prospectus is also addressed to Belgian manufacturers) and of the arrival at the various destinations in Germany are set forth, together with an undertaking to obtain the visa of passports for Germany.

It is well known, adds the writer of the article, that since reparations are no longer paid in cash, French manufacturers, victims of the invasion, when they do not find their plant in France, seek it by preference in Germany. They are obviously not going to buy it in England with the pound sterling at Fr.83 when Germany offers advantages with regard to the exchange. This perhaps explains the present uneasiness of British manufacturers, who have hitherto refrained from insisting upon their rulers supporting France in her claims for payment by Germany in cash.

Champagne Sales in July.—The number of bottles of champagne, properly so called, sold and despatched during the month of July was 2,440,323, of which 1,116,588 in France (38,528 from Châlons, 516,898 from Epernay and 561,162 from Rheims), and 1,323,735 abroad (Châlons, 6,490, Epernay, 452,903, Rheims, 864,432). The number of bottles of ordinary sparkling wine sold during the same month was 340,693. The figures for June were: champagne, 2,064,845, of which 1,099,909 to France and 962,936 abroad, and ordinary sparkling wine, 352,699. (*Exportateur Français.*)

INDUSTRY

July Coal Output in the North and the Saar.—The following table shows the output of coal and coal products in the mines of Northern France in July (in 1,000 tons):—

	July			June		
	Coal.	Briquettes.	Coke.	Coal.	Briquettes.	Coke.
Mines to west of field ...	839	14	58	779	10	56
*Pas-de Calais ...	751	20	39	684	21	34
*Nord	584	109	70	536	99	67
	2,175	143	167	1,999	130	157

*Devastated.

The increased production in July as compared with June may be ascribed to the fact that the former contained two extra working days. The average daily output in July was 83,667 t. as against 83,315 t. in June, 83,245 t. in May, 82,400 t. in April, 80,993 t. in February, and 60,239 t. in January 1923. (*Nord Industriel.*)

The output of the Saar mines in June amounted to 1,674,304 t. as against 1,117,770 in May, being 1,020,268 t. from the mines worked by the French Government and 27,036 t. from the leased mines. The average daily output was 45,533 t. as against 46,472 t. in May. Of this output 74,335 t. were consumed by the mines, 40,320 t. delivered to the workmen, 18,379 t. delivered to the coke works attached to the mines, and 957,669 t. sold. The stock in hand at the end of June was 84,443 t., or 43,599 t. less than at the end of the preceding month. The output of coke by the annexed coke works was 14,111 t. and the stock in hand at the end of the month 1,457 t.

At the end of June the number of workers was 56,015 underground, 5,687 surface, 2,542 in the attached works and 3,925 engineers and clerks. (*Journée Industrielle.*)

Morocco Phosphates.—The trade and financial Press has of late revived the discussion of the important question of phosphates. The *Information Financière*, from which this article is reproduced, reminds its readers that it had predicted in 1922 that the sale of North African phosphates during that year would exceed that of 1913, a prediction which has been proved to have been justified, the sales having amounted to 2,655,909 t. as against 2,453,255 in 1913. In 1923 results were still better, the amount exported being 3,077,994 t., the figures for the first half of 1924 showing yet a further advance. In these conditions it is absurd to talk as some do of a phosphate crisis. The decline in price is due to its voluntary reduction by certain mine owners with the object of selling off more quickly.

But what those concerned, especially shareholders in phosphate companies, desire to know is the probable influence on the market of the output of Morocco, and to what extent it may check the progress of the phosphate companies of Algeria and Tunis.

The amounts sold through the Imperial Moroccan Office were 80,000 t. in 1922 and 185,000 t. in 1923, and will probably exceed 350,000 t. in 1924.

As regards the future output of the Protectorate, it may be computed that, apart from the unforeseen, its phosphate sales will reach 450,000 t. in 1925, and top the half million in 1926. From 1927 onwards an important increase may be achieved, and the Imperial Office may be reckoned on supplying some 750,000 t. to European purchasers during that and the following year, and the million tons will probably not be reached until 1929, an amount far below the fantastic figures predicted in various quarters.

Turning to consumption in connection with production Europe consumed 4,387,000 t. in 1913, 3,996,000 t. in 1923, and will probably consume 4,300,000 t. in 1924, a decline of 100,000 t. as compared with the pre-war figure, due to the falling off of consumption by Central Europe from 1,311,000 t. in 1913 to 500,000 t. in 1923. But as soon as Central Europe, notably Germany, resumes its pre-war consumption, which it will probably do in the near future, Europe may be expected to absorb 5 mill. t.

The output of North Africa for 1929 as compared with 1924 may be estimated as follows:—

	1929.	1924.
	Tons.	
Tunis	3,000,000	2,650,000
Algeria	800,000	700,000
Morocco	1,000,000	350,000
	4,800,000	3,700,000

European consumption in the same year may be estimated at 5,600,000 t., so that pending the further development of output in Morocco, Europe will still have to apply to America and Australasia. (*Journée Industrielle.*)

The Dye Industry.—The French dye industry, the foundation of which dates back no further than 1919, has shown satisfactory progress. The annual output since that year is as follows (in tons): 1920, 7,056; 1921 (crisis year), 5,869; 1922, 8,067; 1923, 10,000; 1924 (estimated on the basis of the returns for the first six months of the year), 16,000. Imports have shown a corresponding decline, having fallen from 5,888 t. in 1920 to 1,371 t. in 1923, or from 46 per cent. to 12 per cent. These are estimated to attain no more than 5 per cent. in 1924. This calculation takes no account of exports. (*Journée Industrielle.*)

SOCIAL AND LABOUR CONDITIONS

The Employment of Foreign Labour.—The shortage of skilled labour already apparent before 1914 and still further increased by the losses of the war has caused foreign labour to be engaged both for reconstruction purposes and in ordinary industry. Returns of the immigration and emigration of labour have been issued by the Minister of Labour, but the former falls short of reality owing to the smuggling in of workmen and the freedom allowed to agricultural labourers and miners. The figures are: Entry of foreign workmen into France, 1922, 183,472; 1923, 262,877; 1924 (first six months), 121,393. During the first six months of the current year 20,298 foreigners left the country, which leaves a net balance of over 100,000 workmen entering during the period. The highest number of arrivals in a month was 29,009 in April, and the lowest 10,095 in January; May shows 24,646 and June 17,965. In spite of this supply the latest statistics show that 1,200,000 more workmen are still required for the needs of national industry.

Complaints have frequently been heard of the poaching of foreign workmen by employers other than those who originally engaged them, from whom they have been enticed away and induced to commit a breach of contract. The Court of Béthune has recently given judgment and damages in favour of two coal companies against another employer for enticing away into his employ three Polish workmen engaged and employed by the said companies. The judgment is important in that it places in a special category foreign workmen under contract brought into France at the expense of the original employer.

The following documents should be produced by any foreign workmen seeking employment: an employment contract or a true and certified copy thereof; a certificate from his late employer releasing him from his engagement; a certificate of identity; his workman's card (issued by the police); his passport and registration certificate. Any foreign workman not in possession of these papers or at least of his passport, identity certificate and certificate of release from his engagement is not in order, and he may be assumed to have broken his contract with his employer, in whose hands he has probably left his identification papers. In no case must such workman be hired without the authorisation of the registry offices attached to the Ministry of Labour. Every workman who on examination shall have been found to have broken his contract should be refused employment everywhere, in which case he will have no option but to resume his broken contract. (*Exportateur Français, Journée Industrielle.*)

Family Allowance Funds.—In May of last year there were in France some 120 compensation funds comprising 7,600 undertakings and distributing about 92 millions in allowances for children on behalf of some 800,000 workmen. To-day the figures are: 9,300 undertakings, a million workmen, and 128 million francs expended on allowances.

This rapid progress is due to the rise in the scale of allowances, whereunder the average monthly allowances to children have risen from Fr.15.73 to Fr.19 for one child, from Fr.36.78 to Fr.46 for two, from Fr.63.36 to Fr.81 for three, and from Fr.92 to Fr.124 for four. (*Exportateur Français.*)

COMMUNICATIONS

Railway Earnings.—The earnings of the leading railways for the first seven months of the year (January 1 to August 4) as compared with the corresponding period of the preceding year are shown below (in millions of francs):—

	1924.	1923.	Difference in 1924.
State	718.3	599.3	+ 119.0
P.-L.-M.	1,340.2	1,116.2	+ 224.0
Nord	790.8	698.3	+ 92.5
Orléans	647.3	565.7	+ 81.5
Est	693.1	607.0	+ 86.1
Midi	322.4	281.7	+ 40.6
Alsace-Lorraine ...	433.2	285.5	+ 147.7

(*Information Financière.*)

Compensation for Loss Paid by the Railways in 1923.—In reply to an enquiry by the *Journée Industrielle*, the leading French railways have supplied the following figures relating to the amounts paid on claims for compensation for deterioration, theft and loss of goods in 1922 and 1923 respectively (in millions of francs):—

	1922.	1923.
Alsace-Lorraine	2.4	2.3
Est	22.2	12.7
State	21.5	14.1
Midi	10.0	6.1
Nord	11.1	10.8
Orléans	17.1	13.2
P.-L.-M.	52.1	30.2
Ceinture	2.0	1.2

Orders for Rolling Stock in Germany.—An outcry has been raised in engineering circles by the intention attributed to the Government of placing orders in Germany for large quantities of rolling stock under the head of reparations in kind.

Thus, complains the *Journée Industrielle*, will the French rolling stock industry, which is just beginning to recover from the serious crisis which it has experienced since the war, once more bear the brunt of the arrangements contemplated by the Government. It should not be forgotten that after the armistice large quantitites of rolling stock left in France by the British and Americans were taken over by the leading railways and that in addition several thousands of carriages, trucks, vans and locomotives of German origin, constituting what is called "Armistice" stock, have been delivered by Germany under the account repayments in kind. The effect of these deliveries since the armistice has been to cause an appreciable falling off in their orders in France. At the present time the rolling stock branch of the engineering industry, including works turning out spare parts, with its reduced output, still employs 150,000 hands, who, if the Government sends to Germany in the next few months orders which should be placed in France, will find themselves on the street.

If reparations in kind are to be paid at all, continues this critic, they should take the form of raw material and not of manufactured goods to the detriment of French industry.

The *Nord Industriel*, which takes up the tale, declares that this proposed step by the Government will deal a severe blow to Northern France, where engineering in the Valenciennes district and the Valley of the Sambre has for many years past specialised in rolling stock construction. The construction of locomotives in the district rose from 250 or 300 engines in 1904 to 600 or 700 in 1914. It was badly hit by the war, as its chief works lay in the invaded area. Since the reconstruction of these shops their production has recovered, and now exceeds the pre-war figure. But in order to sell this output markets must be found abroad. The construction of other kinds of rolling stock is in a similar position. From the above facts may be judged the extent of the injury to be inflicted on this thriving industry if orders for rolling stock are to be placed in Germany.

The clamour raised by this alleged intention has doubtless reached the Government, as a communication has been issued by the Minister of Public Works justifying the proposal on the ground that it is in no way new, being merely an execution of the Loucheur-Rathenau agreement of 1921, whereby the German Government undertook to repair 6,000 worn-out trucks, etc., and to supply 6,200 new ones, the second part of which agreement has not yet been carried out owing to the difficulty of deciding upon the type of truck required. The London Agreement will enable the Government to demand railway stock of every kind from Germany, but no official decision has as yet been taken, and before doing so the Government will take counsel with the representatives of the French rolling stock works.

GERMANY

FINANCE

July Revenue.—Revenue from taxation in July shows an increase, entirely attributable to the quarterly payment of income and other direct taxes falling due at the beginning of the month. In spite of an appreciable decline in departmental revenue the surplus has risen to 86.9 million marks, which, this time, has only to a very small extent (Mk.5.1 mill. as against 26.6 mill. in June and 121.1 mill. in May) been used in keeping up the price of the gold loan. The following table shows the yield of the main sources of revenue (in millions of gold marks):—

A.—TAXES.	June.		July.	
(a) Property and Business.				
1. Recurrent—				
Income on wages	96.1		108.5	
Other income	55.6		85.0	
Corporation	20.9		24.8	
Property (including land tax, special emergency tax, and increment tax) ...	12.7		15.7	
Turnover	134.6		169.4	
Transfer of property (including tax on Stock Exchange transactions)	10.6		11.5	
Transport	23.7		20.7	
Various	21.6		27.4	
Total recurrent taxes ...	375.8		463.0	
2. Non-recurrent	2.6		3.6	
		378.4		466.6
(b) Customs and Excise.				
Customs duties	22.0		27.2	
Tobacco	36.1		45.2	
Beer	17.7		21.2	
Spirits	1.5		1.1	
Sugar...	8.7		13.5	
Wine	6.2		6.5	
Others	1.3		1.2	
		93.5		115.9
(c) Various taxes		0.6		0.5
Total		472.3		583.1
B.—STATE RAILWAYS.				
Passengers and luggage ...		109.5		118.7
Goods		159.8		158.9
Various		12.7		17.6
		282.0		295.2

Revenue and expenditure for the periods indicated below are as follows (in millions of gold marks):—

	Revenue.			Expenditure.			
Period. 1924	Taxes.	Departmental.	Total.	Remitted abroad.	Departmental.	Total.	Balance.
1st quarter	1516.8	81.2	1598.0	423.5	934.5	1357.9	+240.1
2nd quarter	1514.8	161.1	1675.9	578.7	908.4	1487.1	+188.8
June ...	472.3	57.4	529.7	179.6	324.9	504.5	+ 25.2
July ...	583.1	39.1	622.2	198.4	336.9	535.3	+ 86.9

(*Wirtschaft und Statistik.*)

The National Debt.—In July the National Debt underwent some alteration. The paper mark debt (exclusive of the war and pre-war loans) was, owing to the giving of increased security in connection with Treasury Bills, nearly doubled. The amount of the gold loan and Renten Mark Treasury Bills has declined. Advances from the Renten Bank for the purpose of improvements to land and public works has doubled. In all, the National Debt (without counting the mark loans and the K and E funds) amounted at the end of July to Mk.1,624.2 mill. as against Mk.2,283.7 mill. at the begining of the year. After deducting the unused balance of the Rentenmark loan the National Debt at the end of July amounted to Mk.1,270.3 mill. Details of the National Debt are shown below (in millions of gold marks):—

Class of Loan.	1923. Dec. 31.	1924. Mar. 31.	1924. June 30.	1924. July 31.
I. Mark loan	2.2	0.0	34.7	67.3
II. Other currency loans :				
A. Dollar Loans—				
Treasury warrants in dollars	210.0	210.0	210.0	210.0
6% Redeemable 1935 ...	500.0	281.9	43.0	42.0
6% Redeemable 1932 ...	371.5	250.1	8.0	4.0
Total A	1081.5	742.0	261.0	256.0
B. Floating Debt—				
Renten Bank Advance without interest ...	200.0	200.0	196.5	196.5
Renten Bank Interest bearing	1000.0	900.0	1000.0	1000.0
Renten Bank Improvement Loan	—	—	3.0	6.0
Renten Mark Treasury Bills	—	147.8	132.9	98.4
Total B	1200.0	1247.8	1332.4	1300.9
Total II.	2281.5	1989.8	1593.4	1556.9
General Total ...	2283.7	1989.8	1628.1	1624.2
In addition—				
K Fund	39.0	31.4	12.0	3.0
E Fund	—	—	85.0	95.0

(*Ibid.*)

The State Railway Balance-sheet.—By clause 47 of the new State Railway Act the Ministry of Communications in conjunction with the general manager of the undertaking have to supply a rough statement of the financial position of the State Railways on their transfer to the new company based on the summary dated July 8 and submitted to the Organisation Committee, which is to be included in the draft bill. The said summary gives the following estimate of the assets and liabilities of the railways on Oct. 1, 1924 (in millions of gold marks):—

ASSETS.	
Working stock	500
Cash in hand and accounts at bank	160
Outstanding claims	22
Total	682
LIABILITIES.	
Debts due to the Government—	
(a) Rentenmark loan	20
(b) Advances for the settlement of communication taxes in arrear	38
(c) Advance for contribution to emergency fund ...	25
Overdraft with Stabilised Mark Bank	20
Bills	20
Various	27
Total	150

(*Frankfurter Zeitung.*)

Foreigners' Accounts in the Bank.—The Finance Minister sent the following communication to the Bankers' Association on Sept. 11, 1923: "According to the regulations giving effect to the Prohibition of the Sale of Marks Abroad Order of Aug. 17, 1923, banks are authorised to receive payment in reichsmarks from residents in the Reich on behalf of their foreign customers under power of attorney from such customers so to do and on instructions from them to use the proceeds for payments within the Reich." A subsequent Decree of the Finance Minister dated Aug. 12, 1924, authorises payment into the account of a foreigner with a home bank of German currency without licence from the Foreign Bills and Currencies Commissioner provided a guarantee be given that such account be used only for payments within the Reich. These enactments, however, do not exempt such payments into foreigners' accounts from the provisions of sections 2 and 3 of the Export of Capital Act. Licence to acquire foreign currencies under section 3 of the Act for the payment of goods the import of which is prohibited will only be issued by the Finance Minister on production of a permit to import such goods issued by the National Commissioner for import and export licences. (*Ibid.*)

Capital Issues in August.—During August 34 companies have been authorised to raise their capital by 22.5 million gold marks in the aggregate as against 36 companies with an aggregate increase of 19.5 millions in July. Of this amount of fresh capital raised in August 10 millions or nearly half is to be raised by electrical undertakings, while insurance companies take 8.4 mill. New foundations are 32 in August with an aggregate capital of 8.7 million marks as against 48 in July with only 4.3 million. August is not usually a favourite month for raising capital. The following table shows the normal amount of capital raised by the various classes of undertakings in the form either of new flotations or of capital increases (the figures represent 1,000 gold marks):—

Class of Undertaking.	Capital Increases. Number. Aug.	July.	Capital. Aug.	July.	New Foundations. Number. Aug.	July.	Capital. Aug.	July.
Banking	5	2	1120	8050	1	5	500	722
Insurance	9	5	8430	3216	2	1	1500	20
Iron, steel and engineering	3	2	250	229	6	9	521	497
Mining and foundries	1	3	10	3056	—	1	—	100
Chemical	—	1	—	10	1	5	400	262
Gas and electricity	1	5	10000	870	2	2	1500	120
Textile	2	5	145	789	4	2	2362	215
Food	3	3	500	270	7	7	802	1365
Quarries, etc. ...	—	2	—	50	1	1	36	10
Paper	2	—	500	—	—	—	—	—
Building	—	1	—	50	1	3	50	105
Transport	2	1	780	180	2	4	600	257
Leather and rubber	—	1	—	250	—	1	—	200
Various industries	6	5	620	2527	5	7	395	453
Total ...	34	36	22355	19547	32	48	8716	4326

(*Ibid.*)

TRADE

Foreign Trade in July.—Since January of this year the monthly foreign trade returns have shown a debit balance until July, when once more exports exceeded imports. Exclusive of the occupied territory, the returns for which are not available, the figures for May showed the greatest excess of imports over exports amounting to 354 million gold marks. This adverse balance fell to 278 millions in June, and in July was converted into a favourable balance of 17 millions. This remarkable phenomenon corresponds to the price index numbers. The table below shows the foreign trade figures for the chief classes of goods in value and in weight for the months of June and July and for the first seven months of the year, Jan. 1 to July 31.

The decline of imports is less satisfactory than it appears from the above figures, since it is largely due to a falling off of raw material necessary to industry. But the diminution of the import of wholly manufactured goods is also appreciable. To the increase of exports manufactured goods chiefly contribute. In the import of food and beverages increases are, as compared with June, shown by maize, flour, potherbs, milk, butter, coffee, fish and lard, all of which except the last three show an increase of 50 per cent.; on the other hand, rye, wheat, barley and wine have fallen off. Of raw material a decline is shown by all classes of goods, the greatest by raw material for textiles, also by hides and skins, tobacco and oil-yielding seeds. The import of coal increased by 2 million double centners as compared with June, while that of iron ore declined by 1.1 million; other ores also showed a decline. Raw and scrap iron increased by 10 per cent. and iron semi-manufactures from 64,570 to 96,900 double centners; other metals declined. A decline was shown in the import of all classes of manufactured goods, notably in that of boats.

As regards exports, the food and beverage group shows an appreciable increase, to which the following articles chiefly contribute: sugar (15 million gold marks), rice (2.8 mill.), salt (1 mill.), wheat (12,500 double centners), rye (2,410 double centners), while the export of oats declined from 235,530 double centners in June to 131,300 in July.

The increase in the export of raw materials is shared by all classes of goods, the export of coal being double that of July. The chief increases are shown by cloth fabrics (nearly 5 million gold marks), films, boats, paper and paper goods, and dyes; clothing and underwear show a decline. Pottery and porcelain have recovered from their set back in June. The export of rolled iron and steel products and machinery was active, the former having increased from 844,090 double centners to 904,160 and the latter from 203,740 to 254,420.

The demand for German goods on the world's markets, states the latest report of the Commerz-und-Privat Bank, is much less than it was in 1914. The United

Value (in Millions of Gold Marks).

	Imports. July.	June.	January to July.	Exports. July.	June.	January to July.
Live stock	3.1	4.8	47.6	0.8	0.5	3.4
Food and beverages	151.4	138.2	1,185.1	48.8	30.9	199.5
Raw material	198.0	303.1	2,203.5	40.7	26.5	210.8
Semi-manufactures	45.9	71.5	486.6	36.4	33.4	217.5
Finished goods	140.7	216.4	1,065.0	445.3	383.0	2,760.5
Gold and silver	16.8	18.8	49.8	1.1	0.7	8.7
Total	556.2	753.1	5,037.9	573.3	475.2	3,400.6

Weight (in 1,000 Double Centners*).

	Imports. July.	June.	January to July.	Exports. July.	June.	January to July.
Live stock	22,729	36,162	341,110	8,554	5,174	21,297
Food and beverages	3,843,224	3,546,570	29,953,601	2,444,593	1,405,842	9,388,550
Raw material	23,362,819	23,466,576	146,227,504	3,676,385	2,535,301	20,184,064
Semi-manufactures	2,735,735	2,992,290	19,496,059	2,620,668	2,205,739	14,803,638
Finished goods	1,264,026	1,984,501	9,127,039	3,233,898	3,021,593	21,680,191
Gold and silver	2,248	2,835	8,286	82	64	636
Total	31,230,781	32,028,934	205,153,599	11,984,180	9,172,713	66,078,376

* A double centner = 220 lb.

States, Great Britain, France, Italy, Czecho-Slovakia, Japan, and erstwhile neutral countries offer keen competition all over the world. The United States during the war succeeded in ousting Germany from her South American and East Asiatic markets, and have established themselves in an almost impregnable position in the market for certain classes of products. Germany still holds pride of place in the chemical, optical instruments and potassium industries. In these three branches of trade prospects appear to be comparatively favourable. In the potash industry the recently concluded agreement with the potassium mines of Alsace, which governs conditions of competition, especially in the United States, should be very beneficial. Prospects are much less bright for electrical engineering, which has made great strides in Great Britain, the United States and the former neutral countries. (*Frankfurter Zeitung, Vossische Zeitung.*)

INDUSTRY

The Industrial Situation in July.—Although in July more ready money was available on the money market, the depression from which business in Germany has suffered since April shows no signs of abating. The causes of this situation are the feeble purchasing power of the country and the impossibility of increasing foreign outlets, because owing to its former burdens the cost of production in industry is too high, which renders it unfit for competition. The shortening of hours of work and the discharge of workmen have steadily increased, with the result that the number of unemployed in receipt of relief in the unoccupied territory has increased from 240,000 on July 1 to 328,000 on August 1, an increase of 36.6 per cent. Of 2,058 undertakings employing 1,131,311 hands, 56 per cent. (43 per cent. in June) reported business to be bad, and only 13 per cent. (17 in June) reported it to be good. The number of bankruptcies was 1,125 as against 586 in June and 815 as the monthly average for 1913, to which should be added 973 compulsory liquidations. The situation of the various industries was as follows :—

Mining.—Mining in the Ruhr was still suffering from the effects of the labour disputes in May, so that the April standard of output has not yet been reached. The lack of sales became acute in the second half of the month. The chief causes of the sale slump are to be found in the onerous burdens imposed by the M.I.C.U.M. (Mission Interalliée de Contrôle des Usines et des Mines), heavy working expenses, and railway rates. The remission by the Minister of Communications of half the consignment dues has brought little relief.

Very unfavourable conditions likewise prevailed in the mining districts of Upper Silesia. The coal stocks in hand rose from 32,200 t. at the beginning of the month to 120,000 t. at the end. In spite of the bad financial position, in order to increase the sale of coal, prices for the coast districts and freights were reduced by 1 to 2 marks. Nevertheless, in certain mines staff reductions took place.

Similar conditions prevailed in the lignite mines of Central Germany and the Rhine. The demand for ordinary coal and briquettes was trifling, so that short time had to be introduced into nearly all the mines. On July 17 in the lignite fields of the Eastern Elbe coal combine coal prices were further reduced. The trade in household coal by reason of the purchase of supplies for the winter alone showed some activity.

The situation of ore mining has again deteriorated. In the Lahn-Dill area the majority of the mines have shut down, and from Aug. 1 only 30 per cent. of the miners will be employed.

Business in the potash industry showed some signs of life, nevertheless only about half the normal quantity was sold. From abroad there was a slightly better demand for sulphates of potassium, which the Alsace works were not in a position to supply. The home trade suffered from shortage of money in agriculture, which, in spite of extensive credit from the Kali Syndicat, was not to be overcome.

Iron.—The economic and financial situation of the iron industry is cheerless, especially in the Ruhr, where the burdens imposed by the M.I.C.U.M. are added to shortage of orders, taxation, wages and extreme lack of credit. Reduction of work and the closing down of factories increased to an appalling extent in the second half of the month.

The pig iron combine in harmony with the reduced price of coal put down the price of pig iron by Mk.5 per ton. Competition by Belgian, Luxemburg and French firms has, owing to the depreciation of the franc, made itself acutely felt. Forced sales have reduced the price of bar iron from Mk.130 to 120 per ton, and of medium sheet iron from Mk.160 to 150.

The following remarks on the capacity of the German iron industry to withstand foreign competition appear in the August report of the Prussian Chambers of Commerce : "The iron industry cannot in face of the high cost of production and of the reduction of prices on foreign markets maintain its former activity. Therefore orders on the world's markets go to its rivals without opposition. Take, for instance, the case of orders for rails by various countries which in the last few months have almost without exception been placed in France and Belgium. That the German works accept orders at the exceedingly low prices imposed on the world's markets by the French and Belgians is due to their desperate situation, which leaves them no alternative. German prices have even been disputed by England. It has been demonstrated that German offers for delivery in England were 30 per cent. below English prices. As in England there are two prices, one for the home trade and the other for export, the former being appreciably higher than the latter, it is easily understood that offers from the Continent are much cheaper than British home prices. These offers, however, do not come from Germany, but largely from French and Belgian firms. It has been shown that in a period of about six months Belgian firms have delivered in England ten times, and French firms six times, as much semi-manufactures as have been delivered by Germany."

Engineering.—Business difficulties in this trade have still further increased. Orders, in spite of lower prices, have fallen off appreciably. Of 337 works, 71 per cent. complained of bad business (59 per cent. in June), while only nine showed good business.

Miscellaneous.—The *chemical* industry is in a bad way ; the stocks remain unsold with the necessary consequences of reduction of work and cutting down of staffs. Conditions in *building* have somewhat improved. High rents allow now and then of repairing old and constructing new buildings. Hence the prices of building materials have been reduced throughout. On the other hand, the *building material* industry is practically idle. In the Andernach Tufa quarries only 10 per cent. of the workmen remain at work. Brick and tile works find no sale for their accumulated stocks. In the *timber trade* and *saw mills* the stagnation continues. Many firms were forced to sell their stocks at a loss in order to obtain funds to carry on their business. No demand is being made for *paper*, despite the very low prices. In the *rolling stock* industry large stocks of empty trucks have accumulated owing to the general trade depression. (*Glückauf, Vossische Zeitung.*)

HOLLAND

FINANCE

Revenue Returns for July.—The revenue returns for July show that the estimated yield from ordinary sources has been exceeded to the extent of Fl.4.3 mill. or 13 per cent., while the amount actually obtained is Fl.2.7 mill. or 8 per cent. in excess of the yield for the corresponding month last year, the figures being Fl.37.3 mill. as against Fl.34.6 mill. For the first seven months of the year the results are not quite so favourable, as the revenue, though Fl.14.8 mill. in excess of the estimates, is Fl.6.9 mill. below the amount obtained in the corresponding period of last year. The following table shows in detail (*a*) the estimated and (*b*) the realised revenue for the first seven months of 1924, with (*c*) the revenue obtained in the corresponding period of 1923 (in millions of florins):—

	(*a*)	(*b*)	(*c*)
Ground tax	11.0	12.7	11.1
Household tax	14.4	11.3	9.6
Income tax	46.7	63.0	71.2
Dividend and bonus tax...	7.0	5.7	8.3
Property tax ...	6.1	5.8	6.0
Excise on sugar	23.3	21.2	23.1
Excise on spirits	29.2	27.4	28.6
Excise on tobacco ...	11.9	9.5	9.8
Stamp duties	10.2	11.0	10.2
Registration duties ...	10.5	13.4	11.0
Death duties	25.1	26.7	27.7
Import duties	21.0	20.6	19.8
Other sources	15.1	18.0	16.8
Total	231.5	246.3	253.2

With regard to the extraordinary sources of revenue, the war profit tax in July yielded Fl.108,000 and during the seven months Fl.833,000, while the yield from the Loan Fund 1914 amounted to Fl.8 mill. and Fl.58.9 mill. respectively.

The excess of revenue over estimates was the result of stringent measures of retrenchment, including the closing down of certain departments, the reduction of subsidies, the discharging of several thousand civil servants, and the cutting down of salaries generally. When the further reduction of salaries contemplated will have been effected, the total of these will represent no more than five sixths of those paid in 1923. In the event of the revenue continuing at its present level, and assuming that the estimated yield from the proposed increased taxation is realised, it is hoped to be able shortly to effect a reduction of some of the direct taxes.

TRADE

Foreign Trade Returns for July.—The foreign trade returns for July compare very favourably with those for June, as may be gathered from the following tabular statement, in which the figures are exclusive of the trade in gold and silver specie and bullion:—

	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
June ...	2,049,645	189,081,000	678,409	110,839,000
July ...	2,243,320	198,162,000	807,300	134,417,000

The July volume of imports is the highest for any month this year, while their value was only exceeded in May; the volume of exports, on the other hand, was exceeded in May and their value in April and May. The adverse balance of trade, Fl.63,745,000, is Fl.14,497,000 lower than in June and Fl.9,462,000 lower than in May, but still Fl.10,403,000 higher than in April, Fl.9,120,000 higher than in March, Fl.3,644,000 higher than in February and Fl.2,318,000 higher than in January. Taking the average adverse trade balance for the first six months of the year, viz. 63,490,667, the corresponding figures for July are only Fl.254,333 higher.

The following table from *In- en Uitvoer* (Aug. 27) gives an analysis of the July 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*) ...	676	375	1,476	981
(*b*) i ...	232,362	33,955	151,650	33,087
ii ...	91,115	16,067	94,326	38,954
(*c*) i ...	12,704	8,635	3,220	2,053
ii ...	303,671	41,418	22,995	8,791
iii ...	1,265,099	28,527	387,945	7,393
(*d*) ...	334,983	68,856	144,437	42,899
(*e*) ...	2,710	329	1,250	261
	2,243,320	198,162	807,300	134,417
(*f*)	2	96	162	7,508
Total	2,243,322	198,258	807,462	141,925

The imports of coal, coke and briquettes in July aggregated 786,895 t. (as against 636,446 t. in June), of which Germany supplied 494,677 t. (as against 332,352 t.), Great Britain 241,596 t. (as against 269,330 t.) and Belgium 43,866 t. (as against 33,554 t.), while exports totalled 194,475 t. (as against 175,014 t. in June), of which 72,395 t. went to France (as against 63,134 t.), 68,004 t. to Belgium (as against 68,965 t.), 29,865 t. to Germany (as against 39,276 t.) and 14,171 t. to Switzerland (as against 12,569 t.), in addition to which 48,497 t. (as against 41,818 t.) were supplied to Dutch and 63,756 t. (as against 41,953 t.) to foreign shipping.

Trade Relations with Russia.—Some time ago, says the *Gazette de Hollande*, the Director of the Municipal Commercial Institutions of Amsterdam had a conference with the Russian trade delegates in London with a view to making Amsterdam the staple mart for Russian products, especially grain, petroleum, petrol and flax. No decision, however, was reached. Efforts were also made by a combine to obtain a monopoly of the export of Russian flax, but without result. Russia, according to the *Telegraaf*, was at first inclined to grant this monopoly; but during the course of the negotiations the position of the Soviet Government was strengthened by its recognition de jure by various countries, and the negotiations were broken off. The position is different, however, with regard to the prospect of Russian oil shipments via Amsterdam. Negotiations are in progress between the Belgo-Caucasienne—a combine of Dutch and Belgian firms under Russian management—and the Amsterdam municipal authorities with a view to making this port the distributing centre for Russian petroleum, naphtha, petrol, etc. The Belgo-Caucasienne has obtained from the Soviet Government a three years' monopoly for the sale of petroleum in Holland, Belgium and the Grand Duchy of Luxemburg, and negotiations are going forward with regard to the cession of municipal land in Amsterdam for the building of tanks, etc.

In the beginning of August Professor Julius Goldstein, of the Berlin Trade Delegation of the Union of Soviet Republics, arrived in Amsterdam, and in the course of an interview with a representative of the *Telegraaf* stated that the settlement of the Russo-German dispute would have the effect of considerably reducing the delegation's business transactions in Holland. Within the last few months the Berlin delegation has made purchases and sales in the Netherlands to a total of Fl.60 to 70 mill., the former consisting mostly of cotton, wool, sugar, colonial produce, metal wares and chemicals. A considerable portion of these goods has already been shipped to Russia, several Russian steamers having recently arrived at Amsterdam and Rotterdam for the purpose, notably the "Kommunist," which took a cargo of sugar, glowlamps and chemicals. But, as Prof. Goldstein pointed out, these purchases were chiefly due to the Russo-German dispute, which prevented any business transactions with German firms. With this difficulty out of the way business would now be resumed with Germany, and normal, regular and uninterrupted trade intercourse between Russia and Holland would only be possible if a commercial treaty were concluded between the two countries.

NORWAY

POLITICAL AND GENERAL

Economic Conditions.—The new Minister of Finance. M. Arnold Holmboe, is pursuing the same policy of sound and strict economy followed by his predecessor. Interpellated with regard to the heavy burden of interest imposed upon large and small borrowers alike by the 7 per cent. discount rate of the Bank of Norway, he flatly refused to make any concession, or to modify the stringency of its policy of deflation by increasing the paper currency. In this he has the entire support of the Bank, which deems the present rate of discount none too high, and sees no prospect of its being lowered for some time to come. Moreover, it esteems it a check on the demand for State and municipal loans. The *Scandinavian Weekly*, however, points out that trade, which is dependent on an ample supply of money, is suffering from the high bank rate, and this would seem to justify the view that the present discount policy of the Bank is inimical to business. If the bank rate did really check the public demand for loans, it might be beneficial to trade ; but as it is the public continues to borrow, whether the rate is six or seven per cent., and borrowing will not stop until the point is reached at which there is no more money available. In the opinion of a well-known Christiania banker this point has now been reached, the money market being so tight that he does not think any bank is in a position to lend either to the State or to a municipality ; but the State might offer a loan on such favourable terms as would induce the small depositors to invest their savings in it.

Meanwhile the Government has negotiated a loan of $25,000,000 through the National City Company of New York, bearing interest at the rate of 6 per cent. This was issued in the beginning of August at 97½, redeemable within fifteen years. The terms, says the *Baltic-Scandinavian Trade Review*, are regarded as rather onerous, and it is believed that more favourable terms could have been obtained if the Government had not acted so precipitately. The Minister of Finance, however, felt it was necessary to act at once, as there were many would-be borrowers in the New York market and the Treasury was badly in need of funds to increase its reserve of ready cash and redeem a number of short-term Treasury bills. The over-subscription of the loan, besides, had created a favourable impression, and Norway's credit was excellent notwithstanding that the loan is to be utilised for somewhat unproductive purposes. *Farmand*, however, is concerned about the heavy burden of interest in respect of foreign loans for which the State Budget will have to make provision for years to come, a burden which this latest loan will help to intensify.

The political and trade union leaders in the labour movement have apparently been forced by the logic of events to make up their minds to an amicable composition of their disputes with the employers, and it is hoped that peace is now assured at any rate for the remainder of the year. As things are, the statistics of unemployment are evidence of an improved state of affairs, the number of unemployed on July 25 being 7,700 as compared with 9,400 a month previous and 8,100 at the corresponding date last year, while the number of men employed on relief work was 5,000 as against 10,000 a year ago. The agricultural outlook, however, is not so satisfactory, the harvest prospects, judging from the official reports, not being very promising. Owing to the unsettled weather harvesting has been delayed in several districts, often at the expense of quality. The hay crop is regarded as fairly ample, but below par ; wheat is very unequal in quality, and there is some doubt as to whether oats will ripen. Further injury is anticipated from the wet weather that set in with August, but the best results will probably be obtained in the north of the country, especially in the Trondhjem district, where it is warmer and drier.

Unfortunately there has been a pronounced rise in the general level of prices, the index number for wholesale prices in July being 264 as compared with 252 in May. July, however, generally sees an increase, as the most important articles of food, such as meat and potatoes, are then subject to a seasonal rise, while other commodities move in sympathy with them. The relative stability of the krone, however, in the latter half of the month has had a beneficial effect in staying this tendency. Wages in the various industries, naturally, are being increased to meet the higher cost of living ; but this does not make for a larger business turnover or an increase of wealth.

TRADE

Foreign Trade Returns.—The foreign trade returns for June give the imports as amounting to Kr.118.8 mill. and the exports to Kr.84.7 mill., which shows an adverse trade balance of Kr.34.1 mill. The figures are not official, but on the authority of *Farmand* may be accepted as approximately correct. The following table gives the complete figures for the half-year, but collating the returns obtained from various sources no two sets are found to agree. The Norwegian foreign trade returns are lamentably deficient in many respects, and the official statistics of exports published monthly afford no information as to the value of the trade.

	Imports. Kr.(mill.)	Exports. Kr.(mill.)	Adverse trade balance. Kr.(mill.)
January	100	69.4	30.6
February ...	104.9	78.4	26.5
March	140.6	69.1	71.5
April	132.2	54.5	77.7
May	140	75.7	64.3
June	118.8	84.7	34.1
Total ...	736.5	431.8	304.7

Imports for the half-year, says the *Anglo-Norwegian Trade Journal*, are characterised by a noticeable reduction in such articles as meat and pork, colonial produce, clothes, footwear, motor cars, etc., and by an equally noticeable increase in goods for productive purposes, in spite of the fact that a great portion of industry has been at a standstill for several months. Only exceptionally is there a decrease in the import of certain raw materials, as for instance in limestone and clay, but viewed as a whole the demand for means of production both as regards agriculture, fisheries, industry and commerce in general would seem to be on the increase. This year, for instance, the import of feeding stuffs, fertilisers, hides and skins, coal and coke, salt, iron and other metals, etc., has gone up quite considerably, while other articles such as spinning materials (wool, cotton, etc.), oils, chemicals and machinery have remained at about the same level as last year.

With regard to exports, these have been seriously affected by the prolonged stoppage of work in industries that cater specially for this trade. The following comparative statement shows (in millions of kroner) the marked improvement that has taken place in the export of the products of industries unaffected by labour troubles as compared with the previous two months, and the falling off in the products of industries which suffered most :—

	January to June		
	1924.	1923.	1922.
Fish and herring	80.3	46.0	47.0
Canned goods ...	32.2	16.3	14.4
Condensed milk	8.7	9.2	7.7
Timber	27.8	45.5	39.3
Pulp	53.0	81.1	67.3
Paper	33.9	55.2	53.0
Nitrate of lime ...	25.9	26.5	30.5
Metals (raw and semi-manufactured)	42.0	19.3	13.9

These figures show a serious falling off in the exports of timber, pulp and paper, and a smaller reduction in those of nitrate of lime, but this is more than compensated by the exports of fish and herring, canned goods and metals, with the result that the total exports for the month of the goods tabulated show a surplus as compared with 1923 of Kr.4.7 mill., and one of Kr.30.7 mill. as compared with 1922. The decrease in the exports of timber, pulp and paper aggregates Kr.67.1 mill., but as production and export in these branches are now again in full swing, it is probable that these industries will be able to work off most of this deficit before the close of the year.

Prices have, on the whole, shown a very even tendency as far as timber, wood pulp and paper are concerned, says the *Anglo-Norwegian Trade Journal.* The timber market is now quiet during the summer season, and prices for both United Kingdom and oversea parcels have fallen somewhat. On the other hand, there is a steady and satisfactory demand for cellulose and paper, as is shown by the increasing quotations on the Christiania Exchange during recent weeks. Any important rise in prices is, however, not probable at present. The markets which, in addition to England, have this year absorbed the largest quantities of Norwegian timber are Belgium as regards sawn goods and Australia as regards planed goods. The United States have been in the market for large parcels of sulphite cellulose from Norway and Sweden, and about one-third of Norway's export of cellulose this year has gone to the United States, while Great Britain's import is between one and two thousand tons lower. Mechanical pulp finds by far the most important market in Great Britain. This is also the case as regards wrapping paper, while news and other printing paper is more equally divided between several markets, with Great Britain as the most important.

The fisheries have given an exceptionally good yield both as regards quantities and value. The catches of large herring are better than for many years, and the cod fisheries of Lofoten and Finmarken have yielded results far above the average, especially in the case of Finmarken. The quantity of steam medicinal oil produced represents a record. The only one of the seasonal fisheries which has resulted in a smaller quantity than last year is the spring herring fishery, but, thanks to satisfactory prices, the value is higher. Taking all the fisheries so far concluded, we arrive at a first-hand value of about Kr.75 mill., which is more than double the corresponding value last year and more than the total value of all last year's fisheries. The indications are, therefore, that we shall this year reach a total value exceeded only by the exceptional years 1915 to 1919 with their exorbitant war values.

As the fishing and exporting seasons do not altogether coincide, it is yet too early to notice the full effect of the fisheries on foreign trade. For instance, the export of this season's klipfish and stockfish falls to a large extent during the period after June 30. Nevertheless, the export of these two articles is already now upwards of 50 per cent. more than the quantities of last year. The export of salted herring, taken as a whole, is less than last year as a result of smaller supplies of spring herring, but in spite of this circumstance the export of fresh herring to Germany and Great Britain has been maintained at about the same level. The results of the fisheries, as far as value is concerned, are still more favourable. The high prices obtained this year for all kinds of fish and herring have resulted in this export yielding a far larger value, viz. at June 30 last about Kr.80 mill. as against about Kr.46 mill. in 1923. The exports of fish products for the half-year total about Kr.143½ mill., or about Kr.54½ mill. over 1923.

The canning industry has also enjoyed great activity. Supplies of raw materials have been better than for many years, and quantities exported are far larger than has been the case in recent years and 60 per cent. higher than for the first half of 1923. The quantity this year amounts to about 17,000,000 kg. and closely approaches pre-war exports. The export value for the first half-year is twice that for the corresponding period of last year. The principal markets are the United States, Australia and the United Kingdom.

The whaling season has not been so good as last year, the yield of oil from the Antarctic fields being about 70,000 barrels less than for the 1922–23 season. The hunting in South Shetland waters was in particular hindered by bad weather and ice. Prices in £ sterling are, however, as much as 10 per cent. higher than last year, and as at the same time the value of the Norwegian krone has depreciated, the yield in Norwegian currency will not be much below that of last year. The amount this year is about Kr.48 mill.

The position in other export branches has not undergone much change in the course of the first half of the year. The export of iron ore has continued to improve somewhat, and the same remark applies to the export of cement, aluminium and ferro-silicon. On the other hand, the export of pyrites and products of the electro-chemical industry, as, for instance, nitrate of lime, shows a decrease.

UNITED STATES

POLITICAL AND GENERAL

The Presidential Election.—As another national campaign is now on, with the frank admission on the part of the candidate for the Presidency on the Democratic ticket that he intends to make the tariff an issue along the old, oft-repudiated "tariff for revenue" line, those who stand for the Republican policy, which has ever recognised that the United States is a continent and a federation of true industrial empires, can welcome such an issue, says the *New York Herald Tribune*, since the facts, in its opinion, are all in favour of the Republican contention that the general prosperity of the United States, now amazing the world, is the product of this party's continuous internal and external economic policy. Mr. John W. Davis's policy, however, is not restricted to this issue, for it is now known that the Democratic candidate holds advanced views concerning the emancipation of labour, and is expected to make a supreme effort to win the labour vote in a speech on Labour Day, notwithstanding that the American Federation of Labour executive committee has declined to endorse his candidacy.

The most interesting feature of the Presidential campaign is the possiblity of a deadlock in the election as a result of the intervention of a third party candidate. According to Senator Fess of Ohio, former chairman of the Republican Congressional Committee, it is morally certain that the following electoral votes will be given as indicated :—

To Coolidge—California, 13 ; Colorado, 6 ; Connecticut, 7 ; Illinois, 29 ; Iowa, 13 ; Kansas, 10 ; Maine, 6 ; Massachusetts, 18 ; Michigan, 15 ; New Hampshire, 4; New Jersey, 14; Ohio, 24; Oregon, 5; Pennsylvania, 38; Rhode Island, 5; Vermont, 4; and Washington, 7. Total, 218.

To Davis—Alabama, 12; Arkansas, 9; Florida, 6; Georgia, 14; Louisiana, 10; Mississippi, 10; North Carolina, 12; South Carolina, 9; Texas, 20; and Virginia, 12. Total, 114.

The votes of the following States, according as they have more often favoured either the Republicans or the Democrats, Senator Fess allocates as follows:—

To Coolidge—Delaware, 3; Idaho, 4; Indiana, 15; Utah, 4; and Wyoming, 3. Total, 29.

To Davis—Arizona, 3; Kentucky, 13; Maryland, 8; Missouri, 18; Nebraska, 8; Nevada, 3; New Mexico, 3; Oklahoma, 10; Tennessee, 12; and West Virginia, 8. Total, 86.

Assuming this forecast to materialise, President Coolidge would have 247 votes and Mr. John W. Davis 200 votes.

The candidature of Mr. Robert M. La Follette is the disturbing factor. Should his vote materialise, it may carry the following States: Minnesota, 12; Montana, 4; North Dakota, 5; South Dakota, 5; and Wisconsin, 13. Total, 39.

The above anticipations leave out of account the State of New York, with 45 votes. According to Article II., Section 3, of the Constitution, after the counting of the votes "The person having the greatest number of votes shall be the President, if such number be a majority of the whole number of electors appointed, and if there be more than one who have such a majority, and have an equal number of votes, then the House of Representatives shall immediately choose by ballot one of them for President; and if no person have a majority, then from the five highest on the list the said House shall in like manner choose the President. But in choosing the President, the vote shall be taken by States, the representation from each State having one vote." In the event, then, of President Coolidge obtaining 247 votes and Mr. Davis receiving the New York 45 votes in addition to the 200 allotted to him by Senator Fess—Mr. La Follette also winning the 39 votes awarded to him—the deadlock provided for in the Constitution would arise. But of the 48 States, 19 have Republican control through a majority of Republican members and 20 are controlled by the Democrats; of the remaining 9 States the La Follette party control four, while the representation of the other five is equally divided among the Republicans and the Democrats. This line-up would be 19 votes for Coolidge, 20 for Davis, 4 for La Follette, and 5 not voting. As 25 votes will be necessary for a choice, no election would result unless the deadlock were broken by the La Follette vote going either to Coolidge or Davis and a change take place in at least two of the States which are tied between the Republican and Democratic parties. In case the deadlock were not broken no election of a President would take place, and, according to Senator Fess, the Vice-President, rather than the Secretary of State, would assume the duties. But there is no Vice-President now, so in the circumstances Secretary of State Hughes would take on the duties.

FINANCE

Effect of the Accumulation of Gold.—A misconception as to the amount of gold which may properly be in use in this country, in proportion to our population and resources and the ever-growing volume of its trade, explains the failure of great gold accumulation in the United States to bring about price inflation, as was predicted by certain European bankers and economists, according to the New York Trust Company in the August number of *The Index*. "Although the inflow of gold slackened somewhat for a time during 1923," says this periodical, "the decrease in gold imports was only temporary, was quickly resumed and still goes on. In the meantime the general course of the commodity price index has been downward, not upward, and there is certainly no present indication of business expansion accompanied by a substantial rise in prices in the near future. It is interesting in this connection to re-read the remarks on this subject made by Secretary Hoover many months ago: "There seems to be heard a sort of chortle in parts of Europe over the commercial strategy in shipping gold to us. It is assumed that we will incorporate this gold into our credit system and be put out of action by the price rises resulting from it. If we retain our normal commercial intelligence this will not happen. I am convinced that the surplus of gold will eventually flow outward in an orderly way through trade without any necessary increase in price levels, and its flow need make no disturbance in our business life.' Evidently Secretary Hoover's predictions have so far come true and a wise policy on the part of business men and bankers in a time of easy money and credit has prevented the evils with which we were threatened."

Scope of the New Canadian Loan.—Latest advices from Canada, says the *New York Herald Tribune*, indicate that the refunding loan which the Dominion Government will float next fall will be divided between Canadian and New York banking interests. The understanding is that a decision has been reached to limit the loan to an amount not in excess of $200,000,000, although there is authority to go as high as $350,000,000. The funds raised will be used to refund the Victory Loan of 1919 and Treasury bills, which together aggregate $199,270,650. Any amount raised here and not required in Canada will, it is understood, probably be invested in the New York market, in which case it is believed that the Canadian dollar instead of being at a discount may go to a premium, as it did under similar circumstances in October and November 1922. The Canadian loan looms as one of the major financial operations due this fall.

TRADE

Foreign Trade Returns.—On the eve of settlement of the German reparations problem and the expected return of Europe to greater industrial productivity, says the *Chicago Daily Tribune*, there is evidence that the United States no longer will pile up the tremendous trade balances that have marked the last decade. The figures on our foreign trade in July are rather surprising and may prove significant. For the first time since 1914, except for four months early in last year, we bought more from other countries than we sold to them. While the excess of imports was only $400,000, it was due to a surprising drop in exports which, with a slight increase in imports, brought our world trade almost to a balance.

July exports totalled $278,000,000, a decline of $29,000,000 from June and of $24,000,000 from July last year. Last month's imports totalled $278,400,000, an increase of $4,400,000 over June, but a decline of $9,000,000 from July, last year. But our favourable trade balance a year ago was $14,752,000. The present approach toward a balance in our world trade had the effect of causing a sharp check to the flow of foreign gold to this country. Imports of gold last month were only $18,834,000 compared with $27,929,000 in July 1923. Should our world commerce maintain anywhere near the balance now shown and should the European settlement result in large loans being floated in this country, the United States may be relieved of a considerable portion of its vast accumulation of gold.

INDUSTRY

Sugar from Corn.—President Coolidge has affirmed his faith in the elastic provisions of the tariff law. His forthcoming action on the sugar schedule, writes Scrutator in the *Chicago Daily Tribune*, will be one of the first really important applications of those provisions. Sugar has for a long time been a touchy subject politically, and has mussed up party lines wherever cane and beets are grown. The President may order a reduction of from one-third to two-fifths of a cent per pound. This may result in a reduction to consumers. Not necessarily so however. Sugar is an agricultural product and the weather rules. The tariff reduction might benefit Cuban producers or the refiners of imported raws. In any event sugar in 1924 is substantially like sugar in all other political contests. The issues are the same.

But by 1928 it is quite possible that the situation will be entirely changed. There is a new Richmond in the field. On the desk upon which this is written are two cartons of white powdered sugar made by competing companies right here in the Chicago district. This sugar is made from corn. It is as different from the yellow stuff served in war time, or from the yellow brickbats familiar to home brewers, as modern granulated sugar is from the brown, moist product that grandmother used. It has about three-fifths the sweetening power, weight for weight, of cane or beet sugar. Where sweetness alone is desired it may never be able to displace its competing products, but in ice-cream, candy, preserving, and for use on fruits it has points which may give it the right of way.

It is not easy to buy corn sugar of the white variety at retail in Chicago. The older crude varieties are easily obtainable. One Chicago factory recently has shipped as high as fifteen cars to Detroit in one day. Most of this was the crude. This may indicate moonshine on the St. Clair and Rouge, which seems strange when the distance across to Canada and Walkerville is considered.

The process that now takes the colour and malty flavours out of corn sugar and makes it presentable on the most spotless linen tablecloth gives the product a chance to overcome the conservatism of the kitchen. The new process is less than a year old. Who knows what the ultimate effect will be? Probably the mere fact that it is white is not chemically important, but commercially it may be everything. White flour rules because of no dietary or chemical excellence. White corn sugar may go where the yellow stuff never would have gained entry.

Suppose—it is a violent supposition, it is true—that the farmers of the mid-west and their political representatives had the canny sectional consciousness of Louisiana senators or congressmen from Colorado and Utah. Suppose that corn growers got over their prejudice against association with a corporation and were willing to boost "big business" if "big business" meant more business for them. Suppose they took a leaf out of the book of California producers of oranges, lemons, figs, prunes, and walnuts and put on an advertising drive to popularise corn sugar. Chicago, St. Louis, and Kansas City may yet become the greatest sugar centres of the world.

The Grain Crops.—The latest reports regarding the grain crops are not very promising. Wet and cold weather were prevalent over the main corn belt in the middle of August, and the local forecasts predicted that there would be no real warm weather the rest of the season, while the crop was in imperative need of high temperatures to force it along to maturity. Grain values continue on the upgrade, with corn in the lead, and all deliveries of corn, oats and wheat, with the exception of September wheat, sold on August 16 at a new high for the season. There has been no such market in corn in the memory of two generations of traders, according to the Chicago correspondent of the *New York Herald Tribune* (Aug. 16), and quotations suggest a crop calamity as far as this cereal is concerned, for corn prices are the highest on record with the exception of the war period. As a consequence more interest is being taken in oats, in view too of the possibility that immense quantities of this grain will have to be used as a substitute for corn in farm feeding operations. In this connection, it is insisted that dry weather is badly needed over a wide territory for harvesting and threshing. Fears of frost in Manitoba were largely responsible for the upturn in wheat, while strength in this and other grains was accountable for that in rye.

The American Railway Association, says our contemporary, has addressed a letter to all of the railroads analysing the figures of the Department of Agriculture forecasting wheat production in the principal States in order to assist the roads in car allocation and movement to meet the demand for cars. "As compared with July 1," says the letter, "there will be noted a considerable further improvement in all the winter wheat figures, but with a particularly marked increase in Kansas, Nebraska and Oklahoma. There is also indicated a fair increase in the production compared with previous figures in the Ohio and Mississippi Valley States and in the States west of the Rocky Mountains. In the spring wheat States there has been a marked improvement in the past thirty days in Minnesota and the Dakotas and a slight improvement in Idaho and Washington. Montana, owing to recent dry weather, now shows a slight decrease compared with July 1 figures, cancelling optimistic figures recently received from that territory which have indicated a production of approximately 54,000,000 bushels." After going on to forecast the production of other grains, including corn and oats, the American Railway Association points out that the roads serving the Missouri River States are faced with particularly heavy demands compared with last year in their movement of grain. The importance of continued prompt handling of cars belonging to Western roads is particularly stressed.

Increase in Wheat Acreage.—An increase of 2,986,000 acres, or 7.5 per cent., in the winter wheat acreage is forecast for the 1925 crop by the United States Department of Agriculture. This will be about 42,919,000 acres. Rye acreage is estimated to increase 14.1 per cent., to 4,992,000 acres. This increase in acreage is due to the advance in prices of grains, to a shortage in Canada and in Europe, and in the face of a larger crop harvested than early expectations. The intended acreage to be planted in wheat this fall is 5.2 per cent. less than the annual average fall sowing of 45,261,000 acres in the years of 1919 to 1923. It is two-tenths of 1 per cent. larger than the average fall sowing of 42,842,000 acres for the years of 1914 to 1918. As compared with the pre-war average of 1909 to 1913, which was 33,583,000 acres, there is an increase of 27.8 per cent. Increases in acreage intended to be sown in wheat in the leading States in percentages are: Texas, 50; Indiana, 14; Oklahoma, 11; Michigan, 9; Kansas, 8; Nebraska and Ohio, 4 each; Missouri and Colorado, 5 each; and other States, 8 per cent. Decreases are: Illinois, 5; Pennsylvania, 3; and Washington, 1 per cent. (*Chicago Daily Tribune.*)

Latest reports received at Bush House September 2 are to the effect that the crop prospects are improving, with the result that agricultural prices are lower.

The cotton crop is now estimated to result in a yield of 13,314,000 bales, according to the *New York Herald Tribune* of August 17.

FOREIGN BANK RATES.

	Per cent.		Per cent.		Per cent.
Amsterdam	5	Danzig	12	Prague	6
Athens	7½	Dublin	5	Reval	8
Belfast	5	Geneva	4	Riga	8
Belgrade ...	6	Helsingfors	9	Rome	5½
Berlin	90	Kovno	8	Sofia	7
Brussels	5½	Lisbon	9	Stockholm ...	5½
Bucharest ...	6	Madrid ...	5	Vienna	15
Budapest ...	10	Moscow ...	6	Warsaw	12
Christiania ...	7	New York...	3		
Copenhagen	7	Paris	6		

SPECIAL ARTICLES

THIRD REPORT OF THE LEAGUE OF NATIONS COMMISSIONER-GENERAL FOR HUNGARY.

The following is a full summary of the Third Report of the League of Nations Commissioner-General for Hungary, which was published on Aug. 29, and covers the period from July 1 to 31 :—

The most important events of the month are the successful issue of the League of Nations' loan in six different countries, and the stabilisation of the currency through the commencement of operations by the Hungarian Bank of Issue and the discontinuance of inflation.

1.—The Bank of Issue.

In the course of the month Mr. M. A. Siepmann, of London, was appointed Counsellor to the Bank in accordance with Art. 121 of the Bank Statutes, which requires a nominee to be submitted by the Commissioner-General to the Government.

On July 24 the subscribers of the Bank's shares were called upon to pay the second half of their subscription.

2.—The Reconstruction Loan.

In addition to the issues already mentioned in the previous report portions of the League of Nations Loan were successfully offered for subscription during the month in Great Britain, the United States, Holland, Sweden, Italy and Switzerland. In Hungary the subscription list was opened on Aug. 1, and the Czecho-Slovak quota is also expected to be offered in August.

3.—The Financial Situation.

1. *Exchange and Securities.*—The quotation of the Hungarian crown in Zurich underwent comparatively little movement during the month. From 0.0070 on the 1st of the month it fell step by step to 0.0067½, but rose again to 0.0069 and remained at this level during the last ten days of the month. The improvement of the Swiss franc in relation to the dollar was reflected in a continual fall of the dollar exchange in Budapest. From about 85,000 at the beginning of the month the dollar had fallen to about 79,000 at the end, representing in terms of gold a rise of 7 per cent. during the month. This improvement had important results : first, it favoured the impression (and that not only among speculative circles) that the external value of the crown was being deliberately, if not artifically, raised, and, in the second place, it disturbed the basis of calculation for the payment of salaries and the levying of gold taxes. These consequences were not to be desired, though in the circumstances unavoidable. Uncertainty as to the future development of the exchange naturally had a disturbing effect upon commerce and industry, and speculation was no less detrimental during the rise than it had been during the fall. There was indeed some satisfaction in the rehabilitation of the crown and in the rapid increase of the holdings of exchanges and securities by the Bank of Issue (which were doubled during the month). But it could not be the object of the bank's policy to accumulate foreign media of payment of speculative origin or to run the risk of losses in respect of foreign credits. According to the original conception of the reconstruction programme the stabilisation of the currency was planned to coincide with, if not to precede, the commencement of operations by the Bank of Issue. This proved impracticable, but before the end of the month it became evident that the time for the actual stabilisation had arrived.

The solution of the problem as to the exact level at which the currency should be stabilised was not easy. There were three possible alternatives : first, to call a halt at a given moment and to stabilise at the given rate of exchange ; second, to make for a rate which, without seriously disturbing the natural exchange level, proves most suitable in practice ; or thirdly, to try and determine the internal value of the crown and to stabilise at the rate thus indicated. Whatever may be said in favour of the last method it turned out from the very beginning to be impracticable. The restrictions upon the international exchange of goods and services, and the impossibility of calculating the natural relation of internal prices either to one another or to foreign prices, due both to inherent difficulties and to psychological influences, prevented even an approximate settlement of a theoretical basis on which to determine the level at which the crown ought to stand relatively to other currencies. The rate of exchange attained about the middle of July is probably as justifiable as any other, because it resulted from the free play of forces acting upon the market, which permitted of anything but extreme oscillations of an obviously transitional character. This consideration told in favour of the first alternative, namely the choice of the prevailing rate without particular regard to its economic justification. In point of fact that method was finally adopted, subject to only one variation necessitated by a circumstance of a more or less casual nature.

During the third week of the month there was a disparity between the quotation of the crown in Zurich and its quotations everywhere else. The rate stood firm at 0.0069, whereas to correspond with the remaining quotations the Zurich rate should have been 0.0067½. Stabilisation at that moment, therefore, required either the adjustment of the Zurich rate to the others, or vice versa. Since public opinion turns to an excessive degree upon the movements of the Zurich exchange, and as the tone of the markets with regard to the crown was very firm, the latter alternative was preferred, and was carried out between July 27 and 31. This involved the further advantage of stabilising the crown in relation to the pound sterling, which is an equally significant event. Since Aug. 1 the Bank of Issue has been endeavouring to stabilise the exchange at an average rate of 346,000 Hungarian crowns to the pound sterling. This is almost exactly the rate at which the Austrian crown, which is stabilised on a gold basis, would stand in London if the pound sterling attained parity on New York. Whenever that happens the Hungarian crown will in the normal course of events automatically acquire the same value as the Austrian.

The stabilisation afforded a favourable opportunity for a further adjustment which is also of some importance. The difference between the money and commodity rates of the Bank of Issue was about 1½ per cent., including the ½ per cent. brokerage payable to authorised dealers in bills. This difference was now reduced to ½ per cent. (equivalent to 2,000 crowns on the basis of the London quotation), and the authorised dealers are empowered to claim a further ½ per cent. from their clients. Whilst there may be some room for a further reduction of bank brokerages the new arrangement at least has the advantage that smuggling, which can normally only operate somewhere between the official money and commodity rates, will now be so unprofitable that it will shrink to a minimum. So long as import prohibitions continue, which demand greater self-denial, than certain sections of the public are prepared to tolerate, smuggling is bound to go on in order to satisfy illegitimate needs. But it can now be said that with respect to the satisfaction of legitimate demands for crowns for exchange a normal and healthy market is in existence. The Bank of Issue relies upon having sufficient resources available to maintain the stabilisation of the crown at the selected level.

2. *The Gold Crown.*—It has already been mentioned that the improvement in the gold value of the paper crown disturbed the basis of calculation for the payment of salaries and the levying of gold taxes. This difficulty, which has already caused no small dissatisfaction, and which seems likely to reappear in the future in one form or another, requires closer consideration. Until the pound sterling reaches parity on New York, the Hungarian crown will fluctuate in relation to gold. The reconstruction budget, however, is drawn up in gold crowns ; rents, railway tariffs, customs, a number of taxes (including direct taxes) and civil service salaries are reckoned in gold and are fixed by a multiplicator calculated to keep their gold value stable. Moreover, the gold crown was commonly used as the unit of value for wholesale and retail trade during the depreciation of the currency. In one way or the other a unit of value became universally current which, even after the stabilisation, will be subject to oscillation on conversion into paper crowns.

As regards the every day transactions of the public the adjustment to the new situation will take place rapidly, but the treaty obligations of the State, which are based on gold crowns, are more difficult to handle, and before the end of July constituted a source of serious disturbance, particularly in connection with the payment of civil service salaries. The official multiplicator was fixed for July at 17,600, whereas an exact calculation of the gold value of the crown at the end of the month would have given a multiplicator of about 16,000. Payment on the gold basis would therefore have involved in August an incisive reduction of salaries to civil servants reckoned in paper crowns. But the general price level did not fall to anything like the same degree, whilst the cost of food in relation to other commodity prices showed a rise as compared with June. In these circumstances there could be no question of making the multiplicator rigidly dependent upon the real position of the crown.

When it became clear that there must be a disparity between salaries and their exact equivalent in gold the question arose as to whether, now that stabilisation had actually taken place, it would not be better to return to the paper standard. There was something to be said, from the point of view both of the State and the civil service, for fixing salaries in paper crowns for a definite period in advance. This would not only avoid the difficulties with the multiplicator, but would accustom civil servants to bearing the risk of normal fluctuations in the cost of living without continuing to expect the Government to make good the loss of every movement disadvantageous to themselves, which might arise from a change of price level or of the external value of the crown. But the Finance Minister and the Commissioner-General had to take various points of view into consideration. To accept a multiplicator for salaries which is at variance with the actual relation between the gold and paper crown undoubtedly means an increased expenditure in the gold budget. In the view of the Commissioner-General a recurring increase in expenditure ought not to be considered, even if a corresponding rise in revenue were to be expected, and the reconstruction programme should be just as applicable to the whole of State expenditure as to the deficit in the budget. He felt bound therefore to reject a basis which would have produced in fact a continual and substantial inflation in the balance sheet.

3. *Money and Credit.*—There were no noteworthy changes in the money and credit situation during July. The returns of the Bank of Issue show that up till the middle of the month the note circulation was contracting, whilst during the last two weeks there was a rise of about 425 milliards. The latter is ascribable to seasonal or temporary requirements connected with the heavy demands which regularly occur in August. At the end of the month discountings stood considerably below the level which they had reached before the foundation of the Bank of Issue. The proportion between the bullion reserve and liabilities due on sight showed a moderate but continuous improvement, and at the end of the month reached 58 per cent., which may be regarded as satisfactory for the time of year. From now onwards it must be expected that a considerable volume of the credit resources of the Bank of Issue will be required to finance the harvest movement, but there are no grounds for any undue stringency, and signs are gradually appearing that the restoration of confidence in the stability of the crown will result in a considerable easing of the credit situation through foreign aid.

4.—Revenue and Treasury Operations.

1. *Assigned Revenues.*—The receipts from the State revenues pledged as security for the reconstruction loan were as follows :—

	May.	June.	July.
	(in millions of paper crowns).		
Customs	24,410	64,693	62,277
Tobacco Monopoly	66,777	113,843	89,391
Sugar Tax	9,551	7,287	26,929
Salt Monopoly	3,122	2,578	5,432
Total	103,860	188,403	184,031

As the customs receipts in June included revenues properly belonging to the previous month the July returns in reality show a considerable increase. Since July 1 customs are payable on a gold basis, and in the course of the month some were actually remitted in gold, which is apparently to be ascribed to the fact that the multiplicator for converting gold into paper crowns was too high. The increase in revenue from the salt monopoly is due to the rise in price introduced on July 1 and varying from 8 to 15 per cent. according to the sort. This is the third rise since the beginning of the year. The sugar tax revenues are subject to noteworthy changes from month to month, and are credited, so that the receipts in any one month really relate to sales made two months previously.

Out of the July revenues the Commissioner-General has retained the sums required to cover the interest for August on each of the outstanding quotas of the reconstruction loan. These amount to 28½ milliard paper crowns, and have been converted into the currencies of the various lending countries by means of the proceeds of the loan. After reserving these sums for the monthly service of the loan he released, in accordance with the reconstruction plan, 80 milliards of paper crowns for the current budget expenditure of the Government, together with the surplus of 20.209 milliard paper crowns standing to this account on July 1, so that on Aug. 1 there was an available surplus of 75½ milliard crowns.

2. *The August Budget.*—The Budget estimates for August, as compared with the figures of the reconstruction budget, are as follows :—

	August Budget.	Reconstruction Budget.	
	(in gold crowns)		
Expenditure ... (net)	33,830,656	31,050,000	+2,780,656
Revenue ... „	22,969,282	23,966,667	— 997,385
Deficit	10,861,374	7,083,333	+3,778,041

The budget estimates originally submitted to the Commissioner-General showed an expenditure of 2 milliards more than the above and a correspondingly larger deficit. The excess of expenditure is partly due to the increase in salaries already mentioned in the second report, partly to the necessity of granting civil servants a quarterly payment to cover rents, and partly to capital outlays required for particular purposes at this season of the year. The August budget provides no cover for the deficits of State undertakings, which would have made the total expenditure substantially higher. Having regard to the fact that the proceeds of the State undertakings are totally uncertain, the Commissioner-General considered it more opportune to request the Government to reduce the total estimates for August, which was done to the extent of 2 millions of gold crowns, mainly by eliminating certain items of capital expenditure. The result is that the provisional deficit for August is about one million gold crowns less than for July, though it still exceeds the monthly average. Notwithstanding this reduction the Government was not compelled to relinquish its plans for capital expenditure (on the necessity for the execution of which it laid great stress, especially for the purpose of combatting unemployment) inasmuch as a further instalment of the forced loan falls due in August, which the Government desires to utilise to cover these outlays. As the proceeds of the forced loan do not appear on the revenue side of the reconstruction budget the Government is in a pos tion to proceed with these works without having to include these items of expenditure in the current budget.

The reconstruction programme provides 42½ million gold crowns to cover the budget deficit for the half year ending Dec. 31, 1924. The provisional deficit for July and August amounts to 22.7 mill. gold crowns, or about 50 per cent. more than the amount allowed for the deficit on the half year.

An examination of the corresponding accounts for previous years shows that, from the budgetary standpoint, the first quarter of each financial year (July, August and September) is the worst period for the collection of direct taxes. It may therefore be reasonably expected that the deficit in each of these months can substantially exceed the monthly average deficit without giving rise to undue anxiety. If the revenue in the second quarter of the financial year should follow the precedents of past years the limits fixed by the reconstruction programme need not be exceeded.

In the second report attention was directed to the necessity of creating a sufficient fund to serve as working capital. For this purpose advances were granted over and above the provisional deficit. As was presumed, the July receipts were insufficient to produce the required sum, and the Commissioner-General therefore placed at the disposal of the Treasury not only the amount of the provisional August deficit, but also a sum adequate to cover the total expenditure. The State has returned to him in paper crowns out of the July revenues the sum which he advanced over and above the July deficit, amounting in all to 129.2 milliard paper crowns. This sum he has again lent to the State in addition to the amount of the August deficit, and has advanced a further sum of 5,177,402 gold crowns to enable the State to have enough at the beginning of August to meet the requirements for the month. The last two sums represent the equivalent of about £784,000 sterling, which was advanced on the strength of the proceeds of the reconstruction loan. The advances in excess of the provisional deficit (129.2 milliard paper crowns and 5,177,402 gold crowns) are repayable by the State in August apart from the assigned receipts, and it is to be expected that the State will shortly have accumulated sufficient working capital to render further transactions of this kind superfluous.

An agreement was made with the Ministry of Finance relating to various details connected with the preparation of the provisional monthly estimates. This agreement, in conjunction with the returns of the Bank of Issue, will facilitate the ascertainment of the situation of the Treasury from month to month, and materially assist the execution of the reconstruction programme.

3. *Internal Banking Operations and Industrial Loan.*—This loan, amounting to roughly 20 million Swiss francs, was negotiated in April with the Hungarian banks and certain industries as an advance on the proceeds of the reconstruction loan, and repayable therefrom on June 30, 1924. In virtue of subsequent modifications the agreement has been altered so as to provide for the repayment of a portion of these advances amounting to $1,375,480, in July, and the remainder in August from the proceeds of the Hungarian quota of the reconstruction loan. The Commissioner-General assented to this arrangement, and has released £314,935 sterling from the proceeds of the reconstruction loan for the repayment of the portion of the advance due in July. As this loan served to cover the budget deficit for the financial year ending June 30, 1924, the sum of £314,935 sterling is a charge only upon the 60 mill. gold crowns which the reconstruction programme has provided out of the proceeds of the reconstruction loan to cover the budget deficit up to June 30, 1924.

4. *The Forced Loan.*—The receipts from the forced loan during July—23½ milliard paper crowns—combined with the specie residue of June 30, amounting to 2.4 milliard paper crowns, provide an available balance of 25.9 milliard paper crowns. Of this the State utilised 18 milliards for the requirements of the July budget, leaving a balance of 7.9 milliard paper crowns on July 31. The total sum paid in on account of the forced loan amounted to 507.7 milliard paper crowns on Aug. 1.

5. *Sums Released from the Reconstruction Loan.*—During July the Commissioner-General released from the proceeds of the reconstruction loan sums totalling 42,677,262.25 gold crowns to cover the budget deficit in July and August, to provide the State with working capital, and to repay the first instalment of the Swiss franc loan. Of the total sum the State holds 13,410,784 gold crowns as working capital, which are repayable out of revenue, so that the amount spent out of the proceeds of the reconstruction loan up to July 31 stands at 29,266,478.25 gold crowns.

5.—Commerce and Measures of Reform.

1. *Foreign Trade.*—The following table compares the official returns of imports and exports for the first half of 1924 with those of the corresponding period of 1923 :—

	1923.			1924.		
	Imports.	Exports.	Import excess.	Imports.	Exports.	Import excess.
	(in milliards of gold crowns).					
January	45.8	17.6	28.2	37.6	32.3	5.3
February	46.1	21.1	25.0	44.1	30.8	13.3
March ...	41.6	26.7	14.9	51.4	44.5	6.9
April ...	37.3	33.3	4.0	59.0	51.4	7.6
May ...	39.1	29.0	10.1	57.4	45.7	11.7
June ...	34.4	20.1	14.3	48.5	35.6	12.9
Total	244.3	147.8	96.5	298.0	240.3	57.7

The substantial increase in exports is highly encouraging, and the present adverse balance should be further diminished during the second half year, when agricultural export is always at its highest. The wheat harvest will not be so good as was expected, but the prospects for maize, sugar beet and other products are at present excellent, and, taken in conjunction with high prices obtained for wheat, should to some extent compensate for the decline in this year's wheat harvest.

2. *State Employees.*—The following table shows the number of State employees :—

	1913.	July 1 1923.	June 30 1924.	July 1 1924.
Administration	95,323	93,852	89,915	87,234
State undertakings ...	104,647	53,315	53,291	51,089
Permanent State employees	113,816	52,302	51,797	49,689
Total	313,786	199,469	195,003	188,012

The staff of qualified administrative officials (excluding those in State undertakings) is ranged in 11 categories and at present numbers 33,883 as compared with 28,543 in 1913.

It will be seen that, though Hungary at present possesses only about one-third of its pre-war area and 40 per cent. of its pre-war population, the number of State employees is over 60 per cent. of the pre-war figure, whilst the actual number of qualified administrative officials exceeds that of 1913. It is clear that so long as the State must devote a large portion of its revenue to the payment of its employees the amount available for other purposes will be correspondingly small.

3. *Other Measures.*—The Government has abolished the import prohibition upon a considerable number of commodities, which, however, are not of a kind to exercise any appreciable effect upon the cost of living. A more important measure is the admission, free of import duty, of wheat and rye for milling and re-export as meal. This should prove very advantageous to the important Hungarian milling industry, which has suffered heavily under the effects of the Peace Treaty.

Most of the changes in the financial administration envisaged in the reconstruction programme have already been carried out by the Government, and preparations are being made for the execution of the few that still remain.

6.—General Observations.

Since May 31 the value of the crown has risen by about 23 per cent., but prices have not yet fallen to any notable extent, and their immediate adjustment to the stabilisation of the currency was apparently not possible.

There was a slight increase in unemployment as compared with June, but this should be to some extent counteracted by the steps taken by the Government to provide work.

Of chief importance is the fact that both in the internal and in the foreign relations of the country very satisfactory progress can be observed in the direction of a consolidation of the internal position which has been created by successful operations in the sense of the reconstruction programme.

BRITISH ANTHRACITE IN THE CANADIAN COAL MARKET.

The Dominion Department of Mines at Ottawa has favoured us with the following article, written by an Officer of the Dominion Fuel Board, on British anthracite in the Canadian coal market.

The Canadian House of Commons in its discussion on March 31, 1924, of the fuel shortage in Ontario and Quebec in 1922 arrived at the conclusion which was expressed in a resolution that the time had arrived for Canada to have a national policy in relation to its coal supply, and that no part of Canada should be left dependent on the United States. The same resolution expressed the opinion that the Government should immediately consider the initiation of an all-British and Canadian coal supply. A means of giving effect to one phase of this resolution had already been pointed out by reports prepared under the direction of the Hon. Charles Stewart, dealing with the desirability of developing a permanent market in Canada for British anthracite. In view of this it is important to note that the imports of Welsh and Scotch anthracite into Canada, which began in 1922, increased very largely in 1923 and promise to increase still further this year. The amount imported in 1922 was 180,000 tons and in 1923 262,000 tons, an increase of nearly one-half. Of the quantity imported about 90 per cent. has graded as of "domestic" size, and has in consequence commanded the best market prices. In this connection, however, it should be borne in mind that the 1923 figures cover a full year's trade movement, while those for 1922 may be said to be confined to the summer and autumn period, following the visit to England of a representative of the Canadian Department of Mines.

Nevertheless, the 1923 development must be considered highly favourable, since it has taken place through a comparatively small number of dealers, often without facilities for crushing and grading, in competition with supplies of United States anthracite, which are again plentiful, and in view of the increased attention devoted by the Dominion Fuel Board to the possibilities of domestic coke. Moreover, certain prejudices against the British product had, and have yet, to be overcome as a result of some of the earlier shipments which were not properly screened. The supplies now available are understood to be uniformly high in quality and with the fine dust removed.

Quebec and Ontario dealers supplying both British and American had coal report a small but a very definite and even insistent demand for the British product, including briquettes. Moreover, this demand is actively growing as certain qualities of the British coal are becoming more widely understood, viz. its small ash content (3 to 4 per cent.), high heating values (14,600 B.T. units), and responsiveness under draught, both to pick up and throttle down. It has been the uniform experience of those using this coal that it requires less attention either for stoking or ash-handling than similar grades of United States coal ; there is less waste and, everything considered, less expense. The objections to it are that it is brittle and tends to break up in handling. Demand and prospects on the whole have been so satisfactory that certain prominent Welsh colliery interests have now completed requisite plans for the installation of a breaking and grading plant, with docks and railway sidings in Montreal. This plant will have a capacity for handling about 400,000 tons annually, and the owners plan on shipping to Canada at least 100,000 tons during the present year.

In regard to price the British product of course competes with United States anthracite. Even in districts where the former has had to be sold at a higher price than the latter the difference is counterbalanced by the superior quality of the British coal. The first cost and the dust retarded its early popularity, but an improved grading and distributing system such as that under way will no doubt overcome to a certain degree these objections. The cost of transporting coal from Swansea to Montreal is only about half that of bringing it from Pennsylvania. This is due to the very favourable ocean rates and to the large surplus of cargo space regularly going from England to Canada. There are many factors to encourage a permanent anthracite trade development between Great Britain and Canada, which would be extremely advantageous to both countries and an unmixed blessing to the ocean carriers.

UNIVERSITY OF LONDON.

Day and evening courses in Dutch Language and Literature have been arranged at University College, London, for the forthcoming session. They will be conducted by Dr. P. Harting, who will be glad to advise students as to a suitable course of study.

Similar courses in Italian Language and Literature have also been arranged. The day courses will be taken by Senator Professor Cippico, with the assistance of Professor Edmund Gardner and Dr. Camillo Pellizzi. Evening courses in Italian, both senior and junior, are taken by Dr. Pellizzi, who also takes special courses, day and evening, for students in the Faculty of Commerce.

Leaflets containing particulars of the arrangements can be obtained from the Secretary of University College, London.

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.*

THE ECONOMIST'S BOOKSHELF.

MONETARY THEORY AND EXPERIENCE.

The Austrian Crown: Its Depreciation and Stabilisation. By J. van Walre de Bordes, LL.D. With a Foreword by Sir Henry Strakosch, K.B.E. (London: P. S. King & Son, Ltd. Price 15s. net.)

This able volume, by a member of the League of Nations Secretariat who has had unrivalled opportunities of studying his problem at first hand, is, in effect, an enquiry into the validity of certain general theories by the test of a single instance. All general theories constructed to explain the relations between given phenomena under normal conditions are of course subject to modification by the exigencies of circumstances which are abnormal. To replace the theory by the modification is an error to which many are prone: have we not often heard the nationalisation of industry in peace justified by its efficacy in war? Provided, however, that we resist this tendency, it is indeed salutary to enquire into the behaviour of a theory under conditions whose exceptional influence may reveal the potential strength of the forces which oppose the operation of the theory. Such is the nature of the task which M. de Bordes has executed with considerable skill. His object is to determine how far the quantity and purchasing power parity theories of money have been applicable to the vagaries of the Austrian crown since the war. He has collected such statistical detail as was available to record fluctuations in the quantity of the means of payment, in the price level and in the rates of exchange respectively. Much desirable material was unfortunately not obtainable, but, even so, he has adduced a mass which is sufficiently formidable. In accordance with the monetary theories under investigation an increase of the quantity of the means of payment should be followed by a rise of the inland price level, and that again by a rise in the rates of exchange. This sequence actually occurred between July 1914 and the spring of 1916, but thenceforth it was materially modified by the increasing economic dislocation of the country, and even suffered a complete reversal. Thus, from 1916 to 1920 prices remained at a much higher level than either the circulation or the rate of exchange, whilst from November 1920 to September 1922 the exchange continually led the price level and far outran the note circulation. During the latter years of the depreciation the disparity between the price level and the note circulation was due to the entry of foreign notes into circulation as a means of payment and to the increased velocity of circulation of money and deposits. If due allowance is made for these factors the quantity theory is found to hold good even during the depreciation. The purchasing power parity theory, on the other hand, suffered complete eclipse, inasmuch as, for nearly two years, the rate of exchange, under extraneous influences, entirely dominated the price level. When it was found that the value of the crown was changing from hour to hour the practice was adopted of calculating prices in terms of some stable foreign currency, so that the crown became little more than a mere mask. The purchasing power parity theory is a delicate plant which can only prosper in greenhouse conditions; for, as the author says, it presupposes free commercial intercourse, and eschews every kind of artificial interference therewith. It would not pretend to account for the exchange value of a volatile medium like the Austrian crown in 1922. Sir Henry Strakosch would therefore seem to be rather overstating the case against the theory when he says in his Foreword that "the violent deviations of the exchanges from their purchasing power parity in recent years clearly demonstrate that it is unsafe to regard the theory as anything more than the statement of a tendency," i.e. "a centre of gravity towards which exchanges tend to move because of the ever present desire of people to buy in the cheapest market." There is nothing in M. de Bordes' microscopic examination of the activities of the Austrian crown which would deter us from predicting that, if at the present moment American prices advanced 15 per cent. whilst sterling prices remained stable, other things being equal, sterling would in due course attain gold parity. If Sir Henry would agree with this (and his words may well be so construed) we have no quarrel with him; but then we would prefer the terms of Mr. Keynes' milder conclusion (*Monetary Reform*, p. 106) that "the purchasing power parity theory, even in its crude form, has worked passably well." Nevertheless, from the point of view of monetary science, M. de Bordes has performed a useful service in revealing the causes which have militated against the operation of the theory in Austria.

Things no less strange happened to the crown during its convalescence than during its disease. Between August 23, 1922, and December 31, 1923, the note circulation rose from 1,148 milliards to 7,126 milliards; yet this enormous increase had practically no effect on the price level. In the words of the author, "this is certainly the most surprising of all the remarkable phenomena which Austria has produced in the sphere of economics." The reason was that the increase was counterbalanced by the gradual disappearance of foreign notes from circulation and by a decrease in the velocity of the circulation of money and deposits. The expansion of the note issue was therefore tantamount to no inflation at all. Again, writing before the fall on the Vienna Stock Exchange in the spring of 1924, the author says that "if the present policy of stabilisation of the rates of exchange is continued, an increase of the circulation is to be expected. . . . In that case Austria will find herself in the singular position of suffering from inflation while the foreign exchange rates remain stable." From which it is evident that Austria would flout a theory emanating from the very archangels themselves! While, therefore, welcoming M. de Bordes' valuable contribution to the science of money, we must refrain from permitting it to cast doubts upon the reputation of Caesar's wife. J.C.J.

AN INTRODUCTION TO BRITISH TRADE.

The Outline of British Trade: a Text-book for Business Men and Students of Commerce and Economics. By David W. Caddick. (London: George G. Harrap & Co. Ltd. Price, 3s. 6d. net.)

The author of this little volume has rendered a brief summary of the main historical facts in the evolution of British Trade. It is designed mainly for the purpose of meeting the needs of business men and students of commerce and economics. If it is read one feels quite certain that it will stimulate in the reader a desire for other and profounder work upon aspects of British Trade development. It is an excellent introductory study, in fact, we cannot think of a better one.

All such summaries start upon their career with an initial handicap; brevity will always invite, if it does not provoke, criticism. The facts utilised may be summarised to serve other theories by other historians. Mr. David W. Caddick is aware of this and takes the earliest opportunity in his volume to confess the manifold reasons given for Britain's trade supremacy in the nineteenth century. Before the invention of textile machinery and the steam-engine in this country various expedients, mostly political, can be instanced as influencing the development of British Trade, but they were, all of them, insignificant when brought into comparison with the consequences of the Industrial Revolution. At an opportune moment this country found itself holding a position unique among the nations of the world. This was just as much by accident as by conscious or deliberate design and, innumerable histories have been written to show a reader how, grasping the opportunity, England became supreme in the world of trade. In the "Outline of British Trade"

Mr. Caddick traces the ascent of this country to commercial supremacy, but he does very much more in revealing the not unsuccessful attacks made upon it by other newly industrialised countries. This little volume is focussed upon facts which it is often most comfortable to neglect. Looking at our position in the world of trade to-day, Mr. Caddick sees that "not all our manifold complex problems can be traced to the results of war. The quasi-monopoly in several branches of industry was already breached in 1913." Since the war this truth has become, and is becoming, more and more obvious. Our competitors are keen and ubiquitous. A frank recognition of the disagreeable fact is the safest method of mitigating its evils. Mr. Caddick adopts this method.

Most instructive are the chapters dealing with the twentieth century and the Balance of Trade. Useful statistics are supplied and both imports and exports are carefully analysed. The background of opinion, in which Mr. Caddick sets his facts, is thoroughly good and comes from such stimulating sources as Mr. J. M. Keynes, Sir Leo Chiozza Money, Sir E. Mackay Edgar, and Dean Inge, none of whom is particularly optimistic in making calculations upon future trade possibilities.

Indeed, the present moment is one in which optimism can be allowed nothing more than a very disputable position when contemplating the prospects of British trade, and Mr. Caddick, in his "Outline," is careful enough to avoid the sore temptation of making the best of what has become a bad case. The history of British Trade is full of romance and colossal achievement; the future of it is beset with innumerable difficulties. Mr. Caddick's volume is a reliable and readable introduction to the study of both. H.J.H.

THE UNITED STATES OF EUROPE.

Labour's Alternative: the United States of Europe or Europe Limited. By EDO FIMMEN. Preface by A. A. PURCELL, M.P. Translated by EDEN and CEDAR PAUL. (London: The Publishing Company Limited. Price, 1s. 6d., cloth 3s.)

The aim of this little book is to describe in broad outline the latest developments of capitalist organisation and to sketch the problems which these developments force upon the national and international trade-union movement. The author is well armed with facts and he uses them to most effective purpose. The latest developments he detects in Capitalism concern its international ramifications. International combines are springing up universally and industries controlled and confined hitherto within national limits are bursting their bonds asunder and spreading their tentacles, octopus-like, upon world markets. International combines among employers are endeavouring to control not only commodity prices but the wages and conditions of labour; they seek to attack workers internationally both as producers and consumers. The obvious deduction to be made by Mr. Edo Fimmen from these horrible premises is not hard to follow; trade unions can no longer regard industrial disputes as primarily matters of national concern. They have to recognise the international implications of any struggle between master and man, and to organise international means of attack and defence. This is the logic of both Amsterdam and Moscow. The class-war follows in its train. Such a philosophy is feeding socialist economies and politics. In its view-point the notion of "national capital" and that of "national industries" grow more and more nebulous until it "looks as if the fine dream of the United States of Europe were likely for many years to come to be realised only in the form of an atrocious caricature, as Europe Limited." On Mr. Fimmen's showing we are not sure that we appreciate either the dream or the caricature. We dislike them both utterly. The international ramifications of the syndicated Stinnes interests, or similar hybrids of British growth, may culminate in Messrs. Europe Limited and possibly will do so, but, in our view, the dream of the United States of Europe is fraught with economic and political consequences as injurious to the interests of humanity. Of the United States of America, Mr. Fimmen remarks "with her entry into modern industry, and modern capitalism, America has broken with the old traditions of liberty and humanity, and the star-spangled banner has become the symbol of corruption, falseness, brutality, unfreedom, the world trust, and world-wide imperialism." Mr. Fimmen, when writing, must have had in mind some other Utopian prototype. In fact, we feel that "Labour's Alternative" to the present régime must remain as nebulous as a good many other things so long as its exponents disregard the organic nature of either economic or political society.

Nevertheless, Mr. Fimmen's book contains much that it is worth the trouble of remembering. The translation by Eden and Cedar Paul is excellent. H.J.H.

Students and others interested in the activities of the University of London will welcome the re-appearance of the *London University Guide and University Correspondence College Calendar* 1925, the issue of which was suspended in 1915 in consequence of the war. The volume presents in clear and compact form the regulations and syllabuses for matriculation and the various Faculties, added to which is an advisory section giving the text-books which experience has shown to be most appropriate for preparation for the several examinations. The work, which is issued gratis by the University Tutorial Press Ld., may be recommended to the attention of private students, teachers and educational officials, who will find it a trustworthy guide.

PUBLICATIONS RECEIVED.

Bulletin of the Pan American Union. September 1924. (Washington, U.S.A. Price, $2.50 per annum, plus 75 cents per annum for countries outside the Pan American Union.)

Indian Journal of Economics. Issued quarterly by the Department of Economics of the University of Allahabad. July 1924. (London: Macmillan & Co. Ltd. Price, Rs. 12 per annum; single copy, Rs. 3.)

Labour's Alternative: the United States of Europe or Europe Limited. By Edo Fimmen. Preface by A. A. Purcell, M.P. Translated by Eden and Cedar Paul. (London: The Labour Publishing Company Limited. Price, 1s. 6d., cloth 3s.)

Quarterly Summary of Australian Statistics, March 1924. By Chas. H. Wickens, F.I.A., Commonwealth Statistician. (London: Australia House. Price, 1s.)

Social Insurance Unified and Other Essays. By Joseph L. Cohen, M.A., Member Advisory Committee on Social Insurance of the International Labour Office. (London: P. S. King & Son, Ltd. Price, 5s. net.)

The Bank of North Dakota: an Experiment in Agrarian Banking. By Alvin S. Tostlebe, Ph.D., Instructor in Economics, Columbia University. "Studies in History, Economics and Public Law," edited by the Faculty of Political Science of Columbia University. (London: P. S. King & Son, Ltd. Price, 10s.)

STATISTICAL SECTION

THE TRADE BAROMETER

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

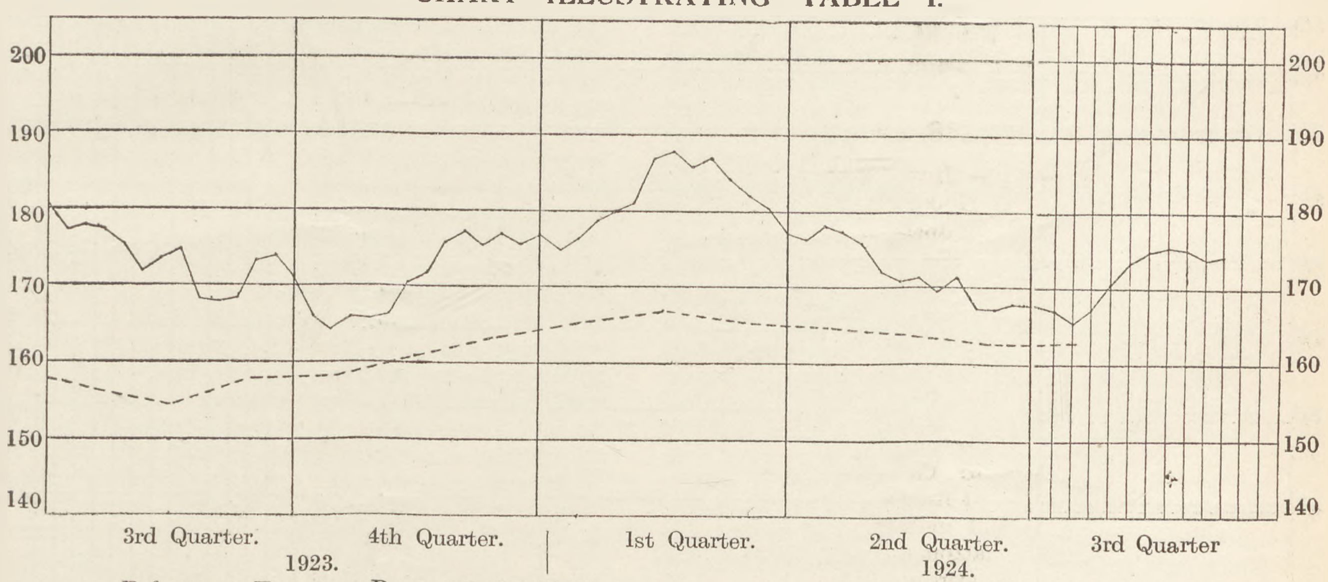
1. Pig iron.
2. Tin.
3. Coal.
4. Linseed Oil.
5. Cotton.
6. Wool.
7. Hides.
8. Wheat.
9. Bacon.
10. Sugar.

Table I. shows the movements of our ten commodities in the aggregate, and Table II. the movements of each of them in relation to the others. 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). For a full explanation of our index number see The Economic Review, Aug. 29, 1924, page 194.

TABLE I.

Date	10 Commodities	Bde of Tde Monthly Average	Date	10 Commodities	Bde. of Tde Monthly Average	Date	10 Commodities	Bde. of Tde Monthly Average	Date	10 Commodities	Bd. of Tde Monthly Average
1920.											
Jan. 16	367.9	296.6	May 12	204.3	201.7	Aug. 18	164.0	156.3	Dec. 14	177.0	163.4
Feb. 13	367.6	310.3	June 17	201.8	197.7	Sept. 15	161.2	154.3	1924		
Mar. 19	396.9	319.0	July 15	194.4	194.1	Oct. 13	161.2	155.2	Jan. 18	178.6	165.4
Apr. 16	384.6	325.2	Aug. 19	178.1	190.0	Nov. 17	169.3	157.6	Feb. 15	187.9	167.0
May 14	391.2	325.5	Sept. 16	183.4	187.0	Dec. 15	161.2	155.8	Mar. 14	182.1	165.4
June 18	417.7	322.4	Oct. 14	170.2	180.7	1923			Apr. 18	177.5	164.7
July 16	418.8	316.9	Nov. 18	154.5	172.8	Jan. 12	162.8	157.0	May 16	171.2	163.7
Aug. 13	386.8	313.1	Dec. 16	153.2	167.9	Feb. 16	177.2	157.5	June 20	167.8	162.6
Sept. 17	379.4	311.4	Dec. 30	150.0		Mar. 16	192.4	160.3	July 18	167.1	162.7
Oct. 15	328.6	302.3	1922			Apr. 20	198.5	162.0	Aug. 8	174.9	
Nov. 19	293.0	286.9	Jan. 20	144.0	164.0	May 18	198.1	159.8	,, 15	175.3	
Dec. 17	257.0	263.8	Feb. 17	149.2	161.8	June 15	190.0	159.3	,, 22	175.1	
1921			Mar. 17	149.8	160.0	July 20	177.3	156.5	,, 29	173.9	
Jan. 14	244.2	245.9	Apr. 14	151.7	160.1	Aug. 17	174.6	154.5	Sept. 5	174.2	
Feb. 18	219.1	225.2	May 19	162.1	160.6	Sept. 14	173.2	157.8			
Mar. 18	199.0	210.8	June 16	163.6	159.9	Oct. 19	166.0	158.1			
Apr. 15	202.8	204.8	July 14	165.1	160.3	Nov. 16	171.7	160.8			

CHART ILLUSTRATING TABLE I.



Reference : Economic Review Index Number——— Board of Trade Monthly Index Number - - - - -

TABLE II.

Date	Pig iron.	Tin.	Coal.	Linseed Oil.	Cotton.	Wool.	Hides.	Wheat.	Bacon.	Sugar.	Mean.	Date.
Dec. 30, 1921	100	100	100	100	100	100	100	100	100	100	100	Dec. 30, 1921
1922.												1922.
Jan. 27 ...	90.6	90.5	92.4	108.8	85.3	100.0	82.6	101.1	94.4	96.1	94.18	... Jan. 27
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	111.15	... 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.												1923.
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
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
1924.												1924.
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
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
June 13 ...	92.5	128.9	81.1	140.4	147.3	142.2	92.0	106.7	83.5	99.3	111.39	... June 13
July 11 ...	89.6	128.9	74.5	140.4	140.6	142.2	92.8	111.5	80.9	101.4	110.28	... July 11
Aug. 8 ...	87.7	149.2	78.3	149.1	159.7	151.1	94.2	120.9	79.8	96.0	116.60	... Aug. 8
,, 15 ...	87.7	148.0	78.3	145.6	158.8	151.1	94.2	124.1	84.6	96.6	116.90	... ,, 15
,, 22 ...	87.7	151.5	79.2	149.1	143.7	151.1	97.1	122.5	87.9	97.3	116.71	... ,, 22
,, 29 ...	87.3	148.5	78.3	149.1	139.1	151.1	97.1	122.5	88.2	98.0	115.91	... ,, 29
Sept. 5 ...	87.3	149.3	75.5	151.8	136.6	151.1	97.1	115.4	88.2	108.8	116.11	... ,, 5

*Revised Quotation.

Statistical Section

THE EUROPEAN EXCHANGES

WEEKLY PERCENTAGE OF DOLLAR PARITY

(To Week Ending Sept. 6th.)

	Week ending Sept. 6.	Aug. 30.
Sweden	99.08	99.31
Switzerland ...	97.50	97.27
Holland	95.72	96.38
Sterling	91.83	92.26
Spain	68.55	68.87

	Week ending Sept. 6.	Aug. 30.
Denmark ...	61.66	60.67
Norway	51.40	51.64
France	27.67	28.12
Italy	22.96	22.96

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.